

PILBARA PORT ASSETS (DISPOSAL) REPEAL BILL 2017

Second Reading

Resumed from 15 June.

HON STEPHEN DAWSON (Mining and Pastoral — Minister for Environment) [10.18 am]: I indicate that I am the lead speaker on the Pilbara Port Assets (Disposal) Repeal Bill 2017. However, I do not propose to take unlimited time.

I thank Hon Robin Chapple for bringing this bill to the chamber. As I share the same electorate as he does, the Mining and Pastoral Region, I too have some concerns about the Pilbara Ports Assets (Disposal) Act 2016. After having looked at the debate in *Hansard* on the Pilbara Ports Assets (Disposal) Bill 2015, I note that I raised a number of concerns at the time about my electorate and the fact that not a great deal of consultation had taken place. In fact, I referred to correspondence that members in this place at that time had received from the Association of Mining and Exploration Companies, which had expressed fairly strong concerns about the fact that it had not been properly consulted on the bill.

Members may recall—Hon Robin Chapple reminded us in his second reading speech—that in March 2016, the Pilbara Port Assets (Disposal) Bill 2015 was sent off to the Standing Committee on Legislation for consideration. The committee undertook some fairly detailed work at the time. It called for submissions and received, I think, about 20 written submissions from various stakeholders. It advertised its inquiry in *The West Australian* and regionally, and it publicised its hearings through the Legislative Council's social media accounts. It also held a number of hearings right around the state over a number of days and invited views from the community about what should happen with the bill. The committee delivered a fairly detailed report with a series of recommendations, but I remind members that at the time there was no recommendation made to not pass the bill; it simply asked for various other things to be taken into consideration. For members who do not know, the Utah Point bulk handling facility is a multi-user berth that is part of the Port Hedland port, which is currently managed by the Pilbara Ports Authority. Under the policy of the former government, the Department of Treasury conducted some analysis on the potential sale of the facility versus a long-term lease, but no formal market process was conducted or has been conducted by either the last government or this government subsequently.

Obviously, after this house sent that bill off to the committee, it came back. I recall that it was Hon Jacqui Boydell who referred the bill off to the committee at the time, and I am pleased to say that Labor and the Nationals worked together at that stage. We, too, had the view that it should go off to the committee, and it did. The committee ultimately made 17 recommendations, 12 findings and three minority recommendations. Hon Robin Chapple was a member of that committee, and I think he led the charge in relation to the minority recommendations. There was also one minority finding.

Once debate on the bill resumed, Hon Michael Mischin, as minister representing the Treasurer at the time, outlined in detail his government's response to the committee's recommendations. The key amendment that arose out of that debate related to clause 47, which related specifically to the preservation of rights to future access by the current users of the facility—what we commonly refer to as junior miners. That process obviously allayed the concerns of Hon Jacqui Boydell and the National Party because the Pilbara Port Assets (Disposal) Bill 2015 was subsequently passed by the Parliament late last year, on 17 November 2016. That enabled the then government to undertake a divestment process for the Utah Point facility under certain terms and conditions, subject to its decision. However, because the legislation was passed late last year, very close to the state election, it was too late for the previous government to carry out its plans, so it put the sale of Utah Point on hold until after the 2017 election. Here we are, six months later, and I have to indicate to Hon Robin Chapple that the McGowan government does not support the Pilbara Port Assets (Disposal) Repeal Bill 2017, which he introduced. Since the election, we have not yet made a decision about whether the process should continue or proceed in another form or at another time. We believe that to simply scrap the act in its entirety without proper consideration of the issues is inappropriate and probably not sound policy. Sometimes in this place, when we change sides of the chamber, our views become more flexible! But we had the debate in this place, and members opposite won that debate. The legislation was passed and there is now a current act, so we want to take our time to consider it properly and go through the issues. We do not believe that simply scrapping the act, as Hon Robin Chapple is asking us to do, is sensible or sound policy.

Hon Robin Chapple: I would have thought that after a year's debate in this chamber and the abject objection of the Labor Party, we could have assumed that you were opposed to the sale.

Hon STEPHEN DAWSON: Honourable member, we are a very sensible government, and obviously the state's finances are in a very poor condition. But one of the things that was said at the time—certainly I said at the time—was that I was concerned that if the bill were to be passed last year, it would be a fire sale. It was going out to

market at a time when the economy was really bad and we were not necessarily going to get the highest price for Utah Point.

Hon Robin Chapple: \$500 million is not a fair price?

Hon STEPHEN DAWSON: I am not the Treasurer; I am not the person who decides how much is a fair price. However, at the time we said that when the market is depressed, it is the wrong time to sell assets. Members will recall that the previous government had three assets in particular that it sought to sell off, and we expressed concerns about all three. We said, “You shouldn’t be undertaking a fire sale.” The previous government did not, because it passed this legislation too late in the year, but the legislation was passed, and this government wants to consider the issues in their entirety.

I made the point earlier on that it is very important to note that although the Standing Committee on Legislation made a range of recommendations, none was to scrap the bill in its entirety.

Hon Robin Chapple: None of those recommendations were accepted in the legislation amendments either.

Hon STEPHEN DAWSON: This is Hon Robin Chapple’s bill. I look forward to him responding to all of our concerns or issues when he gets the chance to do so over the coming months.

The government is very aware of the ongoing sustainability of the current users of the facility. That is certainly a critical determinant for if, how and when any divestment may occur. In that regard—I mentioned this yesterday during question time in this place—the government has approved an extension of discounts on port user charges for iron ore exports at Utah Point for a period of six months from 1 July 2017. This really provides an indication of the government’s focus and priority for supporting the junior miners.

It is fair to say that there are still concerns held by people in the industry about the proposed sale of this facility. I certainly want us, as a government, to ensure that we are consulting and listening to those concerns as we proceed. Equally, I do not think Hon Jacqui Boydell would have changed her mind on the previous bill unless there were other people in the industry saying to her that they were now happy with the bill because there had been amendments made to protect some of the junior miners.

The government is currently undertaking a detailed assessment of how to address the state’s finances and we are doing it in a considered manner. We are trying to get to the bottom of how the previous government wasted the benefits of the boom and left the state’s finances in a mess. Although in opposition we fought the former Liberal–National government’s privatisations, we will continue to act in the best interests of the state. We believe that it is in the best interests of this state to properly consider the legislation that has been passed, not supporting the bill before us, and having a proper dialogue with the community.

We have an extensive election platform to deliver to the people of Western Australia and we are getting on with the job of delivering it. That is what we intend to do over the next four years. I am pleased that later in the day we will all have an opportunity to see the budget and hear the government’s plans moving forward. There are difficult decisions to be made, but we are committed to making them.

As I said, the future of Utah Point is currently being considered. Pre-empting any of those considerations is not supported today and that is why we do not support Hon Robin Chapple’s bill. We are committed to the long-term interests of the state, but we are also committed to the future of the minerals and energy sector. We do not want to make the same mistakes the last government did, with its lack of consultation on the sale of Utah Point; we want to properly consider the issues. As I said, we are continuing to support the junior miners with the continuation of the discount for those that use Utah Point. The extension of the discount will provide certainty to the users of Utah Point in the current financial climate.

I could go on for hours on this bill, but I have said all I need to say. This bill is not supported. I appreciate Hon Robin Chapple bringing it before us and representing the Mining and Pastoral Region in the best way that he sees he should. However, this chamber passed a bill last year and an act is in place. This government is of the view that we need to take the time to properly consider the future sale of Utah Point, who may be affected by it and the implications, so over the next little while we will have a conversation and dialogue with industry about this important issue. For those reasons, we will not support the legislation.

HON Dr STEVE THOMAS (South West) [10.31 am]: On behalf of the opposition, and in the interests of continuing, as I said earlier this week, the immensely cooperative and supportive role the opposition has towards the government, we will support the government’s position, not the Pilbara Port Assets (Disposal) Repeal Bill 2017. It is a very good example of how we are effectively working with government to deliver good outcomes for Western Australia, and I am sure that the government is quite appreciative of the opposition’s position on this bill.

I will make some general comments on the trend of privatisation and the privatisation of port assets. I have never been frightened of the process of privatisation and I am pleased that the government at least has an open mind about the potential benefits of the process for the state of Western Australia, because they may turn out to be quite

significant at a time when significant current assets could be turned into significant future growth. We should not be frightened of a privatisation process in certain areas across the board. I think we should take a little time to look at the privatisation of ports generally, because it is not necessarily the case that only government can effectively manage ports and port infrastructure. In fact, the world has generally seen that the private sector in many countries and in many port cities can effectively manage port infrastructure in, I suspect, a far more efficient way than government can. I note that the government may have some issue with the position of the Maritime Union of Australia, which is in the process of merging with the Construction, Forestry, Mining and Energy Union. I encourage the minister and the government to maintain a strong platform of managing those unions, because I think it will be critical for the future of Western Australia that we have an efficient port process and that we can get our products into the international marketplace in a cost-effective manner.

Hon Kyle McGinn: Are you saying it's not effective now, member?

Hon Dr STEVE THOMAS: We can make it far more efficient, and certainly the private sector has efficiency at the forefront of its mind. We should not be frightened of the private sector engaging in this process and we should support it when it is effective for the future of the state of Western Australia to convert an investment in assets into alternative assets that drive future growth. In particular, we are talking about the Pilbara port and bulk commodities in a highly competitive international marketplace. We are effectively talking about the iron ore industry, which has served Western Australia remarkably well over the past 16 years of the biggest boom in the history of Australia, but it is coming back down in a very competitive international marketplace. It is good to see our iron ore producers getting the production cost down to a point at which it will potentially deliver a little future optimism. If iron ore production is sitting at \$45 a tonne and up to \$65 a tonne through our ports, it will struggle to compete in the next decade as iron ore prices revert to something far closer to the long-term average. I note that at the moment the iron ore price is about \$US77 a tonne; it varies a bit depending on where it is measured. Almost every prediction at the moment is for a correction down to something in the order of \$US60 a tonne. If that is the case, there will be a significant issue with international competition if the costs of production remain high. Costs of production in the extraction and processing components of iron ore have been driven down. Most of our Australian miners now have production costs in the region of \$15 to \$20 a tonne, and some are creeping down towards \$12 to \$15 a tonne. I note with interest, and members will be aware, that there is a lot of discussion in the industry about the potential for a particular South American miner to start getting iron ore into the Asian marketplace, particularly the Chinese marketplace, at \$10 a tonne and less, which will be a significant drop from the current cost. If our iron ore miners have to respond by again making savings and driving down their costs of production, we will have to look at the cost of those transports fairly carefully. I think there is still potential to make savings in the transport process through our ports. I know that they operate in a fairly efficient manner at the moment, but when production costs get down to under \$10 a tonne, every cent starts to make a significant difference. It will become a very tense international marketplace.

It is obviously in the interests of miners to make sure that their port structure is as efficient as possible. It is also in the interests of Western Australia to take a proper look at and test the marketplace, because the private sector has, almost by definition, a strong drive to minimise through-costs. For that reason, we need to allow the government, in this new spirit of bonhomie, to have a good and solid look at the potential savings that might be made and the potential revenues that might be gleaned and compare that with the capital cost of selling this particular asset. I encourage the government to look at other assets in the regions to make sure that they also are run efficiently. As an aside, I note that the government is looking at the structure of the Southern Ports Authority. I know that there has been some union concern around, I suspect, the Esperance port in particular.

Hon Darren West: Community concern.

Hon Dr STEVE THOMAS: There is some community concern and some union concern about that process, Hon Darren West. I hope that the government stands very firm and is not dictated to by the MUA, or the combined union, because it will need to look very carefully at the most efficient outcome for those parts, not necessarily the —

Hon Kyle McGinn interjected.

Hon Dr STEVE THOMAS: It will be a very interesting test case with the Southern Ports Authority, with the focus on Esperance, to see whether the government is genuinely interested in the most efficient and effective port infrastructure and how much pressure is brought to bear. We need to look very carefully at the process and make sure that we are getting a good outcome, but we should not be frightened of that. As I have said before, we should not be frightened of the potential privatisation of other state assets. I will be intrigued to see, when the budget comes out this afternoon, where the government will go with that and whether it thinks, as reflected in the newspaper today, that increases in payroll tax may actually be a better outcome than the realisation of capital available in assets held by the government. I have always viewed payroll tax as effectively a tax on jobs. It is potentially a necessary evil to manage state budgets—I understand that—but a tax on jobs is surely something that

we need to keep a very close eye on. We are in a period when unemployment is not as low as it has been in recent years. During the mining boom we had —

Hon Darren West: Two hundred minutes until you find out.

Hon Dr STEVE THOMAS: Is the member counting? There are 200 minutes left. I liked that interjection. Just as an interesting aside, I worked in the federal parliamentary sphere for the last six or seven years. In the budget lock-up process, the media goes in and becomes part of the briefing component so that they can ask the questions they need to ask afterwards. In the federal sphere, that also involves the opposition—the opposition is invited into the budget lock-up so that they can be briefed and can make comments as the media starts to ask them questions. I note that that never occurred in the state sphere. In 2008, as shadow Treasurer, I certainly was not invited into the lock-up period. I presume that situation has remained.

Hon Stephen Dawson: We are being consistent with the previous government.

Hon Dr STEVE THOMAS: It is a consistent policy.

Hon Stephen Dawson: In the spirit of bonhomie, we have been consistent.

Hon Dr STEVE THOMAS: The government has been consistent. This is an opportunity for the government to take a little friendly advice. I suggest that perhaps having a member or two of the opposition and potentially the crossbench representatives in the budget lock-up might be a particularly useful process, so that questions can be answered with some degree of knowledge.

Hon Tjorn Sibma interjected.

The ACTING PRESIDENT (Hon Matthew Swinbourn): Members, I might remind you that we are dealing with the Pilbara Port Assets (Disposal) Repeal Bill 2017 and that debate needs to be relevant to that particular bill, as topical as what you are speaking about is.

Hon Dr STEVE THOMAS: I will potentially come back to that topic in the budget debate next week. I thank you for your guidance, Mr Acting President.

Returning to port sales, obviously we should not be frightened of realising the capital worth of the asset to the state. I am very pleased to see that the government has kept an open mind in this regard. We hope to be able to encourage the government to keep that open-mindedness going on a number of other key assets that we might eventually manage to debate.

The Pilbara port is obviously the easiest to look at in terms of realising our capital asset for a number of reasons, but probably most importantly because it has a very limited variation of resource going through it. It is effectively an iron ore port. Whilst there are a number of users up there, in comparison with the port of Fremantle or other ports it is a fairly small, select group of users who can be negotiated with in a fairly easy and comprehensive manner. It is not like Fremantle port, which has thousands of different users, although I would encourage the government to have a look at Fremantle port at the very least.

Hon Stephen Dawson: We will not be. One of our commitments was that we would never sell Fremantle port.

Hon Dr STEVE THOMAS: Never say never, minister. The government might decide that it needs to have another look at that. Fremantle port, with thousands of different users, would obviously involve a very complex process and negotiation. It is a lot harder to guarantee the level, quality and standard of service when there are many thousands of users. That can be compared with an iron ore port that has, for the most part, a handful of users who can be negotiated with in an easy and efficient manner. I understand why either government—this one or the previous one—would look at the Pilbara ports first, particularly Utah Point, because it has a limited number of users who may well, under negotiation, look at investment in that port. That is a highly efficient downstream integration that could be looked at. That should certainly be part of the negotiation and examination; that is, whether that limited number of users, and particularly the iron ore exporters, might be interested in integrating the process all the way through to arrival at the foreign port when delivering their iron ore. That needs to be looked at in some detail, because it may well provide the greatest number of efficiencies to actually allow that to happen.

There will be iron ore exports of significant volume for the foreseeable future into the medium and long term, irrespective of the price. As long as the price stays above \$US30 or \$US40 a tonne, it is going to be economic to keep that going. As China builds up towards importing a billion tonnes per annum there will remain significant exports out through that port. Obviously, this provides a long-term investment for those big investment houses—the superannuation funds and the major infrastructure groups—which would perhaps not require the sort of hurdle rate that some of the smaller investors would require. Obviously the tricky part is that the hurdle rate required for small investors is going to be up over 10 per cent, and that means that they would have to start taking significant funds out of the port. With long-term investment by major capital investors, particularly superannuation funds, we could find that it actually comes down to a hurdle rate of around four or five per cent, which starts to make some good economic sense for future development. Obviously, profit margins are going to be required. We will probably

need to look at the expense and operations side to make sure they are as lean and mean as they possibly can be. That process will be gone through. Again, I do not think we should necessarily be frightened of that. If members are frightened of the sale of an asset like a port to the private sector because they think it might slim down the operation, they are effectively saying they are happy for government to subsidise it to keep that little bit of excess in there. That is a problem for any government, and particularly a government in more difficult economic times. It is very important that we are not frightened of private investment in the industry. We should allow business, if it is looking to invest in it, to maximise efficiency. As I say, if members are frightened of that, they are effectively using government to subsidise inefficiency. We are in a period at the moment when we cannot allow that.

The minister raised the issue of the committee review of this sale. Like the minister, I noted that at no point did the committee recommend that the original bill, which was lodged in 2015, or the 2016 act, to allow the Pilbara ports to be sold should not go ahead. That is fairly strong support for at least the capacity to test the waters. Members need to remember that the bill in itself does not require the sale of Utah Point or this particular Pilbara port asset. It allows a government to test the marketplace and, if it discovers that it is in the interests of the people of Western Australia and to their long-term benefit to go ahead with the sale, the bill would allow the government to do that. I presume that that is why the government will not support this bill. Rather than an act that enforces the sale of a product, it is an act that will sit in place to allow research to be done and, if it proves to be viable, there will be the sale of that product in the future. The government has taken the remarkably sensible position of leaving it in place to test the marketplace and the waters into the long term. It can stay there for a long time because we might find that the value of the asset and the return to the people of Western Australia vary significantly over time. Five years ago, the iron ore price peaked at, I think, \$180 a tonne. If the world suddenly changed and iron ore prices sat at \$180 a tonne, there would be so much money in the marketplace that the government might decide that with the port being of significantly higher value, it would be a more efficient investment for the Western Australian population if it sat in a more productive way. Then again, if the iron ore price crashes to \$35 a tonne, which is where the least optimistic forecasters are putting it, the iron ore industry will become a lot tighter and the small iron ore miners with production costs between \$40 and \$60 a tonne would get into significant trouble. I understand that BHP and Rio Tinto are in the \$15 a tonne to \$20 a tonne range and that Fortescue has met the same sort of target. Potentially, they are all looking to exceed that with a mark between \$10 and \$15 a tonne. If they do that and become competitive with the Brazilians in the upcoming couple of years, I struggle to see the iron ore price dropping to a point at which the industry does not have significant value. It remains a solid industry. It is obviously still a solid performer for Western Australia and it still makes a significant contribution in royalties. Even though we say that the boom is effectively over, iron ore royalties in the state of Western Australia are still significantly high. The state still makes a lot of money—billions of dollars every year—out of iron ore royalties and the iron ore industry, and it will continue to do so in the foreseeable future.

The industry remains on a solid footing, although the \$180 a tonne times are gone for as long as anybody in this house is alive. The next great boom may be hundreds of years in the future, but it is still a valuable industry and it is incumbent on us and the government to make sure that it remains as efficient as possible in this incredibly competitive marketplace. It behoves the government to make sure that it is doing the most that it can to get the best value for the people of Western Australia, and that includes the potential privatisation of this asset if the numbers add up, and they would need to be carefully managed.

The original bill put protections in place for the smaller miners. No amendments to the protections in that bill have been made, so they remain in place. The committee put forward the position that the consultation process in the first case for the 2016 act was not sufficient. That consultation has been and is, I understand from the minister's comments, ongoing and will remain ongoing. Most of the questions about this bill and whether it is a good thing for Western Australia have probably been answered up to the point of drawing a line under it and working out the sheer economic return. That is the bit that the government will hopefully do over the next couple of years. It does not need to rush into that process because, as I said, it can watch what the iron ore price does in the next year or two, allow it to settle and find a more standardised base, which I suspect will be not much lower than it is now—hopefully, in the \$US60 to \$US75 a tonne market. At that point, it can work out the longer-term figures and it will know the approximate throughput.

The expansion that occurred between 2000 and 2016 with the latest of those iron ore mines coming on is now calculated reasonably accurately. It has certainly slowed as the Chinese marketplace has become a little more mature. When the government has a relatively good set of numbers to work with in that mature marketplace, that would be the obvious time to go forward and work out whether this asset would best serve the people of Western Australia as a government-held asset or by being transformed into an alternative government-held asset that might drive future efficiencies. Dare I say it might end up like the Perth Freight Link, driving efficiencies in transport or some of those other areas. It might well be that there are more efficient and effective investments to which the state might transfer this asset.

I am very pleased that the minister has taken a sensible and considered approach —

Hon Tjorn Sibma: He's the strongest performer in that team.

Hon Dr STEVE THOMAS: He is magnificent. His next preselection is already in trouble. There is a spare seat over here, minister. Actually, I am saving the seat next to me for Hon Aaron Stonehouse, but we can find a spot for him.

Hon Alannah MacTiernan: He's a male anyhow, so he's got a good chance!

Several members interjected.

The ACTING PRESIDENT (Hon Matthew Swinbourn): Order, members! Hon Dr Steve Thomas is on his feet and has the call.

Hon Dr STEVE THOMAS: I thank you for that protection, Mr Acting President; it got a bit unruly there for a minute.

In summation, the opposition is particularly pleased that the government and the minister have taken a considered and sensible approach on this occasion. They should not be frightened of examining and testing the waters without being forced in one direction or another. We urge the minister and the government to not be dictated to by the Maritime Union of Australia or any others that may want to push their agenda. We did note the outcome of the recent Labor Party state conference at which there was a little disagreement between some of the various members.

Hon Alannah MacTiernan: Are you supporting WAxis?

Hon Dr STEVE THOMAS: No.

Hon Alannah MacTiernan: I would have thought your state conference was a bit more controversial than ours.

Hon Dr STEVE THOMAS: No.

We thank the government for taking that sensible position. We look forward to hearing from the crossbench and others about where they might be on this issue, but I suspect that in this new era of working together in harmony, we will have a very good outcome. We thank the government for working with us in the same direction.

HON ALANNAH MacTIERNAN (North Metropolitan — Minister for Regional Development) [10.58 am]: I am very interested in the future of ports. During the eight years that I was the minister responsible for ports, it was a deeply interesting and engaging area of policy. Indeed, I signed off on the development of Utah Point in 2007 so I am very familiar with the circumstances that led to the decision to invest in this \$225 million project. The project was very much aimed at ensuring that the iron ore juniors had an opportunity to move their assets through the port without necessarily being at the mercy of some of the war lords. We had seen a series of companies that, even if they started off as small companies, once they became larger companies controlling large assets, played a little bit like the companies that they used to fight. From our point of view, it was very important to try to establish a facility that enabled a bit of market diversity and was also able to accommodate some of the smaller mineral loads—not being iron ore. Manganese, I think, was one and increasingly other products such as lithium.

Hon Robin Chapple: I was involved in what was Hedland by design, which was your initiative. We managed to get the manganese, which was polluting the town, off wharf 3 and move it over. I acknowledge your important role in the development of Utah Point.

Hon ALANNAH MacTIERNAN: That shows how we can work collaboratively together in government. We appreciate that support; it helped us manage the contamination and dust issues in the town as well as creating that new opportunity.

At this point I want to give a special shout-out to Andre Bush, the former CEO of the Port Hedland Port Authority. When he came into that role, he made a great contribution to the state. We had always been told by BHP that capacity in that port was very limited so it would be very difficult to accommodate FMG and, subsequently, to accommodate the others that came in behind FMG. Through his most extraordinary work managing ships in and out and managing tidal shoulders, Andre was able to expand the port's capability. I was very disappointed to see him not have his contract renewed. Perhaps some of the major players felt that his independence of spirit might have been a bit challenging to them. He did a magnificent job and must get a lot of the credit for the development of Utah Point.

I will make some broader reflections about the nature of government investment in ports. To a very large extent, ports are monopoly infrastructure, particularly on a challenging coast like ours. The ports are where they are, not by any accident, but because they provide the most sheltered spaces along our coastline. It is not like a shopping centre; we cannot just move down the road and build somewhere else. We can still have a port if we do not have natural land-sea formations that protect the port from the long periodic waves that come across the Indian Ocean, but it becomes massively expensive. That has always been the challenge for Oakajee. The Geraldton port is where it is because it offers a natural shelter from those waves. One of the difficulties with Oakajee is the amount of armouring needed to build that port. A massive payload is needed behind it to fund the heavy armouring needed to provide enough water for a vessel moving in and off the coast.

Particularly for our coastline, ports are a monopoly asset, which we need to take into account when talking about privatisation. Hon Dr Steve Thomas talked a lot about the advantages of getting the private sector involved, being private sector investment and efficiencies. Private sector efficiencies are not generally seen when the private sector has a monopoly. The private sector thrives and prospers and is able to provide cost-effectiveness and innovation when there is competition. I will not go through the numerous cases that could be cited in which the absence of competition found ports that were a natural monopoly, arguably becoming less efficient. Quite a number of entire port privatisations have occurred in the past that resulted in much higher costs. Members might recall that the port of Newcastle was privatised some years ago. The prices for Glencore coal, for example, skyrocketed. The more a government seeking to privatise wants to capitalise to fill a budget black hole through that privatisation, the more it ramps up the price and the stronger the incentive is for the privatising company, in the context of a natural monopoly, to ramp up the prices for people exporting their products.

That goes back to the important principle of why we have government investment in ports in Western Australia, particularly in regional Western Australia. To a very significant extent, it is about trade facilitation. Over the last century governments have recognised that investment in infrastructure that allows materials to be exported, imported and moved around is needed to drive regional economies and business development. A government looking at a piece of port infrastructure has a more complex approach than a private sector operator. Although we like to get a rate of return on capital, it tends to be a modest rate of return. Governments also have a natural economic and social interest in trade facilitation, the development of new industries and the expansion of existing industries within the region, which they have to be very conscious of when looking at costs and benefits. We need to think about the trade facilitation role and, indeed, how that could be compromised by a poorly structured privatisation. It goes well beyond what we make from the port and into what the port can do to expand industries and opportunities within the region it serves. Having said that, there are plenty of examples of private sector investments within our ports. On this side of the house, we would never support the total privatisation of a port. We recognise the monopoly nature of the asset and its role in trade facilitation and that, therefore, total privatisation is inappropriate. It is true to say that considerable private assets have been invested in each of the ports across the state. Whether in Esperance or, indeed, Port Hedland, we find privately owned berths built, owned and operated by the private sector, but always within the context of the overall port operations remaining in public ownership, with our ability to control the fundamental user charges that affect the use of the waterway. Having that as a conceptual framework, and deeply understanding that this is not all just about maximising the return of dollars obtained by privatising an asset, our government has not made a final decision on Utah Point. We will be very much guided by not just the short-term, but also the long-term economics and what is most beneficial to the state. We recognise that Utah Point has been a massive success and is returning a very significant dividend to the state. I think at one stage it was returning about 25 per cent on capital investment. Obviously, the long-term stream of income would be sacrificed if we were to proceed with the privatisation of that asset, so that has to be taken into account—that is, the benefit to the state of sacrificing the long-term dividend available to us compared with having a lump of money up-front. In any arrangement for a sale, I know that our government will look carefully at the direct economic impact of the two options available to us. We will also look at those broader issues, and a certain sale, for example, to a superannuation fund, with an agreement on the rate of return on capital, might be one way of controlling the problem that we have seen in many other port privatisations when there is an inflation of price that has a downward impact on business and that other aim of trade facilitation. In the context of the Pilbara, we always have to be mindful of ensuring that we are facilitating competition. If we were to proceed with a sale, we would want to be very careful whom we were selling to and that we had controls in place that did not allow the port to go into the hands of a major user, which could utilise the access, control and ownership of that facility to limit competition from new entrants or industries. One has to understand deeply the whole point of government involvement in port operations and how it drives the development of those regions. We have to be very, very careful in making those assessments about what happens with a partial privatisation of an area within a port authority and look at not only what the direct economic consequence of the loss of the long-term dividend will be, but also the impact on broader trade facilitation and the ability of new entrants into the field if there was shared ownership or if the port went directly or indirectly to one of the companies that are the major producers in that region. I appreciate the sentiments of Hon Robin Chapple in bringing this bill forward. When we consider it, we will not be following some naive fantasy about the benefits of privatisation, and there will be very careful analysis of the economic and social consequences of moving down such a path.

HON JACQUI BOYDELL (Mining and Pastoral — Deputy Leader of the National Party) [11.16 am]: I thank the member for bringing this important Pilbara Port Assets (Disposal) Repeal Bill 2017 and discussion to the house. As the member said a number of times, we discussed this issue at length during the last Parliament. During the debate in the last Parliament I thought there was a pretty clear indication of support or otherwise for the asset sale program that the government, of which I was then a part, put forward for consideration to deal with the difficulties in the state budget. As members opposite are now finding out, those decisions are tough. For probably two years I sat in the chamber with members now in government, who were then in opposition, yelling at the then government that we

were holding a fire sale of assets and that we had to do something about the state of the budget. Members of the current government are fully aware of the state's financial position, and were certainly very well aware of it in the lead-up to the election. The government has now been in power for six months and today we are about to see its first budget. I suspect it is going to be a difficult day for the people of Western Australia.

I find the minister's comments astounding, given his position previously. This is the problem that people have with political parties, and indeed politicians, when they come into government—they make decisions based on integrity and then, when they come into government, have a complete reverse-about of their position. I find it astounding because Hon Stephen Dawson was adamant —

Several members interjected.

The ACTING PRESIDENT: Members!

Hon JACQUI BOYDELL: Hon Stephen Dawson was adamant and very vigilant during that debate.

Hon Stephen Dawson: We did not shout, though. I would not have been shouting!

Hon JACQUI BOYDELL: I recall otherwise, but that is okay; I can shout with the best of them. I am happy to listen to that. I was absolutely astounded to hear the minister's response. Being a member for the Mining and Pastoral Region, the minister has in-depth knowledge of Pilbara ports and the important role that they play in the mining industry and jobs for the region, particularly in the Pilbara.

After listening to Hon Steve Thomas' comments, I remind the chamber that Sam Walsh, when he was the CEO of Rio Tinto, made a very public comment—very much like the cat that had got the cream—that the industry was thriving at \$35 a tonne. The spot price on iron ore today is \$76 a tonne. I assume that that means the iron ore industry is absolutely booming. That asset has been recognised as a major driver of the economy for not only the people of Western Australia, but also the nation. The iron ore industry that operates in my electorate, the Mining and Pastoral Region, the Minister for Environment's electorate and, indeed, the electorate of the member who brought the bill to the house, drives the economy of the Australian nation, but those assets are owned by the people of Western Australia. Sam Walsh, as the former CEO of Rio Tinto, stood at a public forum and announced very happily, just like the cat that had got the cream—because, I tell you what, it had—that at \$35 a tonne, that company was thriving. I hope to see some action in the budget today from the current state government to ensure that when this asset is sold on behalf of the people of Western Australia they get a fair share of that asset.

Hon Alannah MacTiernan: What asset?

Hon JACQUI BOYDELL: Iron ore—keep up, member!

Hon Alannah MacTiernan interjected.

The ACTING PRESIDENT: Member!

Hon Alannah MacTiernan interjected.

The ACTING PRESIDENT (Hon Dr Steve Thomas): Minister for Regional Development, could we have some quiet in the chamber, please.

Hon JACQUI BOYDELL: I suggest that the mining industry, and the iron ore industry in particular, is absolutely booming today. We are about to hear the state budget delivered, which the Treasurer said this morning was going to deliver some pain for Western Australians. Western Australian families are already contributing to fixing that budget hole.

In the previous Parliament, when the sale of Utah Point was debated, there were three junior miners. We all know that Utah Point is a facility for junior miners. It is a very important part of the mining industry. We all recognise that all miners at some point are junior miners. I too recognise the role of the former minister in developing that port facility for junior miners. To date, that port has been available 100 per cent of the time for the priority use of junior miners. That was a major concern for all members of this house during debate on the bill in the previous Parliament. I too held those concerns, but at the end of that debate I came to the conclusion, after considering the recommendations of the committee—the Treasurer at the time, Mike Nahan, conceded—that there needed to be some protections in the bill for junior miners. The protection was that should the junior minors have to leave the facility for some reason, 50 per cent of the facility would be retained for junior miners, should they come back to that facility.

Hon Robin Chapple: That was for a short period of time.

Hon JACQUI BOYDELL: That was for a short period of time.

At the time that bill was being debated—I am talking about three junior miners—one of those junior miners was in care and maintenance, so the facility, because it had been put aside to be used by junior miners, was sitting

partly empty. The government also has a responsibility to the people of Western Australia to ensure that its assets and infrastructure are utilised and, as the Minister for Regional Development said, that the government gets a return from the use of that facility that goes back to state government's coffers, as it should, because it is currently an asset owned by the government. However, the people of Western Australia deserve an answer from government when the facility is sitting idle. That was something I considered at the time of the debate—this house certainly considered it—because part of that facility was in care and maintenance.

Hon Alannah MacTiernan: Why was that?

Hon JACQUI BOYDELL: The junior miners were not able to utilise the facility because of the low price of iron ore at the time. I will tell the minister why that was.

Hon Robin Chapple: It wasn't that it was in trouble.

Hon JACQUI BOYDELL: Yes. Another consideration at that time was the capacity of the major miners, BHP and Rio Tinto, to flood the iron ore market and directly impact the spot price of iron ore on a daily basis. The impact of that was massive, and it still is. That concern was expressed in a meeting the junior miners had with the Treasurer. They verbalised that concern. They said to the Treasurer that they were at the behest of the major miners because the major miners had the capacity to produce and export such great amounts of iron ore that they flooded the market and brought down the price of iron ore, which directly affected the junior miners' capacity to operate. They believed that is what was happening, and that is not okay.

Hon Robin Chapple: You remember the committee came back with a large number of suggestions to protect those junior miners should there be a sale. Unfortunately, very few of them, other than the one the then Attorney General mooted, were actually included. Currently, if the port is to be sold, those juniors do not have the protections that they wanted and indeed the committee recommended.

Hon JACQUI BOYDELL: I agree with that, member. After the recommendations of the committee were made I met with the junior miners; indeed, I met with them many times. We negotiated a meeting with them and the Treasurer because they felt that they were not getting an opportunity to speak to the Treasurer at that time.

Hon Darren West: One of the seven Treasurers.

Hon JACQUI BOYDELL: That has absolutely no relevance to the debate and I will give it the disdain that it deserves.

Several members interjected.

The ACTING PRESIDENT: Order, members! Hon Jacqui Boyde has the call.

Hon JACQUI BOYDELL: I note that Hon Darren West was nodding his head when I said that I had met with the junior miners. I met with the junior miners on the day that the bill was to be debated in this house. That was the very first time they made contact with the National Party about their concerns with the bill. I made that very clear to them and to the Association of Mining and Exploration Companies, which also came to that meeting and contacted me on the day that the bill was being debated in this house. I said at the time—it is in *Hansard*—that I thought that that was a very poor way for AMEC and the junior miners to engage with the government, at the eleventh hour when the bill had already passed the lower house and was being debated in the Legislative Council. It was very difficult at that time to address all the concerns it had; it had a couple of major concerns. AMEC wanted the facility to remain 100 per cent for junior miners and, if the port were to be sold, AMEC wanted a negotiate-arbitrate regime and changes to the price and accessing regime. They were AMEC's major concerns. I made it very clear to the junior miners, of which there are only three, that I thought it was a very clunky way of dealing with members of Parliament, that on the day the bill was being debated to go to members of Parliament and say that they were not happy with it. But at that point—I give him his due—former Treasurer Mike Nahan said he would meet with the miners. We met with them the next day, and he rightly heard all their concerns. I thought their concerns were legitimate and that was the reason I referred the bill to the committee.

As I recall, all members of this house supported that referral so I was a little disappointed when I asked a question of the Treasurer yesterday in this house and the Minister for Environment in his representative capacity gave me his answer, in which there was some sort of suggestion I had somehow delayed progress of the bill through the Legislative Council, which led to the government delaying its decision. Well, that —

Hon Robin Chapple: I'm laughing with you!

Hon JACQUI BOYDELL: Yes!

That was a bit, like, "Really?" The Premier has verbalised this previously and now the Treasurer, in his answer to me yesterday, has indicated that he believes the Legislative Council should not refer bills to committees for further

consideration and should just rubberstamp anything that comes through from the Legislative Assembly. I have said this previously in this house, and I will say it again —

Hon Darren West interjected.

Hon JACQUI BOYDELL: The member should get his rubber stamp ready, because I know it will be ready.

This house will not abrogate its responsibility to review legislation and use the processes available to it, amongst which is to send bills to a committee should it see fit to. Every member of this house agreed with that process, and we will continue to do that. To suggest that I delayed the sale of Utah Point, which denied the government the opportunity to sell the facility before the last election, is a little bit cute. I genuinely thought there were concerns that the committee should look at, I referred it to the committee, every member of the house agreed with that decision, and the legislation went to the committee. The committee then came back to the house. I put a very short time frame on that committee referral and I recall that the discussions behind the Chair at the time were about trying to seek an extension to allow the committee further consideration of the bill. I did not think that this house had the time to do that; we had already had a number of debates on the Pilbara Port Assets (Disposal) Bill 2015 at that time. It was a very short turnaround for the committee and it did a really good job.

Debate adjourned, pursuant to standing orders.