



PUBLIC ACCOUNTS AND EXPENDITURE
REVIEW COMMITTEE

**INTERIM REPORT ON THE
NATURE AND FULL EXTENT OF
STATE SUPPORT FOR THE IRON
AND STEEL (MID WEST) PROJECT**

(Interim) Report No. 37

1998

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State Law Publisher
10 William Street
PERTH WA 6000

Telephone: (08) 9321 7688
Facsimile: (08) 9321 7536
Email: sales@mpc.wa.gov.au



Published by the Legislative Assembly, Perth, Western Australia 6000



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(Interim) Report No. 37

1998

Presented by:
Mr M W Trenorden, MLA
Laid on the Table of the Legislative Assembly
on 15 October 1998

ORDERED TO BE PRINTED

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COMMITTEE'S FUNCTIONS AND POWERS

The Committee obtains its powers and functions from the Standing Orders of the Legislative Assembly. Standing Order 412(1) states that the functions of the Committee are:

... to inquire into, consider and report to the Parliament on any proposal, matter or thing connected with the receipt and expenditure of public moneys, including moneys allocated under the Annual Appropriation Bills and the Loan Fund.

Moreover the Committee is empowered by Standing order 412 (2):

- (a) to examine the public accounts transmitted to the Assembly by the Auditor-General;
- (b) to examine the financial affairs and accounts of Government agencies of the State whether or not such accounts have been audited by the Auditor-General;
- (c) to examine all reports of the Auditor-General, copies of which have been laid before the Assembly;
- (d) to inquire into, and report to the Assembly on any question which -
 - (i) it deems necessary to investigate;
 - (ii) is referred to it by a resolution of the Assembly;
 - (iii) is referred to it by a Minister of the Crown, or
 - (iv) is referred to it by the Auditor-General;
- (e) to report to the Assembly from time to time, any alteration which the Committee thinks desirable on any matter relating to the form of those accounts, or in the method of keeping them or in the mode of receipt, control, issue or payment of public moneys;
- (f) to inquire into expenditure by a Minister of the Crown made without Parliamentary sanction or appropriation and report to the Assembly from time to time, upon any matter connected with that expenditure which the Committee considers ought to be brought to the notice of the Assembly;
- (g) to consider any papers on public expenditure presented to the Assembly and such of the expenditure as it sees fit to examine; and
- (h) to consider whether the objectives of public expenditure are being achieved or may be achieved more economically.

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IRON AND STEEL (MID WEST) PROJECT INQUIRY

‘An Feng - Kingstream Project’

Comprising

The Iron and Steel (Mid West) Agreement Act, 1997 (No.10)

Chairman’s Statement to the Legislative Assembly -

Mr Speaker,

I advise Members of the Legislative Assembly that the Public Accounts and Expenditure Review Committee is putting on hold its inquiry into the level of State support for the Iron and Steel (Mid West) project involving An Feng Kingstream Steel Limited.

In early August 1998, An Feng Kingstream Steel Limited announced that it was temporarily ceasing development of the Iron and Steel project at the Oakajee industrial site pending company restructuring.

Members will recall that on 15 May 1997 the Legislative Assembly resolved that the Public Accounts and Expenditure Review Committee examine and report on the nature and full extent of State support for the Mid West Iron and Steel project.

State support for the project is primarily provided by the *Iron and Steel (Mid West) Agreement Act, 1997*, which was assented to on 27 June, 1997.

The Committee has spent some of the last twelve months undertaking this inquiry, whilst also undertaking a number of other unrelated inquiries. At an early stage the Committee sought to better prescribe the scope of the inquiry based on the broad task set by the resolution of the House. The Committee’s inquiry scope document is included as Appendix One in the short report that I am tabling.

The task, to this point, has been a difficult one. Whilst the nature of State support is able to be identified in the Agreement Act, the full extent of support is only an estimate until the project is further advanced.

The Committee has gathered as much information and evidence as has been possible and meaningful. The activity undertaken by the Committee thus far includes:

- conducting briefings with key government agencies and academics;
- conducting hearings in Geraldton with the relevant Shires, Port Authority;

Regional Development Commission, business groups and interest/residents' groups;

- conducting a public forum in Geraldton;
- viewing the Oakajee industrial and port sites;
- conducting a hearing with the steel mill proponent; and
- examining the assistance already expended by the Government by way of feasibility studies and other activities connected with the proposed project by way of correspondence.

Some more detail of these activities is included in Appendix Two of the report.

Finally, I advise members that the Committee will resume its inquiry if and when the Proponent resumes activities which impact upon the nature and full extent of State support for the project. In the event that the project resumes the Committee will resume the task referred to it by the House.

Public Accounts and Expenditure Review Committee

IRON AND STEEL (MID WEST) PROJECT INQUIRY

‘An Feng - Kingstream Project’

Comprising

The Iron and Steel (Mid West) Agreement Act, 1997 (No. 10)

1. Terms of Reference (motion from the House)

That the Public Accounts and Expenditure Review Committee examine and report on the nature and full extent of State support for the Mid West Iron and Steel project.

2. The Agreement Act

The Iron and Steel (Mid West) Agreement Act, 1997 was assented to on 27 June, 1997.

3. Inquiry Objectives

The objective of the Committee is to report to Parliament on:

(The nature of State assistance)

- (a) the Committee’s definition of State support and financial assistance to a private sector project;
- (b) the components of Government involvement with the project that fall within the Committee’s definition of assistance;
- (c) the nature of the assistance, including the monitoring and evaluation of all forms of support and proposed benefits (such as local content, economic impact, export development and secondary processing industry development);

(The full extent of State support)

- (d) the full extent of State assistance and the potential exposure of the State;
- (e) the life of the Agreement Act and any other agreed time lines, which might vary the full extent of the assistance or exposure of the State; and

- (f) the impact of Government involvement and assistance on broader Government policy and cost issues (such as Gas, Energy Policy, Transport, Regional Development and the Environment) where this impact is a cost to the State.

4. Scope

The Scope of the Committee's inquiry shall include, but not be limited to:

- 4.1 The nature and full extent of State support for the Kingstream Project, being made up of:

- the assistance proposed in the Agreement Act;
 - any other proposed form of support, which falls within the Committee's definition of "financial assistance to industry";
 - the exposure of the State to potential losses resulting from any undertaking in the Agreement Act or other document; and
 - the extent to which support for the project impacts on other areas of Government, whether directly or indirectly, such as energy policy, transport policy, regional development and competition policy. To identify where these impacts are a form of opportunity cost to the State.

- 4.2 The nature and full extent of State support by way of evaluating the options for location of the project. In particular to evaluate the provisions of the Agreement Act in relation to:

- Mining Royalties (*sec.9* concessions on relevant royalty rates);
 - Port Facilities (*sec.11* feasibility studies for Oakajee by 30/4/97, *sec.22* proposal to use Geraldton port facilities);
 - Land (*sec.12* 63 year land lease, rentals to be agreed with Minister);
 - Roads (*sec.16* use and maintenance of public roads);
 - Water (*sec.18* waiving of water royalties);
 - Electricity (*sec.19* electricity transmission and distribution);
 - Gas (*sec.20* granting of pipeline licences, fees and time lines);
 - Rail (*sec.21* Westrail upgrades, extensions, Proponents as operators); and
 - Stamp Duty (*sec.41* exemptions)

And in particular to evaluate the assistance committed by the State to the infrastructure for the Oakajee option (*sec.23*):

- rental for the Oakajee plant site;
 - the State to set aside 100 hectares of industrial land;
 - the construction and upgrading of public roads and railway;
 - the capital costs of water supply and electricity;

any other assistance that is proposed to be given, or would need to be given, by the State to enable a *builder, owner and operator* of a new deep water port to be viable; and
the potential impact on the level of State assistance of port design options, from a minimal port design through to a maximum berth design.

- 4.3 The assistance already expended by the Government by way of feasibility studies and other activity connected with the proposed project.

APPENDIX 2

1. Inquiry Activity

The Committee has undertaken the following formal activity as part of its inquiry into the Iron and Steel (Mid West) Project.

- 1.1 *Shire of Chapman Valley - Oakajee Site Visit:*** to the proposed industrial site and deep water port at Oakajee, accompanied by Officers of the Department of Resources Development.
- 1.2 *Geraldton - Hearings with:*** Mid West Development Commission; Geraldton Port Authority; Industry Inland; Greenough Shire, Northampton Shire; City of Geraldton; Mullewa Shire; Chapman Valley Shire; Mid West Chamber of Commerce and Industry.
- 1.3 *Geraldton - Public Forum:*** Attended by members of the general public who were invited to comment in relation to the Committee's scope of inquiry.
- 1.4 *Perth - Hearings with:*** An Feng Kingstream Steel Limited.
- 1.5 *Perth - Briefings with:*** Department of Resources Development; Westrail; Department of Commerce and Trade; Department of Transport; Main Roads; Treasury; Professor Frank Harman, Murdoch University.

2. Evidence

It is the Committee's policy to make transcripts of evidence available only when the Committee has presented its final report to the House. Evidence taken by the Committee will therefore remain the property of the Committee and not be made publicly available until the Committee has presented its final report.

3. Resumption of Inquiry

The Committee will resume its inquiry if and when the Proponent resumes construction and activity at the industrial site or resumes any other activities which impact upon the nature and full extent of State support for the project.