



PUBLIC ACCOUNTS COMMITTEE

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

Report No. 47

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IRON AND STEEL (MID WEST)
PROJECT**

Report No. 47

Presented by:
Mr Max Trenorden, MLA
Laid on the Table of the Legislative Assembly
on 9 November 2000

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COMMITTEE'S FUNCTIONS AND POWERS

The Committee obtains its powers and functions from the Standing Orders of the Legislative Assembly.¹ Standing Order 299 states that the functions of the Committee are:

. . . to inquire into and report to the Assembly on any proposal, matter or thing it considers necessary, connected with the receipt and expenditure of public moneys, including moneys allocated under the annual Appropriation bills and Loan Fund.

Moreover the Committee is empowered by Standing Order 300 to:

- (1) Examine the financial affairs and accounts of government agencies of the State which includes any statutory board, commission, authority, committee, or trust established or appointed pursuant to any rule, regulation, by-law, order, order in Council, proclamation, ministerial direction or any other like means.
- (2) Inquire into and report to the Assembly on any question which:
 - (a) it deems necessary to investigate;
 - (b) is referred to it by resolution of the Assembly;
 - (c) is referred to it by a Minister; or
 - (d) is referred to it by the Auditor General.
- (3) Consider any papers on public expenditure presented to the Assembly and such of the expenditure as it sees fit to examine.
- (4) Consider whether the objectives of public expenditure are being achieved, or may be achieved more economically.

The Committee is also empowered by Standing Order 264, which states that:

A committee has power to send for persons, papers and records.

¹ On 7 September 1999, the Legislative Assembly agreed to Trial Standing Orders which replaced the former Public Accounts and Expenditure Review Committee with the Public Accounts Committee and redefined the Committee's powers and functions. On 21 December 1999, the Trial Standing Orders were adopted as amended and became effective on 1 January 2000.

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CHAIRMAN'S PREFACE

Mr Speaker,

I have for tabling the Public Accounts Committee's *Second Interim Report on The Nature and Full Extent of State Support for the Iron and Steel (Mid West) Project*, Report No. 47.

By way of background, on 15 May 1997 the Legislative Assembly resolved that the Public Accounts and Expenditure Review Committee, now known as the Public Accounts Committee (the 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.

On 15 October 1998, the Committee tabled an interim report in which it outlined the activity it had conducted since commencing its inquiry, including: briefings with key government agencies and academics; conducting evidence hearings with relevant parties in Geraldton; conducting a public forum in Geraldton; viewing the Oakajee industrial and port sites; conducting an evidence 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.

In this second interim report, the Committee has more extensively examined and reported on:

- the two variations to the *Iron and Steel (Mid West) Agreement 1997*, which were tabled in the Legislative Assembly in October 1999 and October 2000 respectively (Chapter Three);
- the background and current status of various components of the Agreement, which provide for the establishment of the industrial site with associated port and supporting infrastructure (Chapter Four);
- some outstanding issues related to the valuation of the steel plant site, funding of the Oakajee Port and submission of detailed proposals by the proponent and related time constraints (Chapter Five); and
- Government expenditure on the project to 30 June 2000 (Chapter Six).

In addition, the Committee has also attempted to:

- quantify the major expected expenditure for the project relating to the construction of the Oakajee Port, the railway formation for the dual gauge rail line that will link the Oakajee Industrial site and Kingstream Steel Ltd's proposed rail link to the Tallering Peak minesite, and the rail link between the Oakajee and the Narngulu Industrial sites; and
- ascertain the projected total cost of the Iron and Steel (Mid West) Project based on three scenarios (Chapter Six).

The Committee has received a number of enquires regarding this second interim report and is mindful that it has taken longer to prepare than originally anticipated. The delay in tabling the report has resulted from the Committee having taken some considerable effort to ensure that the facts and figures contained in the report are as current as reasonably possible.

As a result of the high level of interest in this report, the Committee has taken the unusual step of tabling this second interim report (and a transcript of evidence) through the Clerk of the Legislative Assembly (under Legislative Assembly Standing Order 278 (3)) to avoid any further delays.

In summary, I would like to thank the Members of the Committee for their contribution to the Report and the Committee's staff, in particular Senior Research Officer, Dr Janet Preuss and former Senior Research Officer Mr Andrew Young, for their contribution to this report.

MAX TRENORDEN, MLA
CHAIRMAN

ABBREVIATIONS & ACRONYMS

AFK	An Feng Kingstream Limited
CEO	Chief Executive Officer
DRD	Department of Resources Development
dwt	dead weight tonnes
EPA	Environmental Protection Agency
GST	Goods and Services Tax
ha	hectare
km	kilometre
KSL	Kingstream Steel Limited
Mtpa	Million tonnes per annum
PAC	Public Accounts Committee
t	tonne

CHAPTER ONE

THE INQUIRY

Terms of Reference (Motion from the House)

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

The Agreement Act

The Proponents of the project, Kingstream Resources NL and An Feng (Australia) Pty Ltd signed a 63 year Agreement with the State of Western Australia on 12 March 1997. On 26 May 1997, the two companies merged to become An Feng Kingstream.

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

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.

Scope

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

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.

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 licenses, 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.

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

Public Hearings

Since the first Interim Report on the *Nature and Full Extent of State Support for the Iron and Steel (Mid West) Project*, tabled by the Committee on 15 October 1998, the Committee has held a formal evidence hearing with the following officials from the Department of Resources Development:

- Dr James Limerick, Chief Executive Officer; and
- Mr David Gardner, Director Major Projects.

Submissions

Since the first interim report by the Committee was tabled, a further two submissions have been received from:

- Dr James Limerick, Chief Executive Officer of the Department of Resources Development; and
- Ms Dee Margetts.

CHAPTER TWO

AGREEMENT ACTS

What is a State Agreement Act?

State Agreement Acts are non-compulsory Agreements that can be negotiated between Government and a developer. The Agreements, which are ratified by Parliament, set down the obligations of both parties throughout the life of a significant project.

The majority of Australia's largest mining and mineral processing projects, along with many other capital-intensive projects, operate under Agreements between the developers and the relevant State Government.² The relationship between the developers and the Government are reflected by these Agreements on two levels:

- Under the Constitutions of the Australian States, Crown lands and most minerals are vested in the State. The State thus becomes the developers' landlord.
- The project will be regulated by the laws of the State.³

In Western Australia, the Department of Resources Development (DRD) is responsible for the administration of Agreement Acts. The Department negotiates agreements on behalf of the Minister, subject to Cabinet approval and their subsequent presentation to Parliament for ratification. The DRD also provides advice on statutory processes and procedures and monitors the ongoing development of projects under Agreements to ensure that the obligations and responsibilities of all parties are met over the life of the project.

What is the Purpose of a State Agreement Act?

The State's current primary objectives for entering into State Agreements are to:

- encourage the efficient and effective development of the State's natural resources (particularly mineral resources) by the private sector to generate economic benefits for the ongoing benefit of the Western Australian community;
- control development in line with Government policies;
- ensure resource development opportunities are maximised and the decision-making process for major projects is coordinated and functions expeditiously;
- tax the developers for use of the State's resources;
- enhance long-term certainty and investment security to the mutual economic advantage of developers and the State; and
- manage interactions between major project developers, government agencies and the community to achieve development that will benefit all Western Australians.⁴⁵

² Warnick, L. (1988). *State Agreements*. The Australian Law Journal, 62, pp. 878-906.

³ *ibid.*

⁴ *ibid.*

⁵ Department of Resources Development, Western Australia. *In Agreement. How major developers obtain project security through State Agreement Acts*. August 1997, p. 10.

In order to achieve some balance in these objectives, State Agreement Acts serve to encourage potential developers by providing various forms of assistance and a stable set of legal rules. Equally, the Government, through the Agreement, is able to exert some control over the project and to set pricing in terms of royalties, lease rentals and other revenues.

What Comprises a State Agreement Act?

It is often the case that Agreements are formulated prior to a final decision being made on whether the project will proceed. As a result, many of the provisions within the Agreement will be subject to a condition precedent. In general, an Agreement Act is composed of the following parts:

- The Project.
- Infrastructure.
- Revenue.
- The State's Commitments.
- Miscellaneous Legal Provisions.⁶

Within these main parts, the DRD suggests that an Agreement Act should have a number of standard provisions as listed in Appendix 1.⁷

The Need for Ratifying Legislation

Whilst general legislation exists to cover everyday activities, some projects are very large, both in terms of scale and time and as a result, need special provisions that may be outside the general legislation. For example, some lease arrangements for large mining projects may require longer terms than generally permitted under the mining legislation. In addition, the revenue to be forwarded to the Government on the basis of the Agreement may be based on the granting of exemptions from ordinary State taxes such as stamp duty.⁸

Variations to an Agreement

Provisions in State Agreements can only be changed by mutual agreement in writing between the parties concerned. As a result, State Agreements provide certainty that ground rules for the life of each Agreement project cannot be changed unilaterally.⁹

Despite the fact that changes can only be made by mutual agreement, Parliament's power is not bound as it has the ability to repeal an Agreement. However, no Parliament has ever undertaken a unilateral action such as this, giving testimony to the importance of State Agreements.¹⁰

⁶ Warnick, L. (1988), op. cit.

⁷ Tabled papers received from the Department of Resources Development at a formal evidence hearing, 21 September 1995.

⁸ Warnick, L. (1988), op. cit. p. 881.

⁹ Department of Resources Development, Western Australia. *In Agreement. How major developers obtain project security through State Agreement Acts.* August 1997, p. 7.

¹⁰ *ibid.*

The Iron and Steel (Mid West) Agreement Act 1997

As previously stated, the *Iron and Steel (Mid West) Agreement Act 1997* was assented to on 27 June 1997. The second reading in the Legislative Assembly of the bill relating to this Act explained that the Agreement was negotiated to facilitate the establishment of iron ore mines in the Mid West region and a 1.4 million tonnes per year iron and steel plant. Supporting infrastructure would include a new, dedicated gas fired power station, an air separation plant and, possibly, a new gas transmission pipeline.¹¹

The Government would receive royalties and duties in return for limited stamp duty exemptions.

¹¹ Western Australia, Parliamentary Debates, Hansard, 19 March 1997, p. 575.

CHAPTER THREE

VARIATION TO THE AGREEMENT

Background

The *Iron and Steel (Mid West) Agreement Act 1997* was entered into by An Feng (Australia) Pty Ltd and Kingstream Resources NL and the State of Western Australia on 12 March 1997.

Since the original Agreement, An Feng has sold out of the Proponent's group, leaving the Agreement between the State and Kingstream Steel Limited (KSL).

On 4 October 1999, Cabinet approved the execution by the State of a variation to the Iron and Steel (Mid West) Agreement. This variation was tabled in Parliament on 12 October 1999. An explanatory memorandum to the variation describes its purpose:

- to permit Kingstream Steel Limited to construct and operate a standard gauge railway between Oakajee and various mine sites; and
- provide for the deferral of the State's commitment to construct a narrow gauge railway between Narngulu and Oakajee.

In addition, the variation deletes reference to the rail link between Geraldton port and the Oakajee Plant Site. In the original Agreement, the State was responsible for maintaining (at its sole cost), the railway linking the Oakajee Plant Site to the port of Geraldton until the Oakajee port was operational.

On 10 October 2000, a second variation to the Agreement was tabled in Parliament. The changes arising from this variation relate primarily to provisions for the Federal Goods and Services Tax that became effective from 1 July 2000.

Provisions of Original Act and Specific Variations

First Variation Agreement

Clause 21 of the agreement is titled "Railways". The variation to the agreement is shown with deletions coloured grey and additions in bold:

Clause 21 (1) The Proponents may in accordance with approved proposals use rail or road or rail and road transport for the carriage of inputs necessary for the Project and of finished products, partly finished products and waste products of the Project between the Mine Sites the Plant Sites and the port used from time to time for the imports and exports required for the Project. Any requirement in respect of rail transport contained in approved proposals is referred to in this Clause as "the Proponents' rail transport requirements".

Clause 21 (4) If the Proponents demonstrate to the satisfaction of the Minister that they are unable to conclude with Westrail the arrangements necessary to meet the Proponent's rail transport requirements then the Proponents may submit to the Minister ~~additional proposals in accordance with Clause 7~~ **proposals pursuant to this Agreement** providing for the construction and operation by the Proponents of their own narrow gauge railway on a route agreed with the Minister between the Plant Sites and specified Mine Sites or between specified Mine Sites and Westrail's railway.

Clause 23 of the Agreement is titled "Oakajee Infrastructure". The variation to the Agreement effects the following changes:

Clause 23 (1) This Clause only applies in the event that the parties agree on the Oakajee Plant Site pursuant to subclause (9) of Clause 11.

Clause 23 (6) (a) The State shall construct at its sole cost or cause Westrail to construct at its sole cost a railway suitable for the operation of the Iron and Steel Plant (assuming its output to be approximately 2.4 million tonnes per annum of steel), the Power Station and Ancillary Facilities linking the Oakajee Plant Site to the existing Geraldton to Mullewa railway line.

(b) The State shall ~~maintain at its sole cost or cause Westrail to maintain at its sole cost until the port at Oakajee is operational and capable of being used for the imports and exports required by the Project the railway linking the Oakajee Plant Site to the port of Geraldton via the railway constructed under paragraph (a).~~ **ensure that the construction of the rail link referred to in paragraph (a) of this subclause is completed as soon as the demand for rail services, both to and from the Oakajee industrial estate, reaches a level of tonnage which would justify the construction of such a link.**

(c) The capital ~~and maintenance~~ costs met by the State or Westrail pursuant to paragraphs (a) and (b) **of this subclause** shall not be reflected in charges payable by the Proponents for rail services.

Clause 23 (8) In carrying out its obligations under subclauses (3), (4), (5) and (6) **(4) and (5)** the State shall use all reasonable endeavours to enable time programmes included by the Proponents in proposals submitted pursuant to Clause 5 to be met.

Second Variation Agreement

The Principal Agreement is varied as follows:

Clause 1 – "Mining Tenement" means any of:

(c) any other mining tenement acquired by the Proponents ~~in accordance with an approved proposal~~ and approved by the Minister as a Mining Tenement for the purposes of this Agreement;

Clause 11 of the Agreement Act relates to the establishment of Oakajee Port and Industrial Estate. The amendments in the second Variation Agreement for this Clause are as follows:

- Clause 11 (3) (a) The State shall promptly commence and expeditiously undertake field and office technical, site selection, engineering, environmental, heritage and financial studies necessary to determine the feasibility of the State's proposal, and shall promptly initiate and expeditiously advance the obtaining of environmental, zoning and other **and zoning** approvals necessary to enable the State's proposal to proceed.
- (b) The Proponents shall promptly commence and expeditiously undertake field and office technical, site selection, engineering, environmental, heritage and financial studies necessary to determine the feasibility of the Proponent's proposal, and shall promptly initiate and expeditiously advance the obtaining of environmental, zoning and other **and zoning** approvals necessary to enable the Proponent's proposal to proceed.

Clause 19 of the Agreement Act relates to Electricity and the second Variation Agreement effects a number of changes. In the first instance, the Variation Agreement states that changes should be effected to subclause 1, paragraph (a). However, the Committee has ascertained that this is an error in the Variation Agreement and should actually refer to paragraph (b). As such, the amendments to subclause 1, paragraph (b) and other subclauses are as follows:

Clause 19 (1) (a) electricity transmission and distribution facilities and associated works and facilities to supply electricity in accordance with this Clause from the power Station tot he Plants, Mines and Ancillary Facilities and to other consumers in the industrial estate in which the Power Station is located who have an electricity requirement of at least one megawatt and are approved by the minister from time to time for the purposes of this Clause.

Clause 19 (5) (a) The terms and conditions of any access granted pursuant to subclause (4) shall be subject to the third party access arrangements applicable under the Electricity Corporation Act 1994. Such arrangements shall apply notwithstanding that the electricity requirements of the consumers mentioned in paragraphs (a) and (b) of subclause (4) may be less than is otherwise required for such arrangements to be applicable.

- (b) If such third party access arrangements are not in existence or are not operative then the terms and conditions of any access granted pursuant to subclause (4) shall be subject to arrangements to be agreed between the Electricity Corporation and the Proponents (subject always however to emergency powers of the Electricity Corporation and such operational and technical requirements as are necessary for the safe operation of its electricity grid) or, failing agreement on such terms and conditions, as may be determined by arbitration between the Electricity Corporation and the Proponents pursuant to the Commercial Arbitration Act 1995.

Clause 19 (6) The Proponents may, in accordance with any authorisations required by law and subject in any event to the Electricity Act 1945 and other relevant legislation, enter into arrangements for the sale or

exchange of excess electricity form the Power Station to or with other parties including the Electricity Corporation.

Clause 23 of the Agreement Act relates to Oakajee Infrastructure. The changes effected by the second Variation Agreement are as follows:

- Clause 23 (4) (a) Subject to Clause 18 the Proponents may obtain water required at the Oakajee Plant Site from the Water Corporation or **from through** a water supply scheme developed and operated by the Proponents or any other licensed water service provider.
- (b) If the Proponents obtain such water **from through** the Water Corporation the State shall meet so much of the capital costs of the Water Corporation supplying water necessary for the operation of the Iron and Stele Plant (assuming its output to be approximately 2,4 million tonnes per annum of steel), the Power Station and Ancillary Facilities, as exceed the capital costs which would have been incurred as a result of the water Corporation supplying a similar amount and quality of water to the Proponents at the Narngulu Plant Site.

The second Variation Agreement also effects the addition of a new Clause relating to the GST:

Goods and Services Tax

- Clause 30A (1) In this Clause “GST” and “supply” have the meanings given to those terms in the A New Tax System (Goods and Service Tax) Act 1999 of the Commonwealth and “GST” includes GST equivalents made payable by the law of Western Australia.**
- (2) Notwithstanding anything express or implied in this Agreement (other than this Clause) to the contrary, if GST is imposed or is payable on or in respect of any supply of goods, services, or other things (including without limitation the licensing of any right) by the State under or in connection with this Agreement, or if the amount of GST is calculated by reference to any such supply, or if GST is imposed or is payable on or in respect of or by reference to any amount payable to the State under or in connection with this Agreement, then the Proponents must pay the State an extra amount equal to the amount of that GST.**
- (3) The Proponents must pay the State all amounts payable under this Clause at the time of the payment to which they relate, or otherwise on demand.**
- (4) The obligations of the Proponents under this Clause only apply if the State has provided the Proponents with a valid tax invoice for the relevant supply which:-**
- (a) meets the requirements of the legislation and any regulations governing the GST and any relevant requirements of the**

**Australian Taxation Office (or other relevant administering body or person);
and**

- (b) sets out the amount in respect of which GST is payable and the amount of that GST.**

- (5) If after the coming into operation of this Clause there is any abolition or reduction of taxes duties or statutory charges (including but not limited to sales tax, fuel excise, stamp duty, financial institutions duty, debits tax and any impost in lieu of any of the foregoing under any tax equivalent regime) the amounts otherwise payable by the proponents under this Clause will be reduced so that the full benefit of any such abolition or reduction applicable to the performance of this Agreement is passed on to the Proponents.**

CHAPTER FOUR

IRON AND STEEL (MID WEST) PROJECT

The background leading to the negotiation of the *Iron and Steel (Mid West) Agreement Act 1997* dates back to 1991 when the Government invited industry to tender for three exploration licences covering known iron ore deposits in the Mid West region, namely those deposits known as Tallering Peak, Koolanooka and Blue Hills. Kingstream Resources were awarded the licences, subject to the condition that the company investigate the opportunity to process the iron ore mined from the deposits.¹²

KSL intends to initially mine the Tallering Peak iron ore deposit, located 60 km north of Mullewa and 150 km east of Geraldton. Completion of mining at Tallering Peak is expected to take 8 to 10 years, after which, the proponents will begin mining the deposit at Koolanooka, situated near Morawa.¹³

In order to support the establishment of iron ore mining in the Mid West region, the Agreement Act provides for the establishment of an industrial site with associated port and supporting infrastructure. A chronological summary of the activities of the development of the project is provided in Appendix 2 and a more detailed account is given below.

The Oakajee Industrial Site

Background

Narngulu Industrial Estate

The Narngulu Industrial Estate was established in the early 1970s and is located approximately 9 km south east of the Geraldton central area. It has developed around the Narngulu townsite and as a result, LandCorp has acquired all the residential lots in the townsite for inclusion into the industrial estate.¹⁴

In November 1996, the State announced its support for the relocation of the Mid West Iron and Steel Project from the Narngulu Industrial Estate to Oakajee. This decision was based on the fact that further development of the Narngulu Industrial Estate would cause a significant impact on the city of Geraldton and the Oakajee site has a closer proximity to the ocean, facilitating the development of its own port.¹⁵

¹² Western Australia, Parliamentary Debates, Hansard, 19 March 1997, p. 575.

¹³ *ibid.*, pp. 576–577.

¹⁴ Geraldton Region Plan, December 1997, p. 46, p. 109.

¹⁵ Western Australia, Parliamentary Debates, Hansard, 19 March 1997, p. 576.

Under Section 11 (11) (d) of the Agreement Act, if the parties to the Act agree that either of the Oakajee proposals is not feasible, the Proponents:

. . . shall submit proposals pursuant to Clause 5 which may be based on the premise that the Iron and Steel Plant and the Power Station will be located at the Narngulu Plant Site.

Thus, the Narngulu Industrial Estate remains a fall-back option for the proponent should the Oakajee site prove unfeasible.

Oakajee Industrial Estate

The proposed Oakajee industrial estate, located 23 km north of Geraldton, Western Australia, will cater for heavy industrial development in the Mid West region. It is proposed as the site of a steel mill, occupying 200 hectares, to be constructed and operated by KSL.

The Environmental Protection Authority required that an extended buffer zone be incorporated to accommodate acceptable noise levels with a fully developed industrial estate. On 11 May 1998, Cabinet approved the additional \$7 million funding required for the establishment of the extended buffer zone.

Current Status

On 18 May 1999, LandCorp approved an extension of the Narngulu Option Agreement to 31 March 2000, or 90 days after the submission of proposals, whichever occurred first. A further extension of the Proponent's Option Agreement on land at Narngulu has been extended to 31 December 2000 in order to bring it into line with timeframes applicable to the *Iron and Steel (Mid West) Agreement Act 1997*.¹⁶

At the Oakajee Industrial Estate, all the land required for the project to proceed has been acquired, although in some cases the price is yet to be resolved. The land has been either compulsorily acquired with settlement yet to be resolved, or it is under offer. Some areas have not been compulsorily acquired but are under negotiation. The difference between these cases is that the core area of land required for the project was acquired through compulsory acquisition, whereas that in the extended buffer zone resulted from a change to the original plan and is in the process of negotiation.¹⁷

The changes to the original plan were brought about by environmental protection requirements. The land in the buffer zone has been purchased in order to provide for the removal of habitation rights and will be resold with conditions attached relating to the habitation of the land. For example, although farm buildings will be allowed, no buildings or houses used for habitation will be permitted. This will provide the opportunity for people to carry out normal agricultural practices on this land.¹⁸

¹⁶ Correspondence from the Hon. C.J. Barnett, MLA, Minister for Resources Development, to the Chairman of the PAC, Mr Max Trenorden, MLA, 11 July 2000.

¹⁷ Transcript of Evidence, 7 April 2000, pp. 9-10.

¹⁸ *ibid.*

The Oakajee Estate comprises 6445 ha of land, of which 1135 ha makes up the gross core region and 5310 ha (or 82%) comprises the buffer zone. Details of the land acquired are as follows:

Land resumed and settled:	649.2 hectares
Land resumed – compensation to be determined:	2 407.4 hectares
Land commercially purchased:	956.9 hectares
Land to be acquired when rezoning is complete:	2 008.6 hectares
Commercial negotiation is under way:	295.5 hectares
Total	<u>6 317.6 hectares</u>

The expenditure on the land acquisition for the Industrial Estate core area and buffer zone is as follows:

Expenditure (as of 31 June 2000):	\$ 11.195 million ¹⁹
Total anticipated expenditure:	\$ 17.00 million ²⁰

The indicated total anticipated expenditure does not include for revenues that will be obtained if the land is resold without residential rights.²¹ A total of \$10 million has been forwarded to LandCorp for land acquisition.²² It is expected that estimated return from the resale of the land in the buffer zone will be between \$4 - \$4.5 million. If such resale occurs, LandCorp expects that it will probably take place in 2002 and beyond.²³

The re-zoning of the Oakajee Industrial Estate is currently being progressed by the Shire of Chapman Valley, which is arranging formal approval by the Western Australian Planning Commission.²⁴

The Oakajee Port

Background

Under the *Iron and Steel (Mid West) Agreement Act 1997*, Clause 11 (2) of the Schedule states that:

- (a) The State wishes, if it is feasible to do so, to establish a port and an associated industrial estate at Oakajee situated north of Geraldton in the Mid West Region (the “State’s proposal”) to enable the Proponents to establish the Iron and Steel Plant and some Ancillary Facilities at Oakajee and to use a port at Oakajee for imports and exports required by the Project.

¹⁹ Correspondence from the Hon. C.J. Barnett, MLA, Minister for Resources Development, to the Chairman of the PAC, Mr Max Trenorden, MLA, 11 September 2000.

²⁰ Transcript of Evidence, 7 April 2000, p. 9.

²¹ *ibid.*, p. 10.

²² Correspondence from Dr Jim Limerick, Chief Executive Officer, Department of Resources Development, to the PAC, 28 April 2000.

²³ Correspondence from the Hon. C.J. Barnett, MLA, 11 September 2000, *op. cit.*

²⁴ Transcript of Evidence, 7 April 2000, pp. 12-13.

- (b) The Proponents wish, if it is feasible to do so, to establish the Iron and Steel Plant and some Ancillary Facilities at an industrial estate established by the State at Oakajee and to use a port established by the State at Oakajee for imports and exports required by the Project (the “Proponents’ proposal”).

Clause 11 (1) of the Schedule defines feasible and feasibility for the purposes of this Act as:

“**feasible**” means technically, economically, environmentally and financially feasible and “**feasibility**” has a similar meaning.

The proposed Oakajee Port will be located adjacent to the Oakajee Industrial Estate, 23 km north of Geraldton and 2.5 – 3 km south of the Oakajee River. The port will be a deep-water port designed to be capable of handling large capacity ships, initially with a capacity of 65 000 dead weight tonnes (dwt) but with the possibility of expansion up to 100 000 dwt.²⁵

Although a port currently exists in Geraldton, it is not a deep-water port and does not have the capacity to handle large capacity ships. Whilst there is currently no immediate market in the Mid West region for ships of this size, it is proposed that this criteria (catering for ships in excess of 100 000 dwt (Cape Size ships)) will provide flexibility in the future.²⁶

An independent consultancy report has indicated that the existing port of Geraldton can load ships up to 30 000 to 35 000 DWT.²⁷ The Geraldton Port Authority has stated that the existing port could comfortably put through 2.6 million tonnes per annum in 25 000 to 30 000 tonne lots at a competitive price, even taking into account land transport costs. This would involve the use of Handimax ships with a capacity of 35 000 dwt. The Committee understands that these ships are the preferred means for shipping this type of cargo. Providing suitably geared²⁸ ships are used, operations could commence immediately at the Geraldton Port. The port also has options for the provision of shore-mounted cranes. The Geraldton Port Authority believes that the Geraldton port could sustain an export level of up to 5.2 million tonnes per year, only above which, it believes the Oakajee Port would be economically justifiable.²⁹

The Geraldton Port Authority concludes that:

It is the belief of the Geraldton Port Authority that Kingstream can be provided for adequately and competitively through the Port of Geraldton until such time as a new port at Oakajee can be assured of returning a profit.

There is no valid need to “reverse subsidise” the Kingstream project, nor is there requirement for the Port to be developed at Oakajee in advance of its need. Aside from

²⁵ Oakajee Deepwater Port Concept. Section 16(e) Strategic Environmental Review. Executive Summary. Prepared for the Department of Resources Development by Welker Environmental Consultancy. February 1997.

²⁶ Transcript of Evidence, 7 April 2000, p. 5.

²⁷ Alan Tingay & Associates and Welker Environmental Consultancy. *Oakajee Deepwater Port. Public Environmental Review. Executive Summary.* May 1997.

²⁸ Geared ships are those with their own on-board cranes. The advantage of geared ships is that they can load/unload at any suitably sized port without the need for shore-mounted cranes. In addition, ship-mounted cranes have the added advantage of moving with the movements of the ship. The Committee understands that most Handimax ships are geared, whilst most Panamax ships are gearless.

²⁹ Correspondence from Mr John Durant, Chief Executive Officer, Geraldton Port Authority, to the Chairman of the PAC, Mr Max Trenorden, MLA, 14 September 2000.

operational costs, there is the very real issue of the cost of money and alternative investment and return. Building Oakajee port too early is just not justifiable.³⁰

Notwithstanding this, the Geraldton Port Authority states that it is committed to supporting the Oakajee project by declaring in its Statement of Corporate Intent that it will:

Develop a Strategy to maximise the benefits to the region from an interaction with the industrial and port development at Oakajee.³¹

When asked by the Committee whether cost projections had been undertaken with respect to deferring the construction of the Oakajee Port and utilising the existing Geraldton Port until output increased above that which the Geraldton Port could handle, the Minister for Resources Development informed that none had been undertaken. The reason for this was stated as being:

The Geraldton Port facilities are not able to handle the ship loading and export of the KSL project products, without significant reconstruction. KSL has scheduled reaching full production of 2.6 million tonnes per annum within four months of commencing shipping. As two shore based gantry cranes would be required to load the 60 000 dwt sized ships, use of the Geraldton Port would only be possible for a very limited time and quantity start up. In addition, the Iron and Steel (Mid West) Agreement requires the State to construct the Oakajee Port as soon as practical and in any event by not later than five years after commencement of construction of the Iron and Steel Plant.³²

The Clause referred to by the Minister, Clause 23 (7) (b) of the *Iron and Steel (Mid West) Agreement Act 1997* states that:

The State shall use all reasonable endeavours to enable the construction of the port at Oakajee to be completed as soon as practicable and in any event by not later than 5 years after the commencement of construction of the Iron and Steel Plant.

It should be noted however, that should the proponents wish to alter this clause, for example for the purpose of deferring construction of the Oakajee Port, a variation to the Agreement would be required, as has already been done to alter the original agreement's provisions for the rail lines. As discussed previously however, any variations to the Agreement must have mutual agreement (refer to Chapter Two).

A 30 month construction time frame has been estimated for the Oakajee Port in a consultant's report, which reflects some timing constraints associated with the project.³³

³⁰ Correspondence from Mr John Durant, Chief Executive Officer, Geraldton Port Authority, 14 September 2000, op. cit.

³¹ *ibid.*

³² Correspondence from the Hon. C.J. Barnett, MLA, Minister for Resources Development, to the Chairman of the PAC, Mr Max Trenorden, MLA, 18 October 2000.

³³ Tabled papers received from the Department of Resources Development. *Oakajee Port Concept and Design Criteria. Prepared by Port & Harbour Consultants, December 1997.*

Current Status

Of the four types of feasibility described in Clause 11 (1) of the Schedule (see above), only the financial feasibility remains to be completed.³⁴

A consultant's report, "Port Feasibility Study Phase 2 Report", undertaken by Port and Harbour Consultants and completed on 21 November 1997, examined the technical feasibility of the port and provided an estimate of the core components of the port for different stages of development.³⁵ Consultants Sinclair Knight completed a study of the economic feasibility of the port in November 1997 and the environmental approval of the port was issued by the Minister for the Environment on 25 February 1998. All documents relevant to these studies were publicly released in March 1998.³⁶

Consultants Arthur Andersen conducted a series of financial feasibility studies in order to define the conditions necessary for the financial feasibility of the port. At present, the financial feasibility is the outstanding issue to be resolved in terms of the State finalising its commitment to the project. The reasons for the delay in resolving this issue arise from negotiations between the State and KSL regarding the level of the port capital servicing charge. Clause 11 (9) of the Schedule provides for agreement between the State and KSL on the feasibility of the Oakajee proposals. Once agreement has been negotiated, the port charges would be submitted as part of the port development during the request for proposals in the tendering process.³⁷

In March 1998, expressions of interest were called from private sector firms and consortia interested in building, owning and operating the deepwater port at Oakajee. Seven expressions of interest were received and these were short-listed to four consortia for the request-for-proposals phase of the tendering process.

The four consortia are:

1. The John Holland Construction and Engineering Pty Ltd and Thyssen Rhiensahl Technik GmbH consortium.
2. The Infratil Australia Limited and Clough Engineering Limited Consortium, known as the Oakajee Port Group.
3. A consortium led by ANZ Investment Bank known as the Mid West Ports Consortium.
4. The Thiess Contractors Pty Limited and Transroute International SA consortium.³⁸

The "Port Feasibility Study Phase 3 Report" was completed on 2 December 1999 and provided additional technical information required for the interested consortia to submit competitive tenders.

As the request-for-proposals stage of the tendering process will entail significant costs to the short-listed consortia, commencement of this phase has been deferred until detailed proposals for the KSL project have been received.

³⁴ Transcript of Evidence, 7 April 2000, p. 2.

³⁵ Papers tabled by the Department of Resources Development during formal evidence hearing, 7 April 2000.

³⁶ Transcript of Evidence, 7 April 2000, p. 2.

³⁷ *ibid.*, pp. 2-3.

³⁸ Papers tabled by the Department of Resources Development during formal evidence hearing, 7 April 2000.

Although the original calls for expressions of interest for the port were on a build-own-operate-transfer basis with a view to the port transferring back to government ownership after some 35 years, Cabinet has since approved the addition to the process of the option of the Government financing the port.³⁹ As a result of this change, there are now two options for the development of the port:

- a privately financed and built port; or
- a government-financed port.

The Minister for Resources Development, the Hon. C.J. Barnett, MLA, has stated that his preferred option would be for the Government to finance the construction of the port, as it would provide a ‘more certain, simpler, more accountable process and in all probability, from a government point of view, a lower cost process’.⁴⁰ The Minister also pointed out that past experience has shown that the government is ultimately called upon to take on a disproportionate share of the project risk in build-own-operate-transfer schemes.⁴¹ In addition, recent Federal Government changes to the “accelerated depreciation” allowances have reduced the attractiveness of the project for private finding.

Both the Proponents and the four short-listed consortia have been notified of these changes and the consortia have been asked to provide an additional tender for the designing and building only, of the port.⁴²

Current estimates for the cost of constructing the port are for a figure of \$192 million plus or minus 25 percent.⁴³

In a letter from the Hon. C.J. Barnett, MLA, Minister for Resources Development, to the PAC, the Minister stated that:

Financial modelling by Arthur Andersen of the fully State funded port development project option revealed that the Oakajee Port would financially break even over a term of 35 years at a lower “capital servicing charge” even if KSL remained as the sole port user and there was no growth in the initial projected level of port trade.⁴⁴

The Minister was also reported as saying in the Legislative Assembly Estimates Committee hearings that:

The best estimate that I and the department have had is that probably after about seven years the port will become self-sustaining and profitable.⁴⁵

Currently, negotiations are being finalised between the DRD and KSL on a legal “port user” agreement covering port charges and other related operational matters, in line with Clause 11 of the Schedule to the *Iron and Steel (Mid West) Agreement Act 1997*. Once this agreement has been finalised and KSL has obtained project finance and entered into a binding contract

³⁹ Western Australia, Parliamentary Debates, Hansard, 1 June 2000, pp. E383–E384.

⁴⁰ *ibid.*, p. E384.

⁴¹ Correspondence from the Hon. C.J. Barnett, MLA, 11 July 2000, *op. cit.*

⁴² Western Australia, Parliamentary Debates, Hansard, 1 June 2000, p. E384.

⁴³ *ibid.*, p. E383.

⁴⁴ Correspondence from the Hon. C.J. Barnett, MLA, 11 July 2000, *op. cit.*

⁴⁵ Western Australia, Parliamentary Debates, Hansard, 1 June 2000, p. E384.

for construction of the steel plant, the Government will be in a position to proceed with detailed design and construction of the Port.⁴⁶

Kingstream Steel Limited

Background

Originally known as An Feng Kingstream Limited, the company was renamed Kingstream Steel Limited following a major restructuring process and retained a 22.2% interest in An Feng Steel Co., Ltd.⁴⁷ As a result of the financial difficulties faced by An Feng Steel Co., Ltd, the carrying value of the 22.2% interest in An Feng Steel Co., Ltd was reduced to nil, resulting in an abnormal loss for the year (1999) of \$11 019 000.⁴⁸

The Mid West Iron and Steel Project remains the company's main focus.

The proposed steel plant to be built on the Oakajee industrial estate by Kingstream Steel Limited will occupy approximately 200 hectares and is designed to produce 2.6 million tonnes per annum (Mtpa) of steel slab.

The major components of the steel plant will consist of:

- Handling and storage facilities for incoming materials such as iron ore, scrap steel, etc.
- A pellet plant with a production capacity of 3.39 Mtpa for converting iron ore concentrates into pellets suitable for direct reduction.
- Two direct reduced iron furnaces, each with a capacity to produce 1.5 Mtpa of direct reduced iron.
- A melt shop which will contain:
 - two Electric Arc furnaces;
 - two Ladle Furnaces; and
 - two continuous casters in which the liquid steel is cast into slab.⁴⁹

Major Agreements

The company has in place agreements for all major components for the Mid West Iron and Steel Project:⁵⁰

Plant Construction

The company has entered into an agreement with SMS Demag AG and Ferrostaal AG for the design, supply, construction, commissioning, completion and testing of the plant.

⁴⁶ Western Australia, Parliamentary Debates, Hansard, 1 June 2000, p. E384.

⁴⁷ Kingstream Steel Limited 1999 Annual Report, p. 2.

⁴⁸ *ibid.*

⁴⁹ *ibid.*, p. 3.

⁵⁰ *ibid.*, pp. 3–4.

Iron Ore Mining, Beneficiation and Railway Links

The company has entered into an agreement with Thiess Contractors Pty Ltd for the mining of iron ore, the construction of the beneficiation plant, railway formation to the top of the rail, associated facilities and infrastructure for the plant.

Power Station

The gas-fired power station will be built, owned and operated by a joint venture consisting of the Canadian-owned TransAlta Energy (Australia) Pty Ltd and the European-owned ABB Group.

Gas Supply

The company has signed a letter of intent to purchase natural gas from Apache Energy Limited and its partners in various joint ventures in the Carnarvon Basin over 15 years with an option to supply additional gas if required.

Gas Transportation

The company has not yet finalised negotiations for the transport of gas to the Mid West Iron Steel Project.

Industrial Gases

The company has completed contractual arrangements with German company Messer Griesheim GmbH for the supply of oxygen, nitrogen and argon gases. The Australian subsidiary of the German company will build, own and operate the industrial gases plant on the Oakajee site.

Current Status

Land Valuation

Initial valuation of the steel plant site by the Valuer General was reviewed and subsequently confirmed at approximately \$8.2 million. KSL has made it clear that this valuation is totally unacceptable.⁵¹ In the original valuation, the Valuer General made comparisons with other, more established, industrial estates adjacent to a port, such as Darwin and Gladstone. This was, however, found to be an inappropriate model and the second valuation was derived from a “cost of establishment” basis for the whole Oakajee Industrial Estate and the portion to be used by KSL determined on a pro-rata basis, with some (but not all) of the servicing costs to be funded by the government under the Act. This model was based on the fact that the Narngulu site was the original proposed site for the development of the steel mill, but the size of the mill and the fact that the State had a larger vision for the development of a major industrial centre for the Mid West meant that Oakajee would be a more suitable site. Thus, it has been suggested to the Valuer General by the DRD that prevailing land valuation at Narngulu should provide the primary basis of comparison for valuation of the KSL site within

⁵¹ Correspondence from the Hon. C.J. Barnett, MLA, Minister for Resources Development, to the Chairman of the PAC, Mr Max Trenorden, MLA, 29 December 1999.

the broader Oakajee Estate.⁵² Using this model, the DRD estimates that the value of the site would be reduced from \$8.2 million to \$3 million.⁵³

The Valuer General has provided a draft valuation range for the Oakajee Plant Site to the DRD. Advice is currently being sought from the Crown Solicitor's Office as to its suitability under the requirements of the *Iron and Steel (Mid West) Agreement Act 1997*.⁵⁴

Project Financing

The Committee has been advised that Howard Hyman & Associates of London, UK have been appointed as financial advisors to KSL.⁵⁵ The Offer Memorandum, concentrating on the UK and European markets has not been finalised.⁵⁶ Completion of this document will follow the assessment of the project by the Independent Engineer and the formal project rating by the rating agency.⁵⁷

In August 2000, it was reported⁵⁸ that global bank Chase Manhattan had accepted KSL's mandate to arrange for up to \$3.4 billion finance for the steel project at Oakajee.

Recent reports⁵⁹ have suggested that KSL have so far spent about \$55 million developing the project.

At the time of writing of this report, financing arrangements had not been completed and it is understood that KSL is seeking an extension of time in which to submit detailed proposals to the Minister.⁶⁰

Railway Transportation

Background

In the original Agreement Act, the rail proposal involved the construction of a rail link from the Oakajee Industrial Estate to the Mullewa-Geraldton rail line.⁶¹ In addition, Clause 21 (4) of the Schedule to the original Agreement Act provided for the construction and operation by the Proponents of their own narrow gauge railway on a route to be agreed with the Minister.

As part of the Agreement, the Proponents were required to discuss their rail needs with Westrail. Consequently, the Proponents and Westrail have reached agreement that a stand-alone standard gauge system would meet their needs far more than the originally proposed rail link.⁶²

⁵² Papers tabled by the Department of Resources Development during formal evidence hearing, 7 April 2000.

⁵³ Transcript of Evidence, 7 April 2000, p. 18.

⁵⁴ Correspondence from the Hon. C.J. Barnett, MLA, 11 July 2000, op. cit.

⁵⁵ *ibid.*

⁵⁶ *ibid.*

⁵⁷ Papers tabled by the Department of Resources Development during formal evidence hearing, 7 April 2000.

⁵⁸ The West Australian newspaper, 24 August 2000, p. 45.

⁵⁹ The West Australian newspaper, 4 November 2000, p. 57.

⁶⁰ Faxed correspondence from Dr Jim Limerick, Chief Executive Officer, Department of Resources Development, to the PAC, 8 November 2000.

⁶¹ *Iron and Steel (Mid West) Agreement Act 1997*, Section 23 (6) (a).

⁶² Transcript of Evidence, 7 April 2000, p. 21-22.

The key advantages presented by the standard gauge rail include:

- a more direct route to the Tallering Peak minesite, rather than transporting via Mullewa and Geraldton;
- a standard gauge ore wagon can carry almost twice the tonnage that a narrow gauge wagon can carry, resulting in the ability to halve the number of trains, wagons and drivers to yield significant economies;
- the cycle times will be significantly shorter;
- the future extension of the railway to Weld Range on the depletion of the Tallering Peak mine will become more economic; and
- it allows the construction of the connecting route from the Oakajee Estate down to Narngulu to be deferred until greater demand exists for the railway.⁶³

Accordingly, the Agreement Act has been varied to accommodate these changes to the railway formation (refer to Chapter 3).

Thus, KSL proposes to construct a standard gauge line from Tallering Peak to the Oakajee Industrial Estate. This rail line would meet the narrow gauge line at a point 13.2 km east of the North West Coastal Highway. West of this point (i.e. between the Oakajee site and the point of meeting the narrow gauge track), the rail link will consist of a dual (three rails) standard/narrow gauge rail line.

As a result of these changes, the capital costs associated with the construction of the narrow gauge line will not be reflected in the price as was originally intended. Consequently, the State will contribute to the capital costs of the 13.2 km link in a sharing arrangement whereby the State constructs the rail formation and KSL will construct the track on top of it.⁶⁴

It is expected that the railway will carry:

Per year:	0.7 Mtpa lump ore; 3.5 Mtpa iron ore; and Possibly lime and slag in the future.
Per axle load:	Each wagon is 124 t gross giving an axle load of 31 t. ⁶⁵

Current Status

The total cost of the 13.2 km rail formation to be borne by the State is expected to comprise:

Design:	\$ 850 000
Construction:	\$ 12 000 000
Purchase of Land ⁶⁶ :	<u>\$ 1 300 000</u>
Total:	<u>\$ 14 150 000</u>

⁶³ Transcript of Evidence, 7 April 2000, p. 21-22.

⁶⁴ *ibid.*, p. 24.

⁶⁵ Correspondence from the Hon. C.J. Barnett, MLA, Minister for Resources Development, to the Chairman of the PAC, Mr Max Trenorden, MLA, 4 July 2000.

⁶⁶ Refers to the section of land between the extended buffer surrounding the Oakajee Industrial Site and the 13.2 km peg. The land within the extended buffer has already been purchased and is listed earlier (p. 17).

The rail formation involves the earthworks, structures (bridges), drainage, access roads, fencing and gates but does not include the rail, signalling, sleepers, ballast and track laying.⁶⁷ Other costs, in addition to the costs of the rail formation, will include the acquisition of land for the railway corridor. At present, the builder of the railway line has not been determined.

The land on which this rail link will be constructed will be purchased by KSL from Tallering Peak to the point 13.2 km from Oakajee at which the KSL's standard gauge track will become a dual track. This land has not yet been purchased by KSL, although negotiations have been carried out with landowners by agents commissioned by the company. The State did not participate in these negotiations.⁶⁸ This section of railway will be owned by KSL for the term of the *Iron and Steel (Mid West) Agreement Act 1997*.

The land for the rail link between the Oakajee industrial site and the 13.2 km peg will be purchased by the State. Part of this land has already been purchased as it lies within the extended buffer region surrounding the Oakajee site. The remaining land, between the extended buffer and the 13.2 km peg has yet to be purchased by the State. Purchase of this land will not be completed until the rail link is required and this is likely to occur after the approval of KSL's development proposals.⁶⁹ This section of the railway and associated facilities (such as bridges and drainage facilities) will be owned by the State from the time they are constructed.⁷⁰

Whilst the estimated costs of maintaining this rail line has not been determined, it is expected that the responsibility for the maintenance of the line and provision of services for the rail line will rest with the owner/operator.⁷¹ In discussions with DRD, it was confirmed that the Government will not be the operator of the line: rather the owner/operator would be KSL or their agent.⁷²

The DRD have given informal advice to the Committee⁷³ that the issue of maintenance of the rail formation (as defined above) has not been negotiated. It is likely however, that as the State has the obligation for providing the rail formation, it will be responsible for the maintenance of it. The Committee attempted, but was unable, to obtain a quantitative estimate of the cost of maintaining the rail formation alone. Westrail however, was able to provide an estimate of \$5000 per km, per annum as the cost of maintaining a rail line (both rail track and rail formation).⁷⁴

As a result of the changes to the original Agreement, the section of railway originally proposed between the Oakajee and Narngulu Industrial Sites (to link with the existing Geraldton-Mullewa rail line) will not be constructed until sufficient demand exists, making the link economically justified.⁷⁵ It is expected that when the section of railway from the

⁶⁷ Correspondence from the Hon. C.J. Barnett, MLA, 4 July 2000, op. cit.

⁶⁸ Correspondence from the Hon. C.J. Barnett, MLA, Minister for Resources Development, to the Chairman of the PAC, Mr Max Trenorden, MLA, 3 October 2000.

⁶⁹ Correspondence from the Hon. C.J. Barnett, MLA, Minister for Resources Development, to the Chairman of the PAC, Mr Max Trenorden, MLA, 18 October 2000.

⁷⁰ Correspondence from the Hon. C.J. Barnett, MLA, 3 October 2000, op. cit.

⁷¹ Correspondence from the Hon. C.J. Barnett, MLA, 18 October 2000, op. cit.

⁷² Conference telephone conversation between Mr Bill Wallwork, Project Manager, Infrastructure Projects, Department of Resources Development and the PAC, 8 November 2000.

⁷³ *ibid.*

⁷⁴ Telephone conversation between Mr Graeme Morris, Manager, Financial Accounting, Westrail and PAC staff, 8 November 2000.

⁷⁵ Transcript of Evidence, 7 April 2000, p. 26.

Oakajee Industrial Estate to the Narngulu Industrial Estate is completed, full ownership of the 13.2 km section of the railway will revert to the State.

The cost of constructing the rail line between the Oakajee Industrial Site and the Narngulu Industrial Site will include the cost of purchase of the land and the construction of the rail line itself. The total estimated cost of constructing the rail line was originally estimated in a report prepared by consultants and has since been extended to include the cost of construction of a bridge under the Geraldton to Mt Magnet Road to avoid transgressing the Obstacle Limitation Surfaces area of influence for the Geraldton airport.⁷⁶

The total estimated cost for the construction of the rail line is:⁷⁷

Estimated cost of Land:	\$ 6 500 000
Estimated cost of rail construction:	<u>\$ 35 000 000</u>
Total:	<u>\$ 41 500 000</u>

Gas Pipeline

Background

Clause 19 (1) (a) of the Agreement Act states that the proponents of the Project may establish, maintain and operate:

a gas fired power station located within or adjoining the site of the Iron and Steel Plant with a generating capacity as specified in approved proposals.

Further, Clause 20 (2) of the Act states that:

The Proponents shall submit Gas Transmission Proposals which may provide for the Gas Transmission Services to be provided by means of a gas pipeline from the North West of Western Australia to the Iron and Steel Plant and the Power Station to be constructed and operated in accordance with the provisions of the Clause by the Proponents.

In February 1998, Epic Energy Pty Ltd signed a joint venture agreement with AlintaGas to use its Dampier-to-Bunbury pipeline to deliver gas to the KSL Iron and Steel plant planned for Oakajee. However, the joint venture was not approved by the State Government after the Australian Competition and Consumer Commission found it was anti-competitive.

In March 1998, the Dampier-to-Bunbury gas pipeline was sold to Epic Energy.

Current Status

The DRD has indicated to the Committee that it is expected that gas will be obtained from Epic Energy's pipeline. The gas pipeline working group is proceeding with land acquisition

⁷⁶ Correspondence from the Hon. C.J. Barnett, MLA, 18 October 2000, op. cit.

⁷⁷ *ibid.*

along the corridor from the Dampier-to-Bunbury pipeline to Oakajee. Once the land has been acquired, an easement, or at least access rights, will be provided to the pipeline.⁷⁸

⁷⁸ Transcript of Evidence, 7 April 2000, p. 26.

CHAPTER FIVE

THE ISSUES

Valuation of Steel Plant Site

The valuation by the Valuer General of the site for the proposed KSL Steel Mill remains a point of contention as KSL has made it clear that the valuations provided to date are totally unacceptable.

Clause 23 (2) (a) of the Agreement Act states that:

On application made by the Proponents within the three month period after all proposals submitted pursuant to subclause (1) of Clause 5 (other than any Gas Transmission Proposals) have been approved or deemed to be approved the State shall lease to the Proponents or arrange to have the appropriate authority or other interested instrumentality of the State lease to the proponents the Oakajee Plant Site for a term of 5 years at an annual rental of 10% of the current market value of the land at the time of the application assessed by the Valuer General on the basis that the land is zoned for industrial purposes and is serviced but otherwise unimproved, subject to such terms and conditions as shall be reasonable having regard to the requirements of the Proponents.

Hence, the valuation of the site determines the annual rental to be paid and is subject to the basis of its zoning status.

Funding of Oakajee Port

The Minister for Resources Development has stated that the 'exact detail of the financing of the port has not yet been determined'.⁷⁹ The Committee has been informed that the Government first decided to include the option of funding the Oakajee port in May 2000. On 16 October 2000, the Government determined to seek tenders for a design and construct contract.⁸⁰ It is anticipated that if the proposal for full government financing of the Oakajee port proceeds, the Government will fund the port through a mix of debt financing and direct injection of funds.⁸¹

Extensions of Time for Proponents to Submit Proposals

Clause 5 (1) of the Agreement requires the Proponents to submit detailed proposals to the Minister regarding all aspects of the mine, plant site and associated infrastructure and issues by 31 December 1998. An extension of this date may be granted by the Minister.

On 28 October 1998, the company (then An Feng Kingstream (AFK)) wrote to the Minister to advise that owing to the current state of uncertainty within the world financial markets, the

⁷⁹ Western Australia, Parliamentary Debates, Hansard, 1 June 2000, p. E385.

⁸⁰ Faxed correspondence from Dr Jim Limerick, Chief Executive Officer, Department of Resources Development, to the PAC, 8 November 2000.

⁸¹ Western Australia, Parliamentary Debates, Hansard, 1 June 2000, p. E385.

company would be unable to meet the deadline of 31 December 1998 for the submission of detailed proposals.⁸² On 22 December the Minister approved a one year extension of submission of proposals to 31 December 1999.

The Committee wrote to the Minister on 24 November 1999 to inquire as to whether another extension of time had been requested by the Proponent. The Minister responded that:

Kingstream requested a further extension of the time period for submission of proposals on 2 November 1999. This request is currently under consideration.⁸³

The DRD has confirmed to the Committee that an additional extension was granted to 31 December 2000.⁸⁴

KSL is still to submit detailed proposals to the Minister regarding all aspects of the mine, plant site and associated infrastructure. However, KSL have provided draft proposals on most elements of the project to the DRD, who are currently consulting with relevant Government Departments and Local Government on aspects of the draft proposals.

The submission of the final draft to the Minister is dependent on KSL finalising its financing activities for the project.

The Committee has been advised by DRD that KSL applied for a further extension for its submission on 16 October 2000 and that the Minister has requested additional information before considering this request.⁸⁵

⁸² Attachment 1 to correspondence from the Hon C.J Barnett, MLA, Minister for Resources Development, to the Chairman of the PAC, Mr Max Trenorden, MLA, 14 May 1999.

⁸³ Correspondence from the Hon C.J Barnett, MLA, Minister for Resources Development, to the Chairman, PAC, Mr Max Trenorden, MLA, 29 December 1999.

⁸⁴ Transcript of Evidence, 7 April 2000, p. 14.

⁸⁵ Faxed correspondence from Dr Jim Limerick, Chief Executive Officer, Department of Resources Development, to the PAC, 8 November 2000.

CHAPTER SIX

GOVERNMENT EXPENDITURE ON THE PROJECT

Government Expenditure to Date

Government expenditure on the Oakajee project to 30 June 2000 was \$15 829 177 and comprises:⁸⁶

- (i) The total cost of consultancies, studies and expenditures for the project:

Planning	\$ 141 005
Heritage	\$ 80 786
Environmental	\$ 532 472
Port (Technical)	\$ 2 848 414
Port Economic Study	\$ 54 118
Port Financial Advice and Tendering Process	\$ 535 044
Department of Transport Studies ⁸⁷	\$ 206 771
Other Consultancies, Studies and Expenditures	\$ 96 653

Total \$ 4 495 263

- (ii) Payments made to LandCorp⁸⁸ by the Department of Resources Development for the cost of land purchase for the Oakajee Site, including core, initial and extended buffer zones is:

Total \$ 11 195 000

- (iii) Other expenditures relating to the Iron and Steel (Mid West) Agreement include an amount for miscellaneous expenditure such as travel, aerial photographs and plan preparations, title searches/valuations, postage and couriers and amounts to:

Total \$ 138 914

Grand Total Expenditure of Project (to 30 June 2000): **\$ 15 829 177**

⁸⁶ Correspondence from the Hon. C.J. Barnett, MLA, 11 September 2000, op. cit.

⁸⁷ Not generally classed as costs of consultancies, these payments relate to ongoing wave monitoring, buoy relocation and port hydrographic surveys.

⁸⁸ The cost of land purchase indicated does not take into account potential revenue from land sales (refer to p. 17 and p. 35: *Future Revenue from Land Sales*).

Future Expenditure

Major expected expenditure for the project relates to the construction of the Oakajee Port, the railway formation for the dual gauge rail line and the rail link between the Oakajee site and the Narngulu Industrial site.⁸⁹

Railway Formation

The railway formation for the rail link from the Oakajee Industrial Estate to the Mullewa-Geraldton rail line is expected to cost the State \$12.85 million (\$12 million for construction and \$850 000 for design) and will include survey and engineering, earthworks, drainage, bridges, access road, fencing and gates and a sum for contingencies. The State's purchase of necessary land for the rail line is estimated to cost in the region of \$1.3 million.

Whilst negotiations have not been completed in relation to the maintenance of the rail formation (refer to definition, Chapter 4), it is the Committee's view that this will be a cost to the State. At the time of writing, the Committee was not able to quantify these costs and Westrail was not in a position to provide the Committee with a segregated costing of the maintenance of the rail formation.

Rail Link Between the Oakajee Industrial Site and the Narngulu Industrial Estate

The development of this rail line is dependent on the demand for the link from future projects. As there are currently no plans to begin construction of this line, only estimates are available for the cost of construction of this rail link. As previously discussed, the Minister for Resources Development has indicated that current estimates are in the region of \$6.5 million for the purchase of the associated land and \$35 million for construction of the rail line.

Oakajee Port

Current estimates for the construction of the Oakajee Port relate to the minimum core facilities required for the export of steel slabs from the initial KSL project and is expected to cost \$192 million \pm 20 % (in 1998 dollars). This estimate includes:

- provision for dredge mobilisation/demobilisation and the dredging required for the channel, ship turning basin and berths for Panamax size ships⁹⁰;
- the establishment of quarries and haulroads for the breakwater materials;
- the breakwaters, reclamation containment bunds and rock spurs;
- provision for tug berths, fuelling and service facilities and for navigation aids;
- the port buildings, roads and services;
- items for further engineering and environmental investigations;
- project management; and
- the cost of the detail design.⁹¹

⁸⁹ Correspondence from the Hon. C.J. Barnett, MLA, 11 September 2000, op. cit.

⁹⁰ Panamax ships have a capacity of 65 000 DWT.

⁹¹ Correspondence from the Hon. C.J. Barnett, MLA, 11 September 2000, op. cit.

The estimate for the construction of the port is based on the State constructing, or causing the developer to construct, the core components of the port. The estimates do not include the KSL loading wharf (wharves) or the loading cranes.⁹²

Other Infrastructure

The Committee has obtained a copy of a preliminary report⁹³ examining the infrastructure implications of the Oakajee development on the Geraldton region (which includes the City of Geraldton and the Shires of Greenough, Chapman Valley, Mullewa and Northampton). It is expected that as a result of the Oakajee development, there will be a significant increase in population to the region. The impact of these changes will create a need to provide a wider range of community services and infrastructure to meet the need of the extended population.

In terms of the funding arrangements for the necessary changes to the infrastructure, the report states that:

Many of the issues identified in the Study will require substantial funding for satisfactory resolution. Steep increases in population over relatively short periods will inevitably need large expenditures of public capital funds to satisfy demands for a wide range of community services and infrastructure. The only realistic source for most of this funding is the State Government, via its various agencies, though local government also has a role and a contribution to make. In some specific areas the major project developers have funding obligations arising from service requirements directly associated with their workforces and their project operations; this is true of the Kingstream Steel project, which has a number of obligations for infrastructure provision at Mullewa.⁹⁴

Projected Total Expenditure of Project

In view of the ongoing nature of the Oakajee Project and related infrastructure, the Committee was interested to know the projected total cost of the Iron and Steel (Mid West) Project. Thus, the Committee has devised a number of scenarios related to the construction of the Oakajee Port and the related rail lines and has combined the relevant estimates with the known Government expenditure to date to allow a comparison of the different scenarios:

Scenario One

In this scenario, the Oakajee Port is constructed, as is the dual gauge rail line between Talling Peak and the Oakajee Industrial Site, but the railway linking the Oakajee Industrial Estate to the Narngulu Industrial Site (connecting with the existing Geraldton-Mullewa

⁹² Correspondence from the Hon. C.J. Barnett, MLA, 11 September 2000, op. cit.

⁹³ Western Australian Planning Commission Infrastructure Coordinating Committee, *Geraldton Regional Infrastructure Study, Preliminary Report*. Provided to the Committee by the Minister for Planning, the Hon. Graham Kierath, MLA, 20 September 2000.

⁹⁴ *ibid.*

railway) is not constructed due to lack of demand. Under this scenario, the total cost of the project could be estimated as:

Major Items of Development	State Expenditure (\$)
<i>Government Expenditure to Date</i>	
Consultancies	4 495 263
Oakajee Industrial Estate	11 195 000
Miscellaneous Expenditure	138 914
<i>Total Government Expenditure to Date</i>	<i>15 829 177</i>
<i>Forecast Government Expenditure</i>	
Oakajee Port	192 000 000
Dual Gauge Rail Link	14 150 000
Rail Link Oakajee - Narngulu	-
<i>Total Forecast Government Expenditure</i>	<i>206 150 000</i>
Total Forecast Expenditure under Scenario One	221 979 1777

Scenario Two

In this scenario, the Oakajee Port is constructed, along with the dual gauge rail line and the railway linking the Oakajee Industrial Estate to the Narngulu Industrial Site (connecting with the existing Geraldton-Mullewa railway). Under this scenario, the total cost of the project could be estimated as:

Major Items of Development	State Expenditure (\$)
<i>Government Expenditure to Date</i>	
Consultancies	4 495 263
Oakajee Industrial Estate	11 195 000
Miscellaneous Expenditure	138 914
<i>Total Government Expenditure to Date</i>	<i>15 829 177</i>
<i>Forecast Government Expenditure</i>	
Oakajee Port	192 000 000
Dual Gauge Rail Link	14 150 000
Rail Link Oakajee-Narngulu	41 500 000
<i>Total Forecast Government Expenditure</i>	<i>247 650 000</i>
Total Forecast Expenditure under Scenario Two	263 479 177

Scenario Three

In this scenario, construction of the Oakajee Port is deferred and the existing Geraldton Port utilised until output from the Kingstream Steel Mill and other organisations within the Oakajee Industrial Estate exceeds that which the Geraldton Port can handle. As a result, some costs will be incurred relating to the upgrade of the existing port. At present, no estimates are available for this. The Committee understands however, that the existing Geraldton port is capable of immediately moving 2.6 million tonnes per annum of steel slab using geared Handimax ships. The costs to implement this would be negligible. Under this scenario, construction of the Oakajee Port would be delayed until output from the KSL steel mill (or other industries located at the Oakajee Industrial site) exceeds 5.2 million tonnes per annum. Assuming output increases to this level, the Oakajee Port would eventually need to be constructed and thus the current estimates for its construction are included. Due to the need to transport KSL's steel output to the existing Geraldton Port, the railway linking the Oakajee Industrial Estate to the existing Geraldton-Mullewa railway would need to be constructed immediately. Under this scenario, the total cost of the project could be estimated as:

Major Items of Development	State Expenditure (\$)
<i>Government Expenditure to Date</i>	
Consultancies	4 495 263
Oakajee Industrial Estate	11 195 000
Miscellaneous Expenditure	138 914
<i>Total Government Expenditure to Date</i>	<i>15 829 177</i>
<i>Forecast Government Expenditure</i>	
Oakajee Port	192 000 000
Upgrade of Geraldton Port	negligible
Dual Gauge Rail Link	14 150 000
Rail Link Oakajee-Narngulu	41 500 000
<i>Total Forecast Expenditure</i>	<i>247 650 000</i>
Total Forecast Expenditure under Scenario Three	263 479 177

It should be noted that in this last scenario, whilst the indicated long-term forecast expenditure is the same as in scenario 2, there is a significant short-term saving in that the Oakajee Port would be constructed only when a significant rate of tonnage is achieved that would be in excess of the existing Geraldton Port's handling capacity. In so doing, there would be no need for the Oakajee Port to be run at a loss for an indefinite period until KSL's output assures the port can be run at a profit. Thus, when the Oakajee Port is eventually constructed, it will be able to operate at a profit almost immediately.

Future Revenue for Land Sales

It is anticipated that the cost of land acquisition will be reduced through the resale of some of the buffer zone land of the Oakajee Industrial site and through the sale of industrial sites if the project proceeds.

APPENDIX ONE

Department of Resources Development. Standard Agreement Act Provisions

Recitals

- to reflect the intention of the parties and the purpose of entering into the Agreement.

Clauses

1. Definitions.
2. Interpretation.
 - relating to monetary references, grammatical provisions, etc.
3. Initial obligation of the State.
 - relating to the sponsoring of a Bill.
4. Ratification and operation.
5. Initial obligations of the company.
6. Proposals.
 - including specific details of facilities, workforce accommodation, water supply, use of local labour, etc.
7. Consideration of proposals.
 - relating to the role of the Minister, implementation and variations of proposals, etc.
8. Additional proposals.
9. Land.
10. Protection and management of the environment.
11. Use of local labour, professional services and materials.
12. Private roads.
13. Public roads.
14. Water.
15. Resumption for purposes of the Agreement.
 - relating to the resumption of land for the purposes of the project.
16. Assignment.
17. Variations.
18. Force majeure.
19. Power to extend periods.
20. Determination of Agreement.
21. Effect of determination of Agreement.
22. Environmental Protection.
23. Indemnity.
24. Commonwealth licences and consents.
25. Subcontracting.
26. Arbitration.
27. Consultation.
28. Notices.
29. Term of Agreement.
30. Zoning.
31. Rating.
32. No discriminatory rates.
33. No resumption.
34. Stamp duty.
35. Applicable law.

APPENDIX TWO

Chronology of Activity

1976	Oakajee site designated industrial in 1976 Geraldton Region Plan and considered as a potential heavy industrial/port site.
1980's	Oakajee considered for an alumina refinery and port.
1989	During the development of the 1989 Geraldton Regional Plan, it was recommended that Oakajee be protected for future heavy industry.
1990	A review of a range of sites able to accommodate industries concluded that Oakajee and Bootenal West should be considered in more detail.
1991	More detailed studies concluded that Bootenal West was preferred overall although Oakajee was preferred from an environmental perspective.
December 1991	The Environmental Protection Agency (EPA) released an informal assessment of both Bootenal West and Oakajee which concluded both sites were potentially manageable but that Oakajee was preferred.
November 1995	Cabinet endorsement of industry and Port Sites Study and recommendations made by the report.
January 1996	The Geraldton Region Plan Review Industry and Port Sites Study released for public comment.
October 1996	Draft Iron and Steel (Mid West) Agreement submitted to Cabinet.
4 November 1996	Cabinet gave support to the Mid West Iron and Steel project and supported every endeavour by all parties to negotiate a relocation of the project to the Oakajee site.
11 November 1996	Cabinet gave "in principle" endorsement of the Mid West Iron and Steel Agreement and approved the provision of interim supplementary funding of \$500 000 to the DRD for technical, feasibility and environmental studies for the proposed Oakajee port and authorised LandCorp to negotiate the acquisition of the land and buffer areas comprising Oakajee.
12 March 1997	The Proponents of the project, Kingstream Resources NL and An Feng (Australia) Pty Ltd signed a 63 year Agreement with the State of Western Australia.
15 May 1997	Legislative Assembly resolved that the Public Accounts Committee ("the Committee") examine and report on the nature and full extent of State support for the Mid West Iron and Steel project.
May 1997	Completion of the "Oakajee Deepwater Port Public Environmental Review" submission.
23 June 1997	Cabinet approved funding for the purchase of the Oakajee Industrial Estate core land and initial buffer (estimated at \$10 million).

27 June 1997	The <i>Iron and Steel (Mid West) Agreement Act 1997</i> was assented to.
7 July 1997	The Committee sent letters to consultants re: expressions of interest to assist in the Committee's inquiry.
16/17 July 1997	The Committee conducted informal briefings with Senior Management from the following "agencies": Westrail; Department of Commerce and Trade; Department of Transport; Main Roads; Murdoch University (Dr Frank Harman); Department of Resources Development; and Treasury.
18 November 1997	The Committee wrote to the Chief Executive Officer (CEO), DRD requesting details of the status of studies being undertaken for the Iron and Steel (Mid West) Project.
21 November 1997	Completion of study undertaken by Port and Harbour Consultants, "Port Feasibility Study Phase 2 Report".
November 1997	Completion of <i>Oakajee Port Economic Evaluation</i> report.
12 February 1998	The Committee wrote to the CEO, DRD requesting an informal briefing to ascertain the current status of reports and studies.
25 February 1998	Environmental approval of the Oakajee Port was issued by the Minister for the Environment.
February 1998	Collapse of the Alinta/Epic Gas Deal.
6 March 1998	State Government announced that it intended to call for expressions of interest to build, own and operate an independent deep water port at Oakajee.
March 1998	The Dampier-to-Bunbury gas pipeline was sold to Epic Energy.
11 May 1998	Cabinet approved the \$7 million funding required for the establishment of the extended buffer zone.
2 – 3 June 1998	The Committee held formal evidence hearings and a public forum in Geraldton.
24 June 1998	The Committee held formal evidence hearings with An Feng Kingstream Co. Ltd.
July 1998	The first stage of bulk earthworks for the steel plant was completed on the Oakajee plant site.
15 October 1998	The Committee tabled its Interim Report on the Nature and Full Extent of State Support for the Iron and Steel (Mid West) Project. The Committee's inquiry put on hold until the Proponent resumed activities that impacted upon the nature and full extent of State support for the project

28 October 1998	An Feng Kingstream Limited (AFK) advised the Minister for Resources Development that the Company was unable to meet the 31 December 1998 deadline for the submission of detailed proposals under the Agreement.
14 December 1998	AFK announced that it had reached agreement with its major shareholder for the restructuring of the company.
22 December 1998	The Minister for Resources Development approved a one year extension for submission of detailed proposals to 31 December 1999.
8 February 1999	AFK exercised its option to purchase mining tenements from St Barabara Mines Ltd at Weld Range and Jack Hills.
23 February 1999	AFK announced that it had finalised agreements with German Company, Messrs Griesheim for the supply of a \$32 million gas plant at Oakajee.
5 March 1999	Environmental approval was granted for the construction of the railway line from Tallering Peak to the point of intersection with the proposed Narngulu-Oakajee railway.
23 March 1999	AFK signalled its intention to seek extension of its option agreement with LandCorp for industrial land in the Narngulu Industrial Estate.
30 March 1999	AFK changed its name to Kingstream Steel Limited (KSL).
18 May 1999	LandCorp approved an extension of the Narngulu Option Agreement to 31 March 2000, or 90 days after submission of proposals, whichever comes first.
August 1999	Financial restructuring process of KSL was completed.
4 October 1999	Cabinet approved the variation to the Agreement.
12 October 1999	Variation to the Agreement tabled in Parliament.
2 November 1999	KSL requested a further extension of time for the submission of detailed proposals.
24 November 1999	The Committee wrote to the Minister for Resources Development requesting an update on the status of the project.
2 December 1999	Completion of the "Port feasibility Study Phase 3 Report".
22 December 1999	The Minister for Resources Development approved an extension of submission of detailed proposals to 31 December 2000.
28 January 2000	KSL executed a US\$1.1 billion (A\$1.6 billion) contract with SMS Demag AG and Ferrostaal AG for the supply and construction of KSL's Steel Plant at Oakajee.
7 April 2000	The Committee held formal evidence hearing with DRD to ascertain the current status of the Kingstream project.

May 2000	The Minister for Resources Development travelled to Europe to promote the Oakajee industrial park and port to financiers. ⁹⁵
1 June 2000	<p>During questioning as part of the Estimates Committee process, the Minister for Resources Development confirmed that \$192 million plus or minus 25% was the best estimate at that stage for the physical cost of constructing the Port.</p> <p>The Minister confirmed that on 1 May 2000 Cabinet had agreed to widen the expressions-of-interest process for Port construction to include the option of government finance.⁹⁶</p>
31 May 2000	Lord Nigel Lawson replaced Mr Ken Court as chairman of KSL. Mr Court remained a non-executive director. ⁹⁷
June, July 2000	The Committee wrote to the Minister for Resources Development and the Minister for Transport requesting an update on the status of various aspects of the project.
24 August 2000	Chase Manhattan Bank was reported ⁹⁸ to have accepted KSL's mandate to arrange up to \$3.4 billion finance for the Kingstream Steel Mill.
September 2000	In response to a request from the Committee, the Minister for Planning provided a copy of a draft report entitled <i>Geraldton Regional Infrastructure Study</i> .
4 October 2000	The Committee wrote to the DRD seeking additional information relating to the proposed rail lines and the Oakajee Port.
10 October 2000	Second Variation to the Agreement Act tabled in Parliament.
16 October 2000	KSL applied for a further extension of time for submission of detailed proposals.

⁹⁵ Western Australia, Parliamentary Debates, Hansard, 1 June 2000, p. E385.

⁹⁶ *ibid.*

⁹⁷ Reported in *The West Australian* newspaper, 1 June 2000 and in the *Sunday Times* newspaper, 4 June 2000, p. 49.

⁹⁸ *The West Australian* newspaper, 24 August 2000, p. 45.