

EXTRACT FROM HANSARD

17 JUNE 2009

QUESTION ON NOTICE

MARIUS KLOPPERS CEO OF BHP BILLITON — MEETING WITH PREMIER

Dr M.D. NAHAN to the Premier:

I understand that today the Premier met Marius Kloppers, the chief executive officer of BHP Billiton. Can he advise the house of the results of today's discussion?

Mr C.J. BARNETT replied:

I thank the member for the question. Yes, I have just come from a meeting of a little over an hour with Marius Kloppers. I guess it is obviously the first of what will be numerous meetings over the coming months. I am left with the impression that this iron ore joint venture arrangement between BHP Billiton and Rio Tinto will go ahead. The expectation of the various parties is that they will ultimately get approval through the European Union, which is a major hurdle.

I sought certain assurances relating to employment. Given the complexity and the time it will take to put this arrangement together, it is unlikely to come into place until probably the second quarter, or even later, of next year, so it is probably at least nine months away. In the meantime, both BHP and Rio will continue their iron ore operations as usual. We are not likely to see any immediate impact.

I imagine that once the organisations do merge, there will be some loss of jobs obviously in the middle management corporate area. I was assured by Mr Kloppers that the intention to expand the iron ore operation, however, was as strong as ever and, therefore, we can expect to see stable and increasing employment on the production side of the iron ore industry.

Bringing the two together is a complex venture. They are talking about a number of joint ventures such as the Newman Joint Venture Mines and the Channar Mining Joint Venture, all with separate and different ownerships. The complexities and interests of many joint venture partners will take some time to play out. I made it clear that the state, although not exactly thrilled, I think I said, with the arrangement, would not be obstructionist and we would work with the two companies, recognising that they have made that decision and that is most likely what will happen.

In saying that, I certainly sought assurances, firstly, on jobs, which I have commented on. I was assured that the capital expenditure programs would proceed. However, obviously they will change, whether there is expansion of the outer harbour at Port Hedland or investment on the port side as it goes into the Cape Lambert area. Who knows?

I guess that is part of what they will work on over the coming months. In terms of the financial implications—if I can say so—government, and indeed this Parliament, has a role in a policy sense. Jobs, ownership of the iron ore industry and how we sit with our international trading partners are critically important. Rail access is another one.

The state also has a direct commercial interest in this. Sometimes it can be useful to distinguish between the public policy issues and commercial interests, and I sought to do that in the meeting. Our commercial interest is simply a large amount of money. In that regard, I placed on the table that, out of this arrangement, the state would expect the longstanding concessions on iron ore royalty charges to cease and we will see a normal rate apply.

Mr E.S. Ripper: Immediately?

Mr C.J. BARNETT: We did not talk about timing; there may be some phase-in period, but my expectation —

Mr E.S. Ripper: There shouldn't be.

Mr C.J. BARNETT: That is to be negotiated. We were talking about broad principles. My view is that full royalties should apply on not only new and expansion projects, but also production coming out of that joint venture.

The second point of view—this is more complex and I guess there will be more argument about it—is that the two parties stated that there will be no change of ownership; they intend to basically share the iron ore out of this joint venture.

Mr C.J. BARNETT: I would like to continue for a moment. However, BHP, by its public announcement, intends to pay Rio Tinto \$US5.8 billion as a way of equalising its share of iron ore production. As a lay person—I do not pretend to be a tax expert—that seems to be tantamount to a change of ownership, at least to the extent of that share of Rio's production.

Mr E.S. Ripper interjected.

Mr C.J. BARNETT: I have not received that advice yet. Let me make it very clear, as I made it very clear to Marius Kloppers: as far as the state is concerned that is tantamount to a change in ownership. It is not a right to buy; it is a right to sell iron ore. It is about ownership and the state will expect stamp duty to be payable on that. If there is any doubt, we will look at making amendments to the Stamp Act to make sure that is clear.

I made the position clear. That is, I guess, the state stating its position. There is a long way to go—at least nine months in terms of this negotiation. I think it is fair to say that there is a broad agreement that there would need to be substantial changes to the state agreements acts. There are over 20 state agreement acts. We need to have a discussion as to whether there is one agreement act or several agreement acts. They will need to be modernised.

There will be radical change. That will require a parliamentary process without much doubt at all. So, I will keep the Parliament informed. This is a big deal for Western Australia. As members are aware, Western Australia supplies about one-third of the world's seagoing trade in iron ore. This is a world-scale deal in terms of the significance of iron ore as a commodity, in the value of the deal, and in its international, national and state complexity.

Mr B.S. Wyatt: What about the potential job losses?

Mr C.J. BARNETT: Well, the first point I raised with him was the job situation. To be honest, I do not think the two companies are particularly advanced in terms of the detail of what they have reached agreement on. They have to go through a complex process

themselves. But, basically, the view that Mr Kloppers expressed was that total employment would continue to grow in the iron ore industry. He also expressed the view that we will probably see more employment as owner-operator rather than contractors, but, again, I think it is all probably premature to go beyond that now.

Mr F.M. Logan: What about the implications for the iron ore policy?

Mr C.J. BARNETT: I do not know what iron ore policy the member is talking about.

Mr F.M. Logan: The Charles Court one.

Mr C.J. BARNETT: Which one?

Mr F.M. Logan: The standing iron ore policy.

Mr C.J. BARNETT: The Labor Party may have an iron ore policy. It is not necessarily my iron ore policy.

Mr F.M. Logan: It was around in Charles Court's day.

Mr C.J. BARNETT: I think we have moved on from the 1960s, with due respect. We are in a different realm. We can have a private discussion about that later. As I say, there are public policy issues that this state and this Parliament should deal with. I urge members to try to distinguish in their minds between those matters that are of immense importance, and the other more direct commercial interests that the state has as the owner of the iron ore.