



Speech by

**Mr JIM PEARCE**

**MEMBER FOR FITZROY**

Hansard 20 June 2001

### **STATE DEVELOPMENT AND OTHER LEGISLATION AMENDMENT BILL**

**Mr PEARCE** (Fitzroy—ALP) (2.53 p.m.): I rise to speak in support of the State Development and Other Legislation Amendment Bill. First, I wish to acknowledge the importance of part 3. It is a commonsense amendment, because it guarantees continuity of power supply to the Australian magnesium plant, which is a major boost to the Fitzroy electorate and region.

I take this opportunity to thank the minister and the Office of State Development for the great work that has been done in delivering this magnesium plant to Stanwell. I also acknowledge the valuable and never-ending support of the Minister for Public Works and Minister for Housing, Mr Schwarten. I also mention the management of the Stanwell Corporation and the Fitzroy Shire Council and the involvement of the Rockhampton city mayor, Margaret Strelow. The whole process has been handled with perfection and progressed with cooperation.

One of the things I as the local member have appreciated is that, whilst we always knew we were moving towards having this magnesium plant situated at Stanwell, there was never an attempt to place expectations above the appropriate level at each particular stage of the process. So I congratulate everybody involved. It has been a magnificent achievement for us. We look forward to the valuable ongoing input of everybody concerned and also the growth that will come from this development in central Queensland.

I wish to concentrate most of my comments on this amendment bill to part 2, which refers to the amendment of the Central Queensland Coal Associates Agreement Act 1968. The 1968 act has had a number of amendments, due to changes of interest in the joint ventures. Because of the need to explain the amendments accurately, I have sought the approval of the Speaker to have the explanatory notes relating to part 2 of the bill incorporated in *Hansard* as a preamble to my contribution in this debate. I now seek leave to have that incorporated.

Leave granted.

#### **PART 2—AMENDMENT OF CENTRAL QUEENSLAND COAL ASSOCIATES AGREEMENT ACT 1968**

Clause 3 defines the Act amended in Part 2 as being the Central Queensland Coal Associates Agreement Act 1968.

Clause 4 amends section 4 of the Central Queensland Coal Associates Agreement Act 1968 to remove the mechanism whereby Governor in Council could make further amendments to the Act by order in council. The Scrutiny of Legislation Committee has expressed a strong preference that agreements not be amended by order in council or regulation.

Schedule 1 introduces amendments to Schedule 2 to reflect changes resulting from the decision of BHP and Mitsubishi to move to equal ownership of their interests in the Central Queensland Coal Associates Joint Venture.

The Central Queensland Coal Associates is a joint venture of companies that are involved in the development, ownership and operation of coal mines in the Central Queensland region and also the Hay Point Coal Terminal that is adjacent to the Government's Dalrymple Bay Coal Terminal. As one of the "pioneering" arrangements that opened up the Central Queensland coalfields, the arrangement between the Joint Venture and the State is set out in an Agreement that is enacted as legislation, in keeping with the accepted practice at the time the Agreement was developed.

The Central Queensland Coal Associates Agreement Act 1968 details the parties to the Central Queensland Coal Associates Joint Venture and the relative ownership levels of each party. When changes to ownership levels of the participant companies in the Joint Venture occur (including the addition and removal of participant companies), it is necessary for these changes to be

reflected in amendments to the Act. Numerous amendments have been made to the CQCA Joint Venture parties and their level of interest in the Joint Venture since Utah Development Company and Mitsubishi signed the original Agreement with the State on 28 January 1969.

Most recently, the CQCA Joint Venturers were essentially BHP, Mitsubishi and QCT Resources Ltd (held through their subsidiary companies). However, in August 2000 BHP and Mitsubishi together made a stock market takeover offer for QCT Resources Ltd, a bid that was ultimately successful. Note that QCT's interest in the CQCA Joint Venture was not affected by the successful bid, and as a result no change to the Act was required (all that happened was that ownership of QCT transferred to BHP and Mitsubishi).

On 28 March 2001 BHP and Mitsubishi publicly announced an agreement to move to equal ownership of their interests in the CQCA Joint Venture, thus necessitating this latest amendment to the Act. Specifically, the Amendment recognises the transfer of a 2.10% interest in the CQCA Joint Venture from BHP Coal Pty Ltd to QCT Management Limited. This latest transfer is an adjustment that results in BHP and Mitsubishi, through their direct and their indirect interests in the CQCA Joint Venture, each having a 50% equal interest in the CQCA Joint Venture.

**Mr PEARCE:** In the past the Blackwater mine has operated as three mines. There was the open-cut operation, with coal mined from several seams by draglines supported by a mobile pre-stripping operation with 150-tonne trucks; and there were also two underground mines, Laleham and Kenmare. These mines also produced coal for the South Blackwater operation. The Laleham mine was a small board and pillar operation, while Kenmare is a much larger mine that utilises the long wall extraction method. From memory, coal mined at South Blackwater is of the coking coal quality, thermal and semisoft coking coal.

I understand that the coal reserves in the mining leases and exploration permits are in excess of some two billion tonnes of coal. So members can see just how big this lease is and how much coal is there. Much of this coal is easy to access by using drag lines and truck and shovel operations to expose the coal seams. This is the coal that BHP is targeting. Of course, long wall operations can be very high in output, but there is always a greater risk of cost blow-outs because of geology problems, such as poor roof and floor conditions, faulting and a common dip in the coalfields in central Queensland—a common dip to the east, which means that the coal seam continues to get deeper the further east you go.

As the owner of these three mines, BHP has moved quickly to shut down two of the operations: the Laleham mine, which has already been closed; and Kenmare mine, which is scheduled to close in 2002. The company is expanding the open-cut operation and developing what it identifies as a megamine. In closing these two mines BHP has highlighted what I have always considered to be its blatant disrespect for the people of Queensland.

Over the years BHP has been progressing a strategy to deliberately force down the price of coal, and that strategy is on the public record. BHP has been party to increased volumes for lower prices. So the more coal it produces, the greater opportunity it has to lower the price so that it can sell the volume. In recent years, increased volumes by the big players have created an oversupply of coal, which has assisted in pushing down the coal price. Increased volumes—bigger tonnages—have ensured that the big operators could survive, while smaller producers have been sacrificed. With coal prices in decline, the big producers could justify their attacks on workers—attacks such as reduction in work force numbers, restructuring of the industry, 12-hour shifts, greater use of contractors and a move away from the obligation to support families and communities.

The communities of which I speak are the very ones that were built by the mining companies with the sole purpose of providing homes and a quality of life for the coal work force and support services. Corporate greed is costing Queenslanders jobs and destroying rural communities, and the consequences of this behaviour will impact on the economic wellbeing of this state more so in the future than they currently do today. While the federal government continues to turn its back on its responsibilities and, through its industrial relations reform, openly encourages the exploitation of Australian resources and workers, it will be left to future generations to deal with this legacy.

BHP's takeover of QTC Resources is a prime example of what I am talking about. And we, as citizens of this nation, have just allowed it to happen. BHP has closed Laleham mine and, as I said, announced the closure of its Kenmare mine in the year 2002. We have lost over 200 permanent jobs, and up to 15 million tonnes of coal has been sterilised. BHP can do this because the company is under no legislative obligation to recover those coal reserves. All BHP has done is tell the community that the mines are not economical. That is its justification for closure. And we as a community stand and nod acceptance, and there are no questions asked.

We as a community are endorsing the 'skim the cream off the top' mentality of mining companies—the very companies that make billion-dollar profits, pay huge salaries to company executives and, when the going gets tough, sell up and move on to other countries to exploit their resources and their people while, at the same time, doing everything they can to kill off our export industry. As a nation we should be demanding that mining companies take some of the more costly to

recover coal reserves as well as those reserves that provide big returns. This is about getting the balance right, providing security and sustainability for our most important export industry.

Let me refer to an interview which aired on ABC Radio on 9 January and which highlights the short-term thinking of BHP. Mr Ian Dymock was being interviewed on the issue of the closure of the Laleham and Kenmare mines. He said—

There is no shortage of coal in the Bowen Basin. There is no point keeping it in the ground if it is economical to mine. The Blackwater mines are not economical to mine. There are a number of other areas in the Bowen Basin where mining could take place.

Mr Dymock went on to say—

BHP plans to expand the open cut mine, mining the coal that is accessible to them at an economical cost ... the company was not leaving easy coal in the ground.

It is clear from Mr Dymock's own statement that BHP wants the easier, more economic coal reserves; the less profitable reserves can wait for another day and, no doubt, for another company.

I want to take a couple of minutes to look at the Laleham and Kenmare mines. As I said earlier, the Kenmare mine is a longwall mine; and people in the industry, as well as myself, know that Kenmare has had its troubles. In fact, the longwall was buried for some time—quite badly—and it was a real problem for the mine. We have had poor management decisions and geological heavy faulting, all of which have impacted severely on what was promoted as a potentially high producing mine.

But when talking to the workers—the miners who actually do the work at the face—I felt that if management left them alone to do what they do best, that is, to mine coal, and if conditions were right, they could get the tonnages and make that mine work. So I was not surprised to read that, over a 24-hour period on 30 May last, a record 33,648 tonnes of coal was cut in a 24-hour shift. That is an amazing output. I congratulate the miners on what was an outstanding achievement. There are, I am told, some 12 million to 14 million tonnes of accessible reserves remaining in the mine, but BHP will shut the place down because they say it is not economical.

I will now have a quick look at the Laleham mine, which is an older mine with a different type of operation known as bord and pillar. Laleham has had its problems but has always operated as a profitable mine. We have the statistics to support our claims that the mine was making a profit—albeit a small profit, but it was indeed still a profit. BHP went to great lengths to say that Laleham was not profitable, but the company's own monthly reports proved otherwise.

When I looked at 21 months of production, taking into consideration tonnes produced, the cost of production, the cost of washing, loading, freight and port charges, as well as royalties, for 16 months of that 21-month period the mine operated at a profit. Given that saleable coal is less in tonnage than that produced at the coalface—so whatever is produced at the coalface is not always going to be the same as what finishes up at the end of the wash plant and able to be loaded onto a train—and given that we must take into consideration that the price of coal fluctuates, it is very evident from the information that we had that Laleham was still paying its way, still paying the bills, keeping people employed and putting dollars in the bank for the boss. After all, I believe that is what it is all about: so long as the boss is making a profit at the end of the day, we have a successful operation. The work force had just recently broken through a fault line into a block of coal estimated to be about two million tonnes. But BHP said the mine was uneconomical and shut down the mine, turned off the pumps and flooded the workings, sterilising more than two million tonnes of high-quality coal.

I now want to read into *Hansard* a letter concerning a record week's production of 31,663 tonnes. This was put out in the form of a newsletter by the mine manager at the time. The letter states—

Congratulations to everyone on the achievement of yet another record at Laleham mine. The production of 31,663 tonnes, during the week 5th to the 9th of February 2001, represents a new weekly record to add a long string of achievements over 31 years of mining.

This is an excellent performance, which follows the attainment of 1000 accident free shifts by 'A' crew. The production record has also been achieved after the disappointment of closure had been confirmed upon the operation.

We are all aware that the Laleham equipment is not the newest and that it takes more effort and perseverance to ensure it runs smoothly, but we have consistently demonstrated what can be accomplished when everyone is prepared to work together.

Unfortunately this performance and the co-operation, which has been fostered over the past number of years, have been unable to avert the spectre of closure. None the less, everyone will be entitled to take away a genuine sense of pride in a bord and pillar operation which has been performing at better than budgeted cost per tonne, and shown itself to rival many a longwall operation with productivities of 15000 tonnes per man.

That says it all.

This resource belongs to the people of Queensland, and mining companies like BHP should not be allowed simply to walk away from the coal that can be mined. There are coal reserves that should be mined; but because it does not fit into the BHP corporation's big picture, it means that the mines will be

closed. And as a result of that, we will have the sterilisation of millions of tonnes of coal, the loss of jobs and an impact on a community like Blackwater.

The amendment before the House is necessary, it is commonsense, and it must be supported, because it does mean jobs and returns to the people of Queensland—although I do not see those returns being maximised. When Kenmare closes we will have lost over 200 permanent jobs and families from Blackwater. This means fewer students, fewer teachers, reduced demand on health services—so fewer health workers, and a reduced cash flow—so more small businesses will close, while service clubs and sporting clubs will cease to function. The amendment will ensure that the new mega mine will go ahead. BHP will use drive-in, drive-out contractors to do the work. This will do nothing to ensure stability of the work force and will do nothing for the town of Blackwater. And the rhetoric about sustainability of rural towns is just that: rhetoric.

I support the legislation. I have made this contribution because I know a lot of friends and families who have lost jobs. But I still believe—and I will believe till the day that I take my last breath—that we have to make sure that mining companies are accountable and that they make every effort to access coal even if it is a little more costly to mine than that which is just below the surface.

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