



Speech by

Mr M. HORAN

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DALRYMPLE BAY COAL TERMINAL (LONG-TERM LEASE) BILL

Mr HORAN (Toowoomba South—NPA) (Leader of the Opposition) (2.55 p.m.): The Dalrymple Bay Coal Terminal (Long-term Lease) Bill addresses a matter under the Property Law Act such that the provisions as to covenants are not to assign and so on without licence or consent. That is the key point of the bill. Under the Property Law Act lessees have the opportunity to assign to another lessee or third party. However, in this case it is the desire of the government—and we agree with it—not to have any assignment unless the assignee can conform to the various principles put in place under the original 99-year lease. That is the key point of this piece of legislation. It is pretty straightforward.

The government proposes to sell the Dalrymple Bay Coal Terminal lease. That is the effect of it. It is a 99-year lease, but it wants to retain control over the lessee's actions in terms of five objectives. They include the competitiveness of the terminal, the efficiency of supply, long-term sustainability, management of the asset, and maximising return to the state. There is nothing overly controversial in such a commercial arrangement.

However, there are some issues that are worth mentioning in this debate, particularly from the point of view of those people who use the terminal—the coal producers. What we are doing today is facilitating one element of the sale process; this will be one of the conditions of the sale of the lease. For those central Queensland coal producers it is very important that two things happen from the sale process.

The first is that in using the terminal they are no worse off than they are at present with the terminal being owned by the Ports Corporation. It is very important that if the government sells off this lease Queensland coal producers are still able to remain competitive and they are able to use the facility at a very competitive price to load ships in order to send the coal overseas. There have been examples, particularly in Victoria, where private organisations have bought power stations, paid too much for the asset and have had to charge more in order to get a return for that asset. That will be one of the important aspects for the government to consider in the whole process of negotiating the sale.

Whilst we may wish for the best price possible, if that price is at such a high level it might mean that these people will have to charge more for the coal to go through the terminal, which would make it more difficult for our coal industry to remain competitive. The coal industry is developing in China and has increased substantially in recent years. Some of our coal, but not every type, is facing strong competition from the Chinese and also from interstate.

Because it will virtually be a monopoly arrangement, it is important that the incoming successful lessee will be able to make application to the Queensland Competition Authority for an access regime so that the user can ask for any matters to be referred to that competition authority. There will have to be a system in place so that those people using this port facility are able to go to the competition authority and say, 'In this monopoly situation we think we are paying too much and we need an adjustment for the price so that we remain competitive.' I would like to hear the minister's comments on whether that arrangement is being negotiated into the various sale protocols.

Secondly, the capital growth of this terminal needs to be guaranteed. The next stage is stage 6. The Ports Corporation would have moved on to undertake that. Any successful incoming lessee will need to be able to provide a guarantee that they will be undertaking stage 6 or any other necessary expansions that need to occur over that 99-year lease of that facility. There are projects in the pipeline

that are about to commence. There was the recent announcement about Hail Creek. When that comes on line it will be very important that stage 6 is constructed to allow for the transportation of the coal from that mine. So there are two aspects: there is the access regime for reasonable pricing systems in that monopoly situation and, secondly, the future growth in capital construction of the terminal, particularly stage 6 but also other stages as they become necessary.

The coal industry itself in central Queensland and in the Bowen basin has become one of the major industries in the state. It will be important to see that this sale process does continue to provide the sort of service, accessibility and pricing regime that allows our great coal industry to remain competitive to attract interstate or international coal exporters. There is not much of a margin at times. If we look at some of the royalties that the coal industry provides to Queensland we can see how important it is not just as an industry that provides for jobs and economic growth but as an industry that provides a pretty substantial proportion of the income of the state.

It is predicted that in the next 12 months there will be a windfall increase of around \$130 million to \$140 million to the government due in part to the increased productivity from those coalfields of Queensland, the increased export activity, the increased tonnage that is being exported and some of the relative price increases or the competitiveness that has come about through the low Australian dollar. As I have said, there is probably going to be a likely total cash return to the government of about \$531 million, which will be an increase in the order of \$130 million to \$140 million in royalties. We can see that that is a huge predicted increase.

On top of that, in the last budget the government increased overnight quite secretly an additional royalty on coal exports. That is over and above the natural increases that are coming about through increased tonnages and a better relative pricing structure that the exporters have been able to obtain, particularly because of the low value of the dollar. That additional royalty is going to be somewhere in the order of \$80 million. It is brought about by changing the system of charging the royalty based on mine mouth prices to the value of the coal at the wharf. That has meant that it has provided a wider base, and that will provide another boom in royalties to the government—somewhere in the order of \$80 million.

We want to continue to provide for an economic climate in Queensland where people have the confidence to invest. It is very easy to lose that confidence. If the investors, be they small or large, feel that investing in companies involved in mining in Queensland will provide good capital growth, good yield, then they will invest with confidence. But if they think that a government is going to change overnight the royalty structure so that extra money is taken out of the proceeds or the profits that the mining companies make, then they will become reluctant to invest. Sometimes they are quite subtle shifts in confidence. A good example of that was when Alan Bond took the Milton Road address off the XXXX label. It did not seem like much at the time, but it resulted in a total shift in brand loyalty and people's attitudes. They are the subtle things that can happen overnight. Instead of governments working carefully and closely with the mining industry and talking about these issues and working out the competition that this state is facing—

Mr Mackenroth interjected.

Mr HORAN: There were a lot of reasons.

Mr Mackenroth: There were 60 pubs in Queensland and he sold them.

Mr HORAN: He lost the loyalty of those licensees who from generation to generation could hand down those particular hotels and had the loyalty to the brand. I am saying that these things can be pretty subtle. The Milton Road issue was a big one in lots of people's minds. The government needs to work closely with the mining industry and not start making these overnight changes without any consultation at all, without any discussions with the mining industry. You can only pare off so much meat until you hit the bone.

The mining industry has gone through a number of years of hard times. They have had to restructure to be able to meet the new competitive forces. They have had to restructure to meet changes due to the downturn in the Asian economy and the decline in the export markets that they had to meet. They have to meet the competition that comes currently from China and Indonesia and the cheaper cost of production in those areas. They have all those particular competitive forces to continue to meet and to which to adjust to maintain this great industry back home here in central Queensland.

This industry provides not only the export incomes to our state and the companies involved but also wages for so many people. It contributes to the associated businesses that hang off the mining industry, whether it be through the sale or maintenance of heavy machinery. It provides wages for all the contractors who work in the mining industry and is responsible for the viability of some of our central Queensland and hinterland towns inland from Mackay and just north of Emerald that depend heavily upon the mining industry. All of those towns rely upon the company that operates the particular mining enterprises there. They rely on the mining industry having good export markets, being able to maintain

a good work force, good equipment, good technology and bringing that economic benefit to those areas.

What the government has done is quite serious. The government is taking a natural increase in royalty payments through the increase in tonnage and the better pricing structure that exists for coal and, not satisfied with that, they have whacked on this extra \$80 million by changing the base upon which the royalty is being charged. I warn this parliament that too much of this sort of activity is going to destroy investor confidence and make mining companies look elsewhere in the world in terms of where they can do business. That is the last thing we want because this industry has been great for Queensland; it is one of our truly great industries. In terms of export commodities, our mining exports are the biggest of any commodity in the state, and we in Queensland rely heavily upon those mining exports.

I want to emphasise those two points about the sale process which has been renegotiated. Reports appeared in the financial papers to the effect that the sale had been all tied up and was complete, yet now we see the government renegotiating this sale. I asked the minister some questions during the estimates process about the possible \$100 million black hole that would result in the budget if the government had been working on a particular set of figures that it was anticipating receiving this financial year in return for the sale of this lease and now the sale has to be substantially renegotiated.

Apart from how much the government gets for the facility in the renegotiation, I ask the minister to address two important aspects in his summing-up. Firstly, there is the matter of the Queensland Competition Authority and the access regimes so that producers loading their coal through this monopoly owner will still be able to access services at a fair price and not be held to ransom. Secondly, there is the matter of the continued capital growth of the terminal in order for stage 6 to be constructed in a timely fashion so that those mines supplying the area can cater for any increased production. The Queensland coal industry is substantially built on export coal, and the Bowen basin is a key element in the industry.

Dalrymple Bay was established to ensure the availability of a multiuser coal loading export terminal for a large number of Queensland mines, not just mines owned by one particular company. It opened in 1986 and has been progressively expanded. It has also seen a number of technological enhancements since then. Some of the mines supplying Dalrymple Bay include Blair Athol, Goonyella Riverside, German Creek, Oaky Creek, North Goonyella, Burton, Moranbah North, Foxleigh and Coppabella, which is now expanding its own operations.

This bill means that the Dalrymple Bay coal terminal will be exempt from section 121 of the Property Law Act, legislation that dates back to 1867. If this were not the case, this legislation would otherwise limit the government's control over the activities of the lessee. In particular, it means that the government can apply restrictions throughout the 99-year term of the lease on who can be assigned parts of the lease and that they conform to the principles applied in the sale of the lease in the first stage. It means that major users can be barred from buying out the facility, that is, a major buyer purchasing the facility for its own use. A situation such as that would make it very difficult for all those mines I mentioned to use this port. As a result of this legislation, Dalrymple Bay must remain a multiuser terminal. There is also a 10 per cent limit in terms of ownership of the lease assets by users, or 20 per cent in some foreseeable circumstances. It also means that other non-finance institutional investors will be limited to 20 per cent ownership of the lease but imposes no limit on ownership by financial institutions.

These are sensible measures that the majority of Queenslanders would support. The leasing of Dalrymple Bay will undoubtedly provide the state with an income stream without the capital costs of expanding or refurbishing the facility. However, it will be interesting to see the result of the lease arrangement. Because the government has a capital commitment and a capital need through the Ports Corporation to undertake certain expansions, obviously a return comes to the government. Any sale or any lease obviously has to be of benefit to the state. Even though the government theoretically retains ownership during the 99-year lease, it is as good as a sale. When the final figures and results of the sale come out, it will be important for us to be able to analyse whether or not the government has created an improvement on the current situation.

Two matters would need to be given consideration to see whether or not it was in fact an improvement: firstly, the annual return coming from the lease and whether that is better than the dividends the government receives now from the facility and, secondly, whether the Queensland government of the day is making a substantial saving on the capital it would have to spend to expand the facility and whether or not savings on capital expenditure offset the returns and what the Ports Corporation would have to borrow for its future capital development. In summary, limiting the lease by removing the rights implied in section 121 effectively gives the government of the day control over the operation of the coal terminal and would be built into the original sale of the lease in the negotiating process. Finally, I thank members of the minister's staff who provided a briefing for me on this matter.