



Speech by

Hon. PETER BEATTIE

MEMBER FOR BRISBANE CENTRAL

Hansard 9 August 2001

MINISTERIAL STATEMENT Australian Magnesium Corporation

Hon. P. D. BEATTIE (Brisbane Central—ALP) (Premier and Minister for Trade) (9.34 a.m.), by leave: Today is a great day for Queensland. As I have indicated previously to honourable members, the Queensland government is doing everything it can to make the Australian Magnesium project a reality. This is about jobs for Rockhampton and central Queensland, and it is also about jobs for Queensland and Australia. But it is about more than that. It is about creating new industries which add value to our natural resources, creating new opportunities for downstream light metal manufacturing. It is about a whole new industry for Queensland. This is the first major new industry since we started mining coal in the Bowen basin.

We worked hard to develop an infrastructure support package and encourage the federal government to take over the Gladstone pilot plant for further die-casting research. After the failure of the initial equity raising, the central agencies of my government met with key brokers to analyse why the initial raising failed and to devise a strategy to get this important project back on the rails. That strategy has been put into action over the last two weeks. The strategy involves a range of measures aimed at reducing the amount of equity that needs to be raised from \$680 million to around \$500 million and making that equity offer more attractive to an investment community focused on short-term returns.

Firstly, the state will fund an attractive yield enhancement on new shares for the first three years at a cost of around \$100 million. That \$100 million contribution will be acknowledged by AMC as a subordinated debt obligation to the Queensland government. Cabinet this morning approved that initiative subject to the finalisation of commercial terms. Secondly, we approached the Commonwealth to provide a \$100 million loan facility. Those initiatives should then put the company in a position to finalise a revised equity package to be put to the market.

For the last 10 days, state officials have been furiously working to convince the Commonwealth to ensure the success of this vital project. I seek to incorporate into the *Hansard* record of this House correspondence I sent to the Prime Minister and Senator Minchin stressing Queensland's commitment and urging the Commonwealth to match our contribution, as well as a letter from AMC thanking us for our support.

Leave granted.

Queensland Government
Premier of Queensland

25 Jul 2001

The Honourable Senator Nick Minchin
Minister for Industry, Science and Resources
Suite MF49, Parliament House
CANBERRA ACT 2600

Dear Nick,

As you are aware, late last week the Australian Magnesium Corporation's magnesium processing project at Stanwell in Central Queensland failed in its attempt to raise sufficient equity to proceed to full financial close, despite having debt facilities of \$932 million in place. I am writing now to seek your assistance in exploring options that would enable the project to proceed.

My Department of State Development has been in regular contact with the project's proponents over the course of the last few days and it seems as though there are several possible approaches that may enable the project to proceed by a

reconfiguration of financial arrangements. Each of these, however, would rely upon both the Commonwealth and State Governments proceeding in partnership. As you are aware, both our Governments have, for many years, provided support for the development of this technology, and more recently, to facilitate its commercialisation at Stanwell. In these circumstances it is important that we continue to work together to achieve the goal that we all share.

It is with that in mind that I have asked the Director-General of my Department of State Development, Mr Ross Rolfe, to seek urgent discussions with Commonwealth officials and explore ways by which we might jointly assist the Company to achieve full financial close. I understand that it is possible that this matter could be considered by Commonwealth Cabinet as early as next week. Consequently, Queensland officers can be available to assist the Commonwealth in any way possible to ensure that any proposals that you wish to put to Ministers are based on a joint approach with the State.

Yours sincerely
(sgd) P. Beattie
Peter Beattie MP
PREMIER

cc Prime Minister
Deputy Prime Minister

Australian Magnesium Corporation Limited

31 July 2001

The Hon Peter Beattie MP
Premier and Minister for Trade

Dear Premier,

In the heat of battle for what I truly believe is a "worthwhile" purpose I wanted to acknowledge, on behalf of AMC, the level of support and commitment from the State and its officers.

We are fighting hard, and I can assure you within our organisation the role the state is playing is well understood. This is both appreciated and will be duly recognised the other side of success.

Sincerely
(sgd) Rod
Rod Sharp
Chief Executive Officer
PREMIER

31 Jul 2001

The Honourable John Howard MP
Prime Minister
Suite MG8
Parliament House
CANBERRA ACT 2600

Dear Prime Minister

As you are aware, I wrote to the Honourable Senator Nick Minchin last week about the future of the Australian Magnesium Corporation's Magnesium Processing Project at Stanwell in Central Queensland. In this letter I indicated that my Government was continuing to work with the company in considering options that may allow the Project to proceed to full financial close. I offered the services of officers of my Department of State Development to assist his Department in examining a role that both the Commonwealth and State Government's could play in achieving that goal.

In this regard I was mindful of advice from Senator Minchin the previous week that the Commonwealth Cabinet would be prepared to consider possible support for the Project today. To that end officers of my Department of State Development have been in regular contact with Commonwealth officials and indeed, have been in Canberra to provide whatever support is required over the course of the last two days.

As you will appreciate, the various options available to configure a financial strategy that would enable the Project to proceed present both our Governments with considerable challenge. I believe, however, that the approach that has now been developed, could be achieved if we work in partnership and provided that the company is able to ensure that any new issue of equity is fully underwritten by brokers.

I am sure that you understand that if we are to successfully implement any strategy that allows the Project to proceed, that time is of the essence. This is as a result of several factors including the importance of maintaining in place existing debt facilities of some \$932 million, as well as the future of several hundred employees at the Parkhurst mine and the Gladstone demonstration plant. If it is not possible to rapidly implement a new funding strategy for the Magnesium Processing Project, then the vast majority of these jobs will be lost—without even considering the opportunity cost of the operational and construction jobs, specifically identified with the Processing Project itself. Moreover, some \$2.5 billion in export income from the Ford contract alone will be lost.

In closing, I feel that I should stress the importance to both our Governments of rising to the challenge that the AMC Project presents. This particular project is the fruition of more than a decade of investment in the development of a world-class technology, that allows our country to reap the benefits of adding value to our natural resources prior to export. It is also the cornerstone of a truly national light metals industry that will lead to many future processing and manufacturing opportunities for this and future generations of Australians in this State as well as others in the Federation. I am convinced that the AMC Project has strong commercial fundamentals, including the Ford off take agreement and an approved debt facility, that would be very difficult to replicate. If we do not succeed in establishing this Project in Australia, then we will simply have invested in a technology that will be commercialised overseas and the attendant jobs will be exported. It is, in that sense, an important test for us as Governments, to back our own ability.

I look forward to learning of your response and I am available for any discussion on this matter at your convenience.

Yours sincerely
Original signed by Peter Beattie

Date 31 Jul 2001
Peter Beattie MP
PREMIER

Mr BEATTIE: I am pleased to note this morning's media indicating that the federal government appears to have come to the party. We received advice from the company to that effect last night and we look forward to receiving formal confirmation. We want to work in partnership with the company and with the federal government to make this project a reality. It is too big a project for this state and nation to be involved in any political squabbling. It is bigger than that. With state and federal support now in place, AMC and its brokers are now well placed to conduct a successful equity offering to the market to finalise the funding of this billion-dollar project.

As I said, this is a great day for Queensland. Instead of putting metal and our minerals in ships and sending them overseas for someone else to process, we are going to do it right here in Queensland—by Queenslanders for Queenslanders.

With these major commitments from the state government and the federal government we should see the birth of a new industry for Queensland which will generate \$4.5 billion of investment over the next 15 years and create new jobs for 7,000 Queenslanders and training opportunities. The economic returns to the state will be massive. That is why my government has made this substantial commitment. It is an investment in Queensland—an investment for the long-term benefit of all Queenslanders.

In conclusion, I thank Tom Barton, the Department of State Development, Treasury, and my department for the hard work they put into it, the Minister for Housing and Minister for Public Works, who has championed this cause and worked very, very hard and pushed it in cabinet. He has done a great job on behalf of the people of central Queensland. I also acknowledge the role of Jim Pearce, who has also been supportive of this project. Both of these members got behind it. In particular, having a minister from Rockhampton made the difference in the debate and that is one of the reasons why it happened.
