



HD **WA Premier not backing away from criticism of major iron ore miners**

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The West Australian Premier Colin Barnett isn't backing away from criticism of BHP Billiton and Rio Tinto, saying they're flooding the global market with iron ore, and pushing a faltering commodity price lower still. He told the WA Parliament the miners seem to be acting 'in concert', but today backed away from suggesting the miners are colluding. The state opposition says the premier has 'lost the plot'.

MARK COLVIN: The West Australian Opposition says the Premier Colin Barnett has 'lost the plot' with his criticism of the country's biggest iron ore miners.

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But Mr Barnett's not taking a backward step.

He's told the WA Parliament that Rio Tinto and BHP Billiton seem to be acting 'in concert' to flood the global market with cheap iron ore, and push prices lower.

Mr Barnett says that strategy is 'strange' and 'flawed', and hurts Western Australia.

From Perth, Anna Vidot reports.

ANNA VIDOT: Last week, Colin Barnett warned major miners BHP Billiton and Rio Tinto to 'remember who the landlord is'.

Now he's gone further, using question time to accuse the big two of deliberately flooding the global market with cheap iron ore.

COLIN BARNETT: I find it a strange policy, indeed a flawed policy, that the major iron ore producers would be putting more and more product into a declining soft market.

And I think it'll be a failed policy. No doubt about it. And I find it strange that the companies are acting seemingly in a concert way. I think that's unusual.

ANNA VIDOT: The iron ore price has fallen 40 per cent since the start of the year. That's hit WA's royalty-dependent budget hard. The state's debt is now over \$20 billion.

A fifth of WA's income comes from iron ore royalties, and the commodity is now trading around \$30 per tonne lower than the state treasury projected.

COLIN BARNETT: To some extent rising volumes will compensate, the fall in the Australian dollar will also compensate, but nowhere near to the effect of the fall in price on revenue to the state.

This is the third iteration of some sort of arrangement of some sort, it seems, between BHP and Rio, and maybe other iron ore producers. It first happened in late 90s, when they proposed to merge. I remember very clearly saying the government would not allow that and we didn't.

2009, they proposed to merge iron ore operations in physical sense in the Pilbara, caused great objection from Chinese steel mills, and it was the European Union that ruled against that and they backed away from the whole deal.

Now we have another variation.

I don't think it's healthy for the **iron ore** industry, I don't think it's a good policy for shareholders or for those companies and it certainly damages West Australia.

I support expansion, but I don't support flooding a depressed market.

ANNA VIDOT: WA's Labor Opposition leader Mark McGowan, says the Premier has 'lost the plot' and his treasury spokesman Ben Wyatt says Mr Barnett's comments are 'extraordinary'.

BEN WYATT: Colin Barnett has now accused both BHP and Rio Tinto of some form of cartel behaviour to drive down the **iron ore** price. It's time for Mr Barnett to produce evidence of this sort of behaviour that he's accusing Rio Tinto and BHP Billiton of.

ANNA VIDOT: Today, the Premier backed away from talk of collusion, but says his main argument still stands.

COLIN BARNETT: I'm not suggesting the companies are dealing with each other, so if I created that impression, I regret that.

But certainly they are adopting similar policies of almost flooding the market with **iron ore** when the market is depressed.

ANNA VIDOT: The miners have previously released statements saying that if they don't supply the market, someone else will.

Opposition leader Mark McGowan put that to Mr Barnett in Question Time yesterday.

MARK MCGOWEN: Mr Speaker, I wish I had a whiteboard, I'd do a little supply and demand diagram for you.

(Sound of interjections)

SPEAKER: Members, members!

MARK MCGOWEN: Mr Speaker, slack in the market implies excess demand. There is not excess demand, there is excess supply. You're 100 per cent wrong.

ANNA VIDOT: The chief executive of WA's Chamber of Minerals and **Energy**, Reg Howard-Smith, says Rio and BHP would be foolish to reduce supply.

REG HOWARD-SMITH: I'm sure the Brazilians would welcome a back-off of supply. That would not be a very smart decision by any producer in Australia, and certainly wouldn't be in Western Australia or Australia's interest to curtail that supply.

ANNA VIDOT: Has the industry been surprised by Mr Barnett's comments?

REG HOWARD-SMITH: I think it's fair to say we have been surprised. For a number of reasons. Principally because as I say, we only contribute 30 per cent of overall supply, as important as that is.

Secondly of course we've seen significant investment over the past 10 years, which has been lauded by everybody. What we're seeing now is further impact of investment that's been taking place over the last few years.

ANNA VIDOT: Colin Barnett has always been regarded as a strongly pro-**mining** Premier, and Reg Howard-Smith says he can't explain why Mr Barnett's chosen to speak out against the big miners now.

REG HOWARD-SMITH: I think that's for Mr Barnett to answer, they do not seem to be consistent with previous comments. Mr Barnett has been a champion of the resource sector, and fundamentally I believe he still is.

Perhaps it's in part the overall budget situation in Western Australia, but that's for Mr Barnett I think to provide that response.

MARK COLVIN: The chief executive of WA's Chamber of Minerals and **Energy**, Reg Howard-Smith, ending Anna Vidot's report.

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