

PAUL'S PERSPECTIVE - DECEMBER 2015

Explosive reports in *The Weekend West* (see below) about the future of a Chinese project in Kununurra should concern all Western Australians. Chinese-owned Kimberley Agricultural Investment (KAI) was selected in 2012 as the successful tenderer for the \$1.5 billion project to farm and mill sugar. Three years on, KAI has notified senior politicians that it is close to closing its operations in response to what it claims are unreasonable demands and excessive delays on the part of the Barnett Government and Department of State Development.

Over \$517 million of taxpayer funds has already been committed to preparing the precinct for the investment, which is hoped to kick-start a new sugarcane industry in both WA and NT. KAI has also reportedly invested \$60 million in preparation for the project and has invested in associated businesses and infrastructure in surrounding towns.

KAI lists the primary problems as an inability to agree on land tenure, demands for a 50-year unlimited financial guarantee, rejection of a \$150 million guarantee, delays on environmental approvals and the lack of a long-term water licence and declares these to form "an example of what makes development in Australia less attractive".

There are usually two sides to each story, however I note the reported strong support for KAI from local indigenous groups, the East Kimberley Chamber of Commerce and Industry, the local

CHINESE BURN
WA's far north at risk of losing billions in investment, jobs

EXCLUSIVE
■ Brad Thompson

Chinese interests are about to pull the plug on a billion-dollar investment in farming in WA's far north after a breakdown in relations with the State Government.

They have accused the Department of State Development, run by Premier Colin Barnett, of derailing the project with a series of unreasonable demands and excessive delays.

Shanghai Zhongfu-owned Kimberley Agricultural Investment has notified senior WA and Federal politicians that it is close to shutting operations in what would represent a blow to foreign investment and job creation in northern Australia.

Traditional owners, the East Kimberley Chamber of Commerce and Industry, the local council and the Kununurra community are rallying behind KAI and demanding answers.

Relations between the Government and KAI have deteriorated to the point where it has refused to sign the latest

in a series of early access agreements covering land on the Ord River Irrigation scheme.

It is almost three years to the day since Mr Barnett announced KAI as the preferred developer after the Government poured \$311 million into preparing the Ord precinct for investment.

KAI was supposed to build a state-of-the-art sugar mill but the land it needs to make the project economically viable has not been made available.

Chief executive Jian Zhong Yin said KAI had worked hard to fit into the local community and ensure the project was well run.

"KAI commenced this project based on goodwill and trust with the Government," he said. "I feel very frustrated and concerned about the future of the project."

The project has become hopelessly bogged down, with KAI and the Government unable to reach agreement on land tenure on two sites covering 13,400ha.

The Government also demanded an unlimited financial guarantee covering 50 years but Chinese authorities charged with the transfer of currency rejected the request.

Shanghai Zhongfu owner Pui Ngai Wu offered a \$150 million guarantee, which the Government has refused to accept.

"This is an example of what makes development in Australia less attractive," the company said in its briefing note to MPs.

The note describes refusal to accept the \$150 million guarantee as an insult to Mr Wu.

It also highlights delays on environmental approvals and the lack of a long-term water licence as examples of "the

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council and the Kununurra community. Complaints about environmental delays and bureaucratic entanglement are not new in WA, nor is the sight of taxpayers' funds being potentially wasted in preparing for projects that fail to proceed, due in part to Government intervention. Even more concerning are claims that the project is hampered by turf warfare between the Department of State Development and Department of Regional Development, reflecting a rift between the Premier, Colin Barnett and Nationals leader Terry Redman.

At the time of writing it is hard to tell whether the uncharacteristically public complaint by the Chinese company is more of a negotiating tactic than a signal of intent, but either way it does not bode well for foreign investment in Australia. Given other incidents in which the State Government was at least partially blamed for the failure of projects to proceed, including the Browse and Ichthys LNG projects, perhaps it is time the Barnett Government considered the renowned economist F.A. Hayek's notion of "The Fatal Conceit" and, rather than trying to push investment ahead in a manner that accords with the Premier's particular vision, take a secondary and more facilitative role.

<https://au.news.yahoo.com/thewest/wa/a/30216530/ord-project-threat-as-china-pulls-plug/>

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