The Role of the State and Capital in the Development of Western Australia:

A geographic perspective on the evolution of state agreements from 1952 to 2012

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ABSTRACT

The particular geography and history of Western Australia has both shaped, and been shaped by, a range of unique policy solutions that the State government has employed to facilitate economic development over the past century or so. Cumulatively, these past and present ‘solutions’ continue to impact the current capacity of the State’s economy to respond to global trends and conditions of capitalism. From 1952 onwards, successive Western Australian governments have used state agreement acts (‘state agreements’) as a regulatory tool for the development of natural resources and infrastructure in the regions. State agreements are essentially contracts between the government and private sector companies that are given the status of law through ratification by the Western Australian Parliament.

From a state theoretical perspective, the evolution of state agreements spans a period that commenced during the Fordist-Keynesian configuration of capitalist development and has continued through the increasing neoliberalisation of the global capitalist system. The continuity of the institution of state agreements for over 60 years in the economic governance of Western Australia seems to be inconsistent with the accounts of state process drawn from the experience of core industrialised economies over the same period. This thesis integrates an empirical study of the evolution of state agreements in Western Australia with theoretical perspectives in economic geography on processes of capitalist growth and crisis, and its reproduction across geographic space. The political economy approach adopted is based primarily on regulation theory, integrating staple theory and other contemporary geographic perspectives into a combined a conceptual framework. The focus is on exploring the relationship between state and capital in the regional development of Western Australia from 1952 to 2012.
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I have welcomed the opportunity to combine my two major interests and areas of study – law and geography – in this exploration into the economic history and geography of my home State of Western Australia.
Western Australia is part of that great outpouring of British capital and enterprise which spread across the world in the 19th and early 20th centuries, and its development can be understood only as part of the wider processes of imperialism and capitalism. Nevertheless it is true that in some ways Western Australians are different, and it is instructive to look at local experiences for the light they shed on broader aspects of the developmental process (Bolton, 1981, p.27).

1.1 Historical challenges to the economic development of Western Australia

The particular geography and history of Western Australia has both shaped, and been shaped by, a range of unique policy solutions that the State\(^1\) government has employed to facilitate economic development over the past century or so. Cumulatively, these past and present ‘solutions’ continue to impact the current capacity of the State’s economy to respond to global trends and conditions of capitalism. For the first 60 years following settlement, the Western Australian economy remained very small, deprived of any large influx of labour and capital (Head, 1981). While the development of agriculture became one of the main objectives of early colonial policy it soon became apparent that, contrary to early reports, the soil and climate presented major challenges to the production of any form of agricultural production. Accordingly, the various settlement schemes sponsored by the colonial government to develop small-scale farming systems generally failed (Cameron, 1981). The focus on agriculture was, in part, driven by a vision to develop a major export-led economy while at the same time reproduce a desired cultural landscape and social class reminiscent of England (Glynn, 1975; Crowley, 1960). The colony struggled to develop agriculture because of isolation from markets, lack of capital for development, and global competition for settler societies (Tonts and Horsley, 2018).

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\(^1\) In this thesis, ‘State’ with an upper case ‘S’, refers to one of the six geographic and political regions of the federation of Australia whereas ‘state’ with a lower case ‘s’, refers to the form of political association or polity arising out of civil society, variously defined in academic disciplines, but which generally includes the government of a particular geographic and/or political region, together with its assemblages and mechanisms such as administrative bureaucracies, legal systems, military and/or religious organizations.
The discovery of gold in the 1890s changed the economic and policy conditions. For the first time since settlement, this boom produced significant revenues available for government spending. The injection of capital fortuitously coincided with the granting of self-government in 1890, followed by the decision to join the Commonwealth federation as the State of Western Australia in 1901. The new State government used its mineral wealth to fund a number of works primarily aimed at establishing large-scale export-oriented agricultural industries that would underpin the economic development of the regions (Crowley, 2000). In large part, this interventionist policy was a response to the continuing failure of private capital to stimulate economic development, population growth, or the provision of essential infrastructure in non-metropolitan areas (Boreham et al., 1989; Blainey, 1969). Accordingly, the state took it upon itself to construct water pipelines, railway networks, port facilities, irrigation schemes, establish an agricultural bank, subsidise immigration, and by the 1920s had committed larger sums to settlement projects, (Battye, 1924; Crowley, 1960). This state spending, proactive development of infrastructure in the regions, and other state-led development initiatives during this era marked the commencement of a tradition that was to be termed ‘state paternalism’ by later commentators (Glynn, 1975).

From the 1930s, in response to challenges arising out of the collapse of the world economy, the government began to more urgently consider policy solutions to create economic activity beyond the agriculture sector. The Great Depression produced a dramatic fall in Western Australian income from the export of wheat, wool, timber and meat, and also in capital borrowings from abroad (Crowley, 1960). This loss of income demonstrated the consequences of a narrow reliance on wheat and wool exports, particularly when it became clear that the agricultural sector could not absorb more labour. Compounding the loss of export income was the halting of capital borrowings from abroad and the further curtailing of State government spending when funds available through the Commonwealth loan council for public works became restricted. The State’s development policy became directed towards facilitating more labour-intensive forms of manufacturing (Hartley, 1995). A newly elected government signalled the importance of a policy shift after its 1939 election victory by pledging ‘to concentrate upon the task of promoting industrial development, which it is hoped
will bring in its train the investment of capital, a larger market for raw materials, increased employment, greater population and a larger measure of economic stability’ (Votes and Proceedings of the Western Australian Parliament, 1939, p. 2). This policy shift largely took the form of direct government investment in new publicly-owned ventures, with varying levels of success and failure. However, even though classed as ‘industries’, these ‘new’ economic activities were still closely linked to and reliant upon the primary sector.

1.2 The introduction of state agreement acts (‘state agreements’)  

By the late 1940s, the challenge of attracting manufacturing industries to the State eventually led the Western Australian government to adopt a new form of policy instrument – the state agreement act. State agreement acts (or ‘state agreements’) are essentially contracts between the state and capital. The terms of these instruments contain financial and non-financial concessions granted by the state in return for project obligations accepted by private companies. The final agreed contract is ratified by the State parliament giving it legislative status as an ‘act’ or law, with the effect that its provisions may override the existing statutory regulations of the State to the extent of any inconsistency.

The first major state agreement was to underpin the development of the Kwinana oil refinery, south of Perth. This agreement between the Western Australian government and the Anglo-Iranian Oil Company resulted not only in the development of a major oil refinery, but also housing and community facilities, railways, harbour works, roads, water, and other infrastructure. This Kwinana project was not the first time the state had provided infrastructure to assist private capital, unlike earlier forms of state intervention which were ad hoc and fluctuated according to the government’s resources, the state’s commitment was effectively ‘locked in’ by a signed legally binding contract supported by an Act of Parliament. Another distinguishing feature was the government’s overt objective of attracting large-scale foreign capital for a single development project. By embedding the deal in a legally enforceable instrument, prospective investor(s) could be provided with confidence in the security and terms of their investment.
Further, the ability of this instrument, via ratification of Parliament, to override all other legislative provisions, meant that the investor was assured that profitability of the investment would not be affected by unanticipated regulatory hurdles pertaining to labour conditions, zoning laws, environment and/or development controls, and other statutory restrictions that might otherwise have applied to the project.

State agreements are binding on both the state and the company for their duration, which is often many decades. Their trajectory over the 60 years from their debut in 1952, reflects the state’s shifting visions and goals of how and where the development of Western Australia should proceed. These include establishing large-scale agricultural enterprises, developing mineral and gas resources, and the facilitation of industrialisation and regional infrastructure development. The consistent support for the approach by consecutive governments (from the ‘left’ and ‘right’ side of politics) seems to be incongruent with regulationist and other political-economic accounts of state process drawn from the experience of core industrialised economies over the same period (Horsley, 2013).

State agreements have been variously characterised in political discourse as a ‘regulatory mechanism that ‘define[s] the rules’’ under which a specific resource project will operate’ (Auditor General, 2004) and, conversely, as a tool that potentially supports ‘Soviet style interventionism’ (Former Opposition (Labour Party) Leader Mark McGowan, quoted in Spooner 2012, p.1). More succinctly, they have been described as giving ‘the state a direct say’ (Former Premier Barnett (Liberal Party), quoted in PDWA, 2013, p.764a). Although all Australian States have used state agreements for major projects, the volume and breadth of their use across a range of sectors in regional development is largely unique to Western Australia.

1.3 Aim of research

The aim of this research is to examine the evolution of state agreements in Western Australia through the lens of contemporary theoretical perspectives in geographic political economy. With a focus on exploring how this localised articulation of the relationship between the ‘state’ and ‘capital’ over a 60 year
period relates to shifting conceptualisations and trajectories of ‘development’ in the broader context of global capitalism(s), the specific objectives of this research are to:

1. Identify the legal, political and economic context in which state agreements evolved between 1952 and 2012;
2. Examine the recitals, key clauses and amendments of state agreements to identify any significant shifts in the respective responsibilities of the state and capital in relation to development objectives and infrastructure provision in the State;
3. Consider if, and to what extent, the trajectory of state agreements over a 60 year period (and the underlying development ‘ideology’ of successive Western Australian governments expressed or implied in their terms), reflects and/or diverges from the trajectory of global trends in economic governance over the same time period;
4. Integrate discussion of these findings with relevant theorisations in political economy to consider if and how this particular case study of state activity and ‘regulation’ in the narrow sense, can be interpreted as playing a significant role in the ‘regularisation’ of capitalism in Western Australia in the wider sense.

1.4 Methods and sources

In addition to examining the objectives, terms and conditions of state agreements enacted during each of the time periods under consideration, other related primary and secondary sources will be examined with a view to understanding the broader policy context of their enactment. This context includes the underlying nature of the relationship between capital and the state, and how certain economic development ideologies, values and approaches have prevailed and/or waned at different points in the evolution of this regulatory institution. Such sources and documents include:

(i) Hansard Parliamentary Debates of Western Australia, 1896 - 2018;
(ii) Votes and Proceedings of the Western Australian Parliament; 1890 – 2018;
(iii) Statistical Register of Western Australia, 1901-1967/68;
Western Australia Year Books, 1967 -1998;
Resources Statistics Digest 2014 – 2018 (Western Australian Department of Mines, Industry Regulation and Safety);
Statements of policy from former and current departments, agencies and commissions responsible for the negotiating, implementation and ongoing administration of state agreements;
Parliamentary speeches, public addresses, and press releases by Premiers, Ministers, and other public officials, relating to the proposals, evaluations, consultations, negotiation, implementation, monitoring and amending of state agreements;
Explanatory memoranda and clause notes for each of the state agreements;
State budget papers relating to the funding of state obligations under the state agreements;
Private and public papers (correspondence, diaries, addresses, and other documents) of significant political figures responsible for negotiating state agreements (notably Sir Russell Dumas and Sir Charles Court) archived in the J.S. Battye Library of West Australian History Collection; and
Media coverage in newspapers, including media releases by the state, private sector proponents, and ‘third party stakeholders’ contemporaneous to the negotiation and execution of state agreements.

The debates of the Parliament of Western Australia have been reported by Hansard since 1896. Hansard is published by the State Law Publisher in daily proof and weekly editions, and in bound volumes at the end of each year. The bound volumes are the official and permanent record of parliamentary debates, and they incorporate corrections made after the publication of the weekly Hansard. Excerpts from Hansard to be examined for the purposes of this thesis focus on debates contemporaneous to the introduction of the various state agreement Acts into Parliament (and any subsequent amendments or terminations), including second reading speeches and debates. Votes and proceedings form the daily record of the business of the Parliament. In the lower houses of parliament they are generally called Votes and Proceedings and in the upper houses they are usually called Journals or Minutes of Proceedings. They
contain lists of committees, records of attendance, and details of papers tabled but not printed. For the purposes of this thesis, documents to be focused on in the Votes and Proceedings include reports tabled in Parliament concerning agriculture, mining, land settlement and governance issues in Western Australia.

The analysis of documents was instrumental in refining ideas, identifying conceptual boundaries, and pinpointing the fit and relevance of categories in this thesis (Charmaz, 2003). Like other analytical methods in qualitative research, document analysis requires that data be examined and interpreted in order to elicit meaning, gain understanding, and develop empirical knowledge (Corbin and Strauss, 2008; Rapley, 2007). However, a limitation to this study is that, given the historical period covered, there was a need to rely on documentation analysis as the primary method of qualitative research as relevant actors were no longer in office or available for direct interviews.

To overcome this limitation, a form of triangulation was employed by exploring not only legal provisions within state agreements but also direct quotes during debates as they were being considered in Parliament, media statements of relevant politicians, public reports, entries in private documents of the key actors, and other primary and secondary sources, including quantitative data and statistical digests. Particular themes in this examination of a range of documents have included ‘development’, ‘governance’ and ‘the state’. The methodology has included both positve and phenomenological approaches to document analysis, such that in addition to confirmation of fact and content analysis, an examination of the motivation, intent and purpose of a document within a particular historical or contemporary context was also undertaken (Bowen, 2009).

1.5 Organisation of thesis

This thesis is divided into seven chapters. The first chapter, Introduction, sets out the aim and methodology of the research, and describes the organisational structure of this thesis. The second chapter, Geography, Political Economy and Development, reviews the research context, and sets out the integrated conceptual framework to be applied in this thesis. The third chapter, State Agreements 1952
Chapter 2
GEOGRAPHY, POLITICAL ECONOMY, AND DEVELOPMENT:
Research Context and Theoretical Framework

The history of parliamentary debates is similar to the description given of the history of a newspaper. The first day it is read with eagerness, the next day it is thrown away; after the lapse of some years it is worth its weight in gold. The ancient volumes of Hansard, imperfect as they are, are often intensely interesting reading for the light they throw on dead statesmen, or past conditions of society, legislation and controversies (Lord Cadogan, Lord Privy Seal, in a draft report submitted to the Joint Committee of the British Parliament on Debates and Proceedings in Parliament. Lords Sessional Papers, XV, 1988).

2.1 Introduction

This chapter sets out the research context and an integrative theoretical framework for this thesis. While the varieties or ‘variegation of capitalism’ framework has been dominant in the research agenda in more recent times, amongst other eclectic political economic methodologies, the utility of the more robust and critical approach of regulation theory in analysing the social character of specific capitalist formations and crisis dynamics continues to be reinforced (Bieling, 2014). The regulation approach has been predominantly associated with analysing the transition from the Fordist/Keynesian regime to post-Fordist/Schumpeterian tendencies. However, as Jessop (2013, 2006) and Peck (2013, 2000) point out, it can also be used in an open and reflexive way to interrogate a range of development trajectories which sit less easily with the stylised history of Atlantic Fordism. The institutional focus encourages exploration of local constellations and evolutionary paths. Utilising regulation theory as the core framework for this research, the theory’s potentials and limitations as a lens through which to explore the dynamics of resource-dependent economies, and of uneven development more generally, may be ‘stress-tested’.

While there are a number of disciplines and fields which currently engage with regulation theory, this thesis aims to follow a broadly political economic
approach aligned with current perspectives in economic geography. Other theoretical frameworks and perspectives will be referenced as and when useful for clarifying certain elements applicable to the Western Australian case, primarily staples theory. The need to supplement regulation theory for the purpose of developing an analytical framework for this thesis arises in small part from inherent limitations in the theory itself, and in larger part from the unique status of the Western Australian resource economy.

The staples thesis was originally developed by an economic historian, Harold Innis who, as early as the 1930s, recognised the need to develop a local model of Canada’s unique economic history as a resource economy (Wellstead, 2007; Barnes et al., 2001). Innis (1933) was responding to the fact that prevailing economic theories of trade and development of his time reflected conditions in core countries rather than in peripheral countries such as Canada, with economies more heavily dependent on the export of natural resources or ‘staples’ (Hayter and Barnes, 2001). Application of the staples theory in theorising resource economies has been revived over the last two decades or so by economic geographers (see Argent, 2013; Hayter and Barnes, 2012; Hayter et al., 2003; Bradshaw, 2003; Hayter and Barnes, 2001). Given the semi-peripheral status of Western Australia, deploying staples theory may add explanatory power to a regulation theoretical analysis of the Western Australian economy over the period from 1952 to 1960.

2.2 Geography and Political Economy

According to Tickell, et al. (2007), sustained methodological reflection has not been consistent in economic geographical research. Nevertheless, geographers have used a variety of methods to track the spatio-temporal variegations of capitalism including: the transition from Fordist state-led demand-side philosophies and practices of the 1950s and 1960s, the supply side neoliberal globalisation of the 1970s and 1980s; national-scale spatial trends of state regulation and governance; interscalar differences; the role of discourse, ideology and policy networks in the shaping of such variegations; subject formation within different regimes; and, contestation, crisis and transformation of particular modes
of governance (Sheppard, 2011; Martin, 2010; Peck and Tickell, 2002; Jessop, 2002; Lee, 2002).

Over the past forty years or so, economic geography has passed through a series of far-reaching cultural, institutional, and relational ‘turns’, during which time its objects, subjects, and means of study have been reshaped and sometimes overhauled (Martin, 2010). During this period, changes have included: the embracing of intensive case studies and interview techniques; ‘finding the global in the local’; discourse analysis; participant observation; action research; ethnography; and, other developments in methodological approaches which, arguably, were as significant as the transformations in theory over the same timeframe (Sheppard, 2011; Krugman, 2010; Bosker et al., 2010; Barnes et al., 2007).

‘Political economy’ was one thread identified by Tickell et al. (2007) as weaving through the last quarter century of economic geography’s conceptual and methodological history, and forms the foundation of the theoretical approach to this thesis. In contrast to the abstract, orderly, and mathematically regularised world envisaged by orthodox economics, in which synchronic processes and stylised facts predominate, Peck (2000) has noted that economic geographers confront a world which is more concrete, institutionally cluttered, and geographically uneven. Economic geographers are just as comfortable in finding local exception to the ‘rule’ as they are in ratifying some would-be theoretical orthodoxy (Peck, 2000). This has led widespread concern with processes of social and economic governance and with the complex roles of ‘institutional forms’ in mediating, guiding, and sustaining economic development.

Within the general ‘political economy’ framework, Jessop (2006) notes that from the 1970s onwards, the regulation approach has been a leading research paradigm. The Parisian regulation school was once primarily an overarching theoretical approach that has its origins in the structural Marxism that emerged in the 1960s (Boyer, 2005; Aglietta, 2000). The regulation approach shares the claim advanced in evolutionary and institutional economics more generally that economic development is largely path-dependent and irreversible (Jessop, 2006).
Although the regulation approach originated in Marxian political economy, it has been employed across a range of disciplinary areas, including geography, sociology and political studies. Through engaging in dialogue with other institutional approaches, regulation theory has opened itself up to a broader range of conceptual and empirical interchange in understanding the dynamics of economic, social and political contexts (Jessop, 2006).

Unlike more determinist versions of Marxism and political economy, regulation theory emphasises the dialectical nature of the relationship between capital accumulation and capitalism’s social, political and cultural context (Jessop, 2006; Broomhill, 2001; Aglietta, 1998). This places regulation theory within a tradition of neo-Marxism which includes the work of Karl Polanyi (1944) who emphasised the ‘substantive institutedness and social embeddedness of economies’ (Jessop, 2001, p.213). Like Polanyi, regulationists reject the assumption of classical economics that there is a clearly delimited, socially disembedded sphere of economic relations with a tendency toward general equilibrium (Peck, 2013; Tickell and Peck, 1999). Accordingly, regulationists insist that in order to understand capitalist reproduction in its integral sense, it is necessary to understand the wider social and institutional context in which accumulation occurs (Jessop, 2001; Tickell and Peck, 1999).

However, regulation theory has predominantly been concerned with the experience of core-industrialised regions. According to Hayter and Barnes (2001), resource peripheries historically have been theoretically as well as geographically marginalised as spaces of inquiry. This perhaps explains the resurgence, beginning in the 1990s, of one of the longstanding approaches to understanding resource economies, ‘staple theory’ (see, for example, Argent, 2013; Hayter and Barnes, 2012; Hayter et al., 2003; Bradshaw 2003; Hayter and Barnes, 2001). Staple theory is fundamentally consistent with regulation theory in the sense that both approaches focus on the broader social and political context of economic accumulation and regulation in considering the long term economic development of regions. Accordingly, rather than an alternative to regulation theory, staples theory may be used to supplement discussion of regulation theory.
for those regions with modes of accumulation based on export of primary commodities.

As another complementary extension within the broader political economy approach, Jessop (2002) emphasises the contribution of discourse theory to the construction of the state as an ‘imagined’ political entity or institutional ensemble with its own specific boundaries, conditions of existence, political subjects, developmental tendencies, sources of legitimacy and state projects (Jessop, 2002). Jessop does not intend to argue that the state and the economy are somehow purely discursive and lack institutional materiality, but rather highlights two issues: (i) economic and political relations are so complex that any action oriented toward them requires some discursive simplification (hence an economic or political imaginary); and, (ii) such discursive simplifications have a key role in their turn in the always tendential constitution and consolidation of the economic, political and other systems, shaping the forms of their institutional separation and subsequent articulation (Jessop, 2002).

Finally, although regulation theory recognises the temporal structure of capitalism and development paths, accumulation regimes, modes of regulation, and modes of development necessarily have spatial dimensions and these have rarely adequately been addressed in applications of regulation theory to date (Boyer, 2005; Lee, 2002). Spatial perspective is inherent within staple theory, which acknowledges the process by which staples create new ‘time-space configurations’, and the forces by which they dissolve. More recent eclectic approaches to geographic political economy, such as those of Harvey (2010, 2005), also emphasise that economic relations are altered through ‘spatial fixes’ that are periodically created and destroyed. Such ‘remapping’ of economic geography has occurred throughout history – as capital must represent itself created in the form of physical landscape its contradictions, according to Harvey (1985), must at some point burst asunder spatially. In the context of this thesis, it is anticipated that the explanatory power of regulation theory can be further enhanced by referring to works addressing the spatial dimension of accumulation.
2.3 Regulation Theory and the Australian Experience

Critical emphasis in regulation theory is placed on the ‘structural coupling’ between a system of accumulation (a macro-economically coherent production-distribution-consumption relationship) and the ensemble of state forms, social norms, political practices and institutional networks which regulationists term the mode of social regulation (‘MSR’) (Tickell and Peck, 1999). Enforceable laws, such as state agreements, are only one aspect of the MSR in any particular context, which extends beyond institutions to include collective identities, shared visions, common values, and conventions which serve to complement the structuring, facilitating and guiding of capital accumulation (Jessop, 2006).

Different accumulation systems have different regulatory requirements. The form of any regulatory regime is not predetermined or predictable but arrived at through political struggles, negotiations and compromises (Broomhill, 2001). The form of the economic, political and social regulation is therefore never static but continually evolving through ongoing political interactions and conflicts. Comprised of a complex ensemble of social norms and habits, state forms, structures and practices, customs and networks, and institutionalised compromises, rules of conduct and enforceable laws, the MSR defines ‘the social context in which expanded economic production occurs’ (Tickell and Peck, 1999; Jessop, 1992, p.50).

As of 1952, when the first state agreement in Western Australia was ratified, two regimes of accumulation had been broadly identified in regulationist research (Jessop, 2006; Tickell and Peck, 1992). The first regime - an extensive accumulation system - was dominant globally from the late nineteenth century until the onset of the World War I (Tickell and Peck, 1992; Brenner and Glick, 1991). During this time, growth was achieved incrementally, through the insertion of additional productive factors into the capitalist circuit. Accumulation occurred as a result of the expansion of capitalist relations into new industrial sectors, new areas within the core countries, and ‘new’ colonised countries or peripheral regions. Within and across nations and territories, there was expansion in the form of settling new regions to expand agriculture, and to develop new
sectors such as manufacturing (O’Neill and Argent, 2005). It was a period of rapidly growing demand, and the major problem for individual units of capital was meeting demand for their goods in expanding markets.

The leading industrial sectors during this period were capital goods industries (coal, steel, chemicals) with technical progress largely confined to these sectors (Tickell and Peck, 1992; Lipietz, 1982). The extensive accumulation system was complemented by a mode of competitive regulation. At the level of the nation-state, the MSR was economically liberal and noninterventionist (Tickell and Peck, 1992). Wages, for example, were negotiated by individual firms and subject to market fluctuations. At the international level, competitive regulation was characterised by British hegemony and the gold standard (Tickell and Peck, 1992).

At both the nation state and subnational level, the trajectory of Australia differs from the stylised facts of this first regime of extensive accumulation in that the state has played an active role from the inception of the colonies. In the nineteenth century prior to federation, in addition to securing law and order, the state had a special importance in providing the infrastructure necessary for economic development including roads, railways, harbours, telegraphs, town water supplies, irrigation and a range of other infrastructure and services (Battye, 1924; Roberts, 1924). There were also important forms of subsidy and protection for industry and commerce – including cheap land, credit, and tariffs – as well as regulation of the workforce, the encouragement of foreign investment and immigration, and the establishment of public education (O’Neill and Argent, 2005). According to Head (1983) an active role of the state was seen as desirable by both capital and labour, and in many respects this role continued through into the twentieth century. Further evidence of a more active role of the state in Australia is identified by O’Neill and Argent (2005), who trace the development of a centralised wages and arbitration system regulating levels of remuneration, amongst other things, back to the early twentieth century. In particular, they recount Justice Higgins, President of a newly established Commonwealth Arbitration Court, famously tying wages to family living costs in the Harvester Judgement of 1907 (O’Neill and Argent, 2005; Kelly, 1992).
In the stylised history of regulationist accounts, the second regime – a phase of intensive accumulation – began to emerge after a long period of crisis between World War I and World War II. This crisis, in part precipitated by the Great Depression of 1930, eventuated in a long transition from the prior regime of extensive accumulation toward a new regime of intensive accumulation marked by the Fordist mode of production (or ‘Fordism’) from the 1940s onwards. After World War I, technical progress spread to the consumer goods sectors which altered the existing structure of the extensive regime of accumulation. In particular, there was insufficient consumer spending power to create an effective demand for the increased production in consumer goods. This produced a structural crisis as the competitive MSR was unable to form a social framework whereby wages could increase in line with productivity growth. By the 1930s it became evident that in order for the crisis to be resolved, it was essential that a new coupling between the accumulation system and the MSR be established, which was to be largely achieved by the mid-1940s (Tickell and Peck, 1992).

After World War II technical changes brought about significant increases in labour productivity in both the heavy industrial sectors and consumer goods sectors. For individual units of capital, the problem switched from being one of meeting demand to one of realising surplus value in markets. Extensive accumulation had been highly vulnerable to cyclical recessions, whereas intensive accumulation represented a more robust growth model in which cyclical downturns only brought a slowdown in growth rates (Tickell and Peck, 1992; de Vroey, 1984). A monopolistic MSR was to complement the new intensive accumulation system. Monopoly conditions in the productive sphere allowed firms to maintain prices irrespective of demand. Nation-states became interventionist through social programmes in order to maintain the levels of total consumption. Wage levels were determined collectively which increased the bargaining power of workers and contributed to real wage rises which, again, stimulated growth in consumer demand (Tickell and Peck, 1992; Brenner and Glick, 1991), a regulatory activity that had already been occurring in Australia, to a limited extent, during the previous extensive accumulation regime (O’Neill and Argent, 2005).
The economic crisis of the 1930s set off by the Great Depression was also experienced in Australia, precipitating its own path out of the extensive regime toward the second more intensive or ‘Fordist’ regime of accumulation. However, as Tickell and Peck (1992) have noted, although the macro-economic policy and labour-management relations in Australia resembled classic Fordism, it was a type of ‘permeable Fordism’ as there was still reliance on relatively unprocessed raw materials as the real leaders of the economy and ongoing private collective bargaining (Tickell and Peck, 1992). As Hampson and Morgan (1999) also point out, Australia's political economic structure was never to morph into that of an ideal Fordist economy. Throughout the twentieth century, Australia's high living standards rested on primary commodity production, in particular agriculture, that accounted for two-thirds of export earnings in the years up to 1970. The immense wealth earned by the pastoral industry enabled the development of a substantial industrial sector, but one dependent on tariffs and other financial forms of ‘protection’. Further, the dependence on protection was in part due to the absence of internationally comparable economies of scale in Australian industry, due to Australia's small population, with its markets further fractured by its federal governance structure. According to Hampson and Morgan (1999), industrial protection was central to the nature of the Australian social settlement that formed in the latter years of the nineteenth century, and persisted until later developments in the global economy were to demand its transformation.

O’Neill and Argent (2005) have identified four key enactments of Keynesian-Fordism in Australia, the roots of which they trace back to the period of the former extensive accumulation regime in the Atlantic stylised history. The first is the development of the complex fabric of Australian State and federal industrial relations regulations that had evolved by the early twentieth century. The second is the development of a distinguishable Australian economic space capable of macroeconomic management. Their evidence points to a longstanding evolution of border controls from at least the late nineteenth century, the encoding of national economic sovereignty in the 1901 Constitution of Australia, and the critically important public affirmation of a protectable Australian nation (through tariffs and other financial measures) by the 1927 Prime Ministerial Inquiry into the effects of protection (the Brigden Report) and, additionally, the subsequent
establishment of the Tariff Board, which was to play a paramount role in the
development and maintenance of income and rent flows throughout Australia’s
urban and regional system (O’Neill and Argent, 2005; Capling and Galligan,
1992). The third enactment related to the regulation of the monetary system.
Specifically, the establishment of the 1937 Royal Commission into the Monetary
and Banking System and the passage of the Banking Act of 1945, which provided
a framework for deep federal regulation of the Australian financial system. The
fourth was the synchronisation of this national economic and social project within
what would become the OECD group of nations. This synchronisation was not
formally enacted until 1946 when Labor Prime Minister Ben Chifley finally
secured agreement with powerful left-wing factions of the Australian Labor Party
to sign up to the Bretton Woods Agreement (Day, 2001), the charter of
Keynesian-Fordist economic practice that would underpin post-war international
economic relationships and drive at least three decades of growth and prosperity.

O’Neill and Argent (2005) note that, based on these elements, a distinctly
Australian configuration of Fordism emerged. They point to the regime of high
tariffs which promoted export-secured rents into metropolitan areas and selected
regional industrial centres; the industry-award wages system which distributed
these rents automatically to a heavily unionised workforce; nationalised
enterprises (for example, Qantas, Commonwealth Bank, and the Australian
Broadcasting Commission); centralised export marketing desks and infrastructure
providers which performed critically important nation building tasks; and a
(sub)urban planning strategy which, coupled with a European-favoured
immigration policy, reinforced a particular version of the family, a preference
reinforced by the nation’s system of government transfer payments.

Australia’s ‘domestic defence’ that commenced during the extensive
accumulation regime and persisted through into the intensive accumulation
regime then was composed of the interlocking policies of industry protection,
compulsory arbitration, restrictive immigration, minimal welfare, and ‘imperial
benevolence’ (Kelly, 1992). Membership of the British Empire guaranteed
access to British domestic markets for primary products (Hampson and Morgan,
1999). During the 1950s and 1960s, Australia was to gradually exchange its
historic colonial dependency on Britain for a new economic (and military)
dependency on the United States. Australia built up a set of manufacturing industries that were designed to replace imports (Fagan and Webber, 1994). Protected behind tariff barriers, and often provided with other forms of assistance by the State and Commonwealth governments, industries such as motor vehicles, white goods, and electrical products were intended to reduce imports, encourage a range of supplier industries (such as iron and steel) that would help the development of other industries, and employ the labour that was being imported through the immigration program (Fagan and Webber, 1994).

However, while manufacturing was occurring on the national scale, Western Australia was lagging behind in its industrialisation, notwithstanding the modest efforts prior to the World War II. In proactively seeking to enter into The Oil Refinery (Kwinana) Agreement Act 1952, and subsequent state agreements that followed in the period between 1952 and 1961, the Western Australian government quite openly expressed its objectives in endeavouring to ‘catch up’ with other Australian States through the establishment of a manufacturing and industrial sector. Although regulation theorists emphasise that modes of social regulation (‘MSRs’) are not determined functionally by the ‘needs’ of the accumulation system (Peck and Tickell, 1992; Lipietz 1982, pp. 21-22), in the case of Western Australia the introduction of state agreements was quite clearly identified by the state as a means to attract foreign capital.

Subsequently, repeated global recessions in the 1970s destabilised and led to a crisis in the second (or Fordist) regime of accumulation. The inability of Keynesian policies to resolve problems led to the adoption of a new political strategy of neoliberalism by many nation states including Australia and Canada. Jessop (2002) argued that the demise of what he terms ‘the Keynesian Welfare State’ led to the emergence of a ‘Schumpeterian Workfare State’ (or workfare postnational regime). In the ‘workfare state’ the primary goal is the development of local competitiveness and ‘redistributive welfare rights take second place to a productivist reordering of policy’ (Jessop, 1994, p.263). Although this transition has frequently been represented as a shift to a state role more geared to the demands of neoliberal restructuring, Jessop (1994) argued that the workfare state could take neoliberal, neo-corporatist or neo-statist forms depending on local circumstances (Broomhill, 2001; Jessop, 1994).
Peck and Tickell (2002) draw attention to two important historical shifts in the constitution of the neoliberal project that were experienced collectively on a global scale. The first of these shifts occurred in the late 1970s, as neoliberalism underwent a transformation from the abstract intellectualism of Friedrich Hayek and Milton Friedman to state-authored restructuring projects (most visibly those of U.K. Prime Minister, Margaret Thatcher and U.S. President, Ronald Reagan in the 1980s). This can be characterized as a movement from the philosophical prototype to the era of neoliberal ‘conviction politics’, when state power was mobilised to ‘roll-back’ the central institutions of the Keynesian-welfarist regime.

The second neoliberal transformation occurred in the early 1990s, when the shallow ‘neoliberalisms’ of Thatcher and Reagan encountered their institutional and political limits as evidence of the perverse economic consequences and pronounced social externalities of neoliberalism became increasingly difficult to contest (Lockie and Higgins, 2007). However, the outcome was not an implosion of the budding new regime but ‘reconstitution’, as the neoliberal project itself gradually metamorphosed into more socially interventionist and ameliorative forms, or ‘roll-out’ neoliberalism (Peck and Tickell, 2002). In Western Australia, this roll-out form of neoliberalism was particularly evident in regional planning and development policy from 1993 onwards (Tonts and Haslam-Mckenzie, 2005). However, the continued use of state agreements as an instrument of state regulation throughout periods of both roll-back and roll-out neoliberalism constitute an apparent anomaly in governance strategies compared with core industrialised areas during this period, both within and without Australia. This raises the question, amongst others, of the relevance of the economic base of Western Australia being heavily resource dependent compared with other more core industrialised regions, in explaining differences in governance and modes of competition.

2.4 Staple Theory and the Australian Experience

The long term success of many of resource economies against the pressures of globalising capitalism, as well as their apparent failures in many cases, has often been conceptualised as paradoxical (see Sheppard, 2013). Theorisations of resource economies have alternatively focused on place-based attributes (such as
resource endowments and governance) and connectivities (such as core-periphery relations, foreign investment and imported technology). In contrast to theorisations such as the ‘dutch disease’ (primarily applied to core industrialised regions) and the ‘resource curse’ (generally only applied to developing countries), staples theory, which encompasses both place-based attributes and connectivities, has more regularly been applied to Australia, with its ambiguous core-periphery status (see Sheppard, 2013; Tonts et al., 2013; Argent, 2013; Mitchell, 1970; McCarty, 1964). Staples theory seeks, in part, to explain whether a resource-oriented economy can successfully diversify, emphasising the contextual intersection of geography, institutions and technology, as explained in Innis’ original thesis of Canadian economic history:

In this ‘Innisian triad,’ Canada’s geography is distinctive in terms of the peculiar nature of Canadian resource conditions (size, quality, accessibility), and in the particular core-periphery relations that have characterised the evolution of Canada’s global role and its internal political economy. Canada’s institutions are distinctive because of the unusually powerful role played by governments in economic development, for example, in financing infrastructure, and in reliance on large business organisations, especially foreign-owned business, itself a favoured goal of public policy. Finally, technology is distinctive primarily because it comes from elsewhere, even when its developers are Canadian (Hayter and Barnes, 2001, p.37).

There are clear parallels that could be drawn here with the Western Australian experience of economic development, in particular an active government role and reliance on foreign capital to develop natural resources. The staples thesis postulates that development and economic growth in resource peripheries occurs through investment in backward and forward linkages, a diversification process that either supports or results from the extraction, production and/or export of staples (Gunton, 2003; Altman, 2003; Hayter and Barnes, 2001; Innis, 1930). There are optimistic and pessimistic version of staple theory (Harman 1981). The central premise of the positive version is that growth will occur in three stages in which the initial extraction and export of raw materials will ultimately and inevitably lead to a mature, stable and diversified economy. In the final stage, the economy will be independent culminating in the export of local capital, skills and technology (Horsley 2013). The dependency thesis, on the other hand, argues that
a staples-oriented economy is doomed to be distorted, to be dependent, and to remain so; the staples economy becomes locked into a set of uneven relationships where it acts as the periphery to an external and dominant core country/region/metropolis (Hutton, 1997). The two economies are unevenly developed with the staple-based region dependent on external sources of capital and technology and vulnerable to the vagaries of an externally located locus of economic and political power (Harman, 1981).

Although by 1935 the substance of the staple thesis could be found in the work of Innis, he had not stated it as a theory; rather it was a description of the causal relationships between a number of factors in a particular economy dependent on a few primary product exports (Neill, 1991). In 1936, W.A. Mackintosh, sometimes given credit as a co-founder of staple theory, linked the idea of staple-driven cycles in Canada to the macroeconomic disequilibrium theory of Keynes, but did not elaborate on his ideas to the point of forming a theory capable of broader application (Mackintosh, 1936; Watkins, 1963). The first time that the staples thesis explicitly appeared as a theory – that is as an explanation of a class of events rather than a single event or phenomenon – was in A.F.W. Plumptre’s (1937) *The Nature of Political and Economic Development in the British Dominions*. The class of events included ‘the economic, political, and social life of Australia, New Zealand, South Africa and Canada’, and set out the ten constituent elements that applied to all four instances in the class (Neill, 1991; Watkins, 1963). Although he was referring to ‘new’ countries, Plumptre’s observations were centred on the characteristics of staple producing economies so, accordingly, could apply equally to modern resource peripheries and regions that centre on staple production.

The ten elements that Plumptre (1937) listed as constituting a theory applicable to newly developing (resource) economies (including Australia) were as follows (see Neill, 1991, p.147):

i. The pivotal place of a very few staple exports in the economic political and social life of the countries.

ii. The dependence of successive waves of development upon changes in the prices of staple exports.
iii. The dependence of successive waves of development upon the discovery either of new sources of materials or of new techniques of exploitation and transport.

iv. The extreme waves of optimism and pessimism which result from the peculiar difficulty of estimating the probable gains and losses of development.

v. The import of capital and the problems arising from foreign debt.

vi. The necessity for intervention and assistance by the governments in connection with all major developments.

vii. The crystallization and immobilization of the fixed charges, incurred by heavy developmental expenditures, into government debts.

viii. The emergence of economic nationalism in the form of demands for economic diversification and, in particular, for secondary industries.

ix. Sectionalism, arising out of the divergent interests of widely separated economic areas; which fosters political jealousies, creates constitutional problems, and impedes the formulation and execution of national policies.

x. Imperialism.

In this early formulation, the staple thesis had become an implicit theory, albeit yet to be given a logical structure of cause and effect that was to be developed further in the 1960s and beyond (Neill, 1991; Watkins, 1964). Each of the elements identified by Plumptre had application to the experience of Australia at the time of his writing and, as will be argued herein, continue to have relevance in explanations of recent development patterns of the Western Australian resource economy.

At the core of Innis' version of staples theory, as developed further by Watkins (1964), is the ‘staples trap’- a pattern of exchange relations between centre and margin occurs in which the subordinate region is locked into a pattern of underdevelopment (Argent, 2013; Albo and Jensen, 1990). With relatively small domestic markets, and because of their very particular space/time (Massey, 2005) as satellites of an imperial (core) power, staples-producing regions rely heavily on natural commodity exports; much of the rest of the economy is dependent on multiplier effects spreading from the export sector (Barnes et al., 2001; Hayter and Barnes, 1990). Accordingly, towns and regions dependent on staples exports are “storm centres to the modern international economy” (Innis cited in Barnes, 2005, p.111), subject to the cyclonic winds of rapid and intensive investment and
disinvestment as demand, resource availability and corporate restructuring shift in
direction and velocity (Argent, 2013; Hayter, 2000). Just as labour and capital can
flow easily into the site of staples commodity production, so they can just as
easily flow out (Argent, 2013). The particular vulnerability of single resource
towns has been examined in the Western Australian context (see Chapman et al.,
2015; Lawrie, et al. 2011). The spatio-temporal trajectory of state agreements
relating to particular resources in specific regions also supports the view of
staples-led growth as ‘cyclonic’, or at the very least ‘cyclical’ and uneven
(Argent, 2013). In this sense, the use of state agreements to develop
predominantly natural resource sectors suggests that they may indeed have
contributed to the ‘staples trap’ in the Western Australian context.

2.5 Conceptualising the ‘state’ and its relationship to the ‘economy’

A key element of both regulation theory and staple theory, although not always
expressly acknowledged, is the concept of the ‘state’ and its relationship to the
‘economy’. Given the inability of capitalism to regulate itself, state regulation of
the economy is a constant struggle between conflicting objectives, with different
resolutions of the relationship between the state and the capitalist economy
emerging in different contexts (Sheppard, 2011). Notwithstanding philosophical
and epistemological divisions, both economic geographers and geographical
political economists conceptualise capitalism as an unstable economic system,
characterised by uneven development (Sheppard, 2011).

Neoclassical economic theory, inspired by liberalism, amounts to a representation
of a clearly delimited, socially disembedded pure economy that tends to a natural
state of equilibrium (Aglietta, 1998). Political economic theory, beginning with
the writings of Karl Marx, contests this basic supposition by penetrating the
sphere of the circulation of goods to consider the social relations of production
that underpin commodity exchange (Aglietta, 1998; McNally, 1981). Thereby,
not only is market exchange no longer perceived as a symmetrical relation
between contracting parties; the labour force is put on one side of a basic social
division which sets one class of individuals against the other (Aglietta, 1998). The
commodity relation and the wage relation are social relations which divide
individuals and social groups and generate social rivalries, antagonisms and contradictions (Dunford, 1990). According to neo-Marxist perspectives, economic growth under capitalism is a process of internal contradictions which frequently erupt as crises and produce serious stresses within the accumulation processes (Harvey, 2010). Yet paradoxically, as examinations of the actual experience of capitalist development shows, these social relations of production continue to be reproduced (Dunford, 1990).

The key concepts in market- and state-led accounts of economic development are strongly rooted in European intellectual history, which assumes that modern society rests on an institutional separation between a market economy (an unrestrained sphere of exchanges among formally free and equal economic subjects), a unified sovereign state (a constitutionalised – but not necessarily pluralist and democratic – *juridico* political order with a monopoly of organised violence in a given territorial area), and a civil society (comprising individuals, families and pluralistic voluntary associations). This institutional separation is consistent with *laissez-faire*, neo-classical models or governed markets, liberal or developmental states, private or public power, market- or plan-rational economies (Jessop and Sum, 2006).

In each case, the state has two possible roles:

- It can act from outside the economy to maintain the legal and political framework for a market-generated economic order (with its market-driven, self-steering, self-regulating dynamic) ie. a *laissez-faire* economy; or,
- Become a dominant economic player through its combined and privileged use of economic and extra-economic resources ie. a governed (mixed or command) economy steered by an interventionist state.

As discussed in Chapter One, in Western Australia the activity of the state in entering into state agreements has been claimed by politicians from opposing parties to align, alternatively, with each of these roles. For example, they have been characterised in political discourse as a ‘regulatory mechanism that “define[s] the rules”’ under which a specific resource project will operate’ (Auditor General, 2004) and, conversely, as a tool that potentially supports
‘Soviet style interventionism’ (Former Leader of the State Opposition, Mr. Mark McGowan, cited in Spooner 2012, p.1).

The regulation approach seeks to integrate analysis of political economy with analyses of the state to show how they interact to normalise the capital relation and guide (govern) the conflictual and crisis-mediated course of capital accumulation. In this sense ‘regulation’ might have been better translated from the French as regularisation or normalisation, as it goes beyond the concept of regulation in the narrow legal or legislative sense, to include not only governance in broader forms, but also the development of cultural and social norms (Jessop, 2006). However, the regulation approach’s conceptual and theoretical apparatus for economic analysis is far richer and more complex than for the analysis of the state, society and politics. This can lead to functionalist analyses of state action or to its treatment as little more than an ‘exogenous variable’.

In *Bringing the Qualitative State back into Economic Geography* (2004), Phillip O’Neill’s considers that regulation theory has limitations in that it has been used to refer to the hollowing out or diminution of the state role quantitatively rather than in a qualitative sense and attempts to totalise the economy in its form and methods of governance. O’Neill’s contribution on the role of the state in economic geography engages with the work of political sociologists Claus Offe, Bob Jessop and Fred Block. The state is viewed not as a totalised entity but as a domain engaged in constant interplay with non-state institutions and markets. Therefore the question of state intervention is not a quantitative one regarding the extent of intervention, but rather qualitative questions focusing on the shifting forms of intervention (O’Neill, 2004). Better abstractions of the state are needed drawing on a multitude of state experiences that situate the realm of the state within accumulation processes.

Again, qualitative conceptions of the state draw strongly from the historical works of Polanyi. Polanyi (1944), in *The Great Transformation*, demonstrated how, on the one hand industrial capitalism could never have been a purely private process and, on the other, that economic institutions are inevitably political creations. The emerging modern state is shown to have established crucial conditions for the operation of capitalist relations including exclusive property
rights, a legal system based on the inviolability of contracts, the establishment of
good national markets (through administrative structures, monetary systems, and
common standards such as weights and measures), and the means for the
penetration of other national markets, especially through imperialism (O’Neill,
2004; Block, 1990).

In his critique of regulation theory, O’Neill (2004), also claimed that there is no
allowance for incremental, strategic, state-driven economic restructuring and
transition such as been the hallmark of East-Asian economic change since the
1960s. In part, he claims that this is due to the absence of an effective theory of
the state in regulation theory (O’Neill, 2004). However, his critique preceded the
work of Sum and Jessop (2006) on the developmental state, and overlooks Peck’s
(1994) regulation work on Japan, each of which provided insights into the role of
a developmental state in the relationship between the MSR and accumulation in
particular contexts.

The original formulation of the ‘developmental state’ concept had a number of
features – principal among which were competent state agencies and carefully
calibrated industrial policies (Beeson, 2001). Rather than rely on market forces to
determine the optimal allocation of resources, there was a planned development
process (Beeson, 2009). Leftwich (1995) notes that the political purposes and
institutional structures of developmental states have been developmentally-
driven, while their developmental objectives have been politically driven. In
short, fundamentally political factors have always shaped the thrust and pace of
their developmental strategies through the structures of the state (Leftwich, 1995).
These factors have included regional competition, ideology and a wish to ‘catch
up’, each of which have arguably applied to the Western Australian experience
throughout the period in which state agreements have been utilised. Other
features of developmental states identified in this strand of literature - including
bureaucratic agencies established to ‘guide’ development (see Block, 2011;
Chang, 2010) – may also be identified in the Western Australian context.

Despite the state’s critical role in resource economies, historically staple theorists
did not isolate the state as a field of study (Wellstead, 2007; Neill, 1990). This is
not to say that they ignored the state, but in the staples thesis state actions
followed from their functional role in facilitating the staples trade. The nature of the state – and the particular functions it performed in specific spatial and temporal locations – were derived from the needs of the staple commodity (Neill, 1990). The functions of the state included provision of transportation infrastructure for the export of staples, underwriting monetary obligations through credit guarantees, and, as export demand altered aiding adjustment from declining to rising staple sectors (Albo and Jensen, 1990). The special kinds of market structures and institutions imposed by staples directed the state’s economic role. Accordingly, much work on staples theory is perhaps susceptible to the trap of ‘functionalism’ in analysing the state’s role, an approach that regulationist theorists have emphasised ought be avoided. However, if the staples thesis defined the state in terms of its functions, there was no uniform view of what these functions should be - or actually were - in a more abstract sense (Neill, 1990, 2007).

Both regulation theorists and staple theorists have also turned to Antonio Gramsci, amongst others, to better integrate the concept of the ‘state’ into their research agendas (see, for example, Tomaney, 2014; Heino, 2014; Bieling, 2014; Bridge, 2013; Hutton, 2007). Gramsci (1971) theorised the ‘state’ in its integral sense and emphasised the mutual implications of state and market, insisting that even a laissez-faire economy was a form of state intervention with its own economic and political presuppositions and consequences (Jessop, 2006). More recently, new development state literature looks at the prospect of importing or exporting legal and policy tools across differing jurisdictions for state-led development purposes (Trubek, 2008).

Both regulation theory and staple theory, therefore, along with more recent development state literature, discern critical interdependencies – conflicts as well as complements – between the state, market and society in economic formation and reproduction. In discussing the role of the state specifically in relation to its activity of entering into state agreements in Western Australia, Brown (1981) notes the capitalist state must try to fulfil two basic and mutually contradictory functions – accumulation and legitimation. Without accumulation of capital the economic system would collapse and therefore the facilitation of private capital
becomes an essential function of the state. At the same time, however, the state needs to legitimate its assistance to one class at the expense of others, as other classes form the basis of its support. To overcome this paradoxical situation, claims O’Connor (1973, cited in Brown, 1981 p. 252), the state must involve itself in the accumulation process but must either ‘mystify’ or conceal its policies (for example, by describing such policies as dealing with ‘administrative’, not ‘political’, issues).

The relevance of ‘discourse’ to the ‘state’s role in accumulation’ is arguably discernible both within and without of the terms of state agreements. Referring to the Western Australian government’s policies as expressed through the Pilbara iron ore state agreements between 1962 and 1978, Brown (1981) considers that the state’s involvement in accumulation in this case was concealed by express terms that placed all legal responsibility on the companies for infrastructure costs, allowing the state to assist capital less directly by terming all associated expenditure as ‘administrative’. By way of contrast, in other periods where the state’s assistance was more overt through express terms in state agreements making it financially responsible for providing infrastructure, there was a need to ‘mystify’ such policies through promoting a discourse or ideology of the benefits of ‘development’ and ‘economic growth’ to garner support and marginalise opposition within Western Australian society.

2.6 An Integrated Conceptual Framework

Regulation theory focuses on the changing combinations of economic and extra economic institutions and practices that help to secure, if only temporarily and always in specific economic spaces, a certain stability and predictability in accumulation – despite the fundamental contradictions and conflicts generated by the very dynamic of capitalism (Jessop, 2006). Regulation theory is being deployed here not as a ‘stylised history’ of recent (Western) capitalist development, but as a distinctive political-economic ‘method’ (Peck, 1994), focusing on the economic history of a particular region. For the purpose of this thesis, the 60 year period of state agreements from 1952 to 2012 has been divided into four distinct periods: (i) 1952 to 1960; (ii) 1961 to 1978; (iii) 1979 to 1992;
and, (iv) 1993 to 2012. The selection of ‘periods’ is chiefly based on an empirical assessment of the transitions in the dominant resource sector and/or development objectives of the state as reflected in the series of state agreements executed within each time period.

In considering the context, objectives and impact on development of state agreements, in the first instance these instruments will be examined in terms of their relationship to the mode of accumulation and the range of institutions constituting the MSR during the corresponding period. In conceptualising institutions such as the ‘state’ or ‘softer conventions and norms’ for the purposes of this analysis, recourse to other bodies of work such as state theory or discourse theory will be included - to the extent useful in illuminating certain elements within the applied regulation theoretical framework. Further, in considering the spatio-temporal evolution of particular constellations of institutions and development trajectories, staple theory will be deployed to enhance the analysis of the accumulation regime and associated MSR or, more importantly, their ‘coupling’ within each relevant period from a geographic perspective.

In regulationist work, there are generally five institutional forms that are the focus of research in analysing the MSR associated with any particular accumulation regime: the monetary system; the configurations of the wage-labour nexus; forms of competition; insertion into the international economy; and, the form of state intervention (Zuindeau, 2007; Aglietta, 1998; Boyer, 1996). These institutional (or structural) forms comprise the mode of régulation and each is the codification of capitalism’s fundamental social relations through laws, rules, regulations, compromises, negotiated outcomes, common value systems or representations (Chester, 2010; Boyer, 2002; Boyer, 1990).

Although each of these institutions are generally associated with the nation-state, there is nothing theoretically pre-ordained or fixed about the scale at which regulatory functions are sited (Peck, 2000). Exclusively focusing on the nation state potentially understates the role of both global and local economic processes and structures. Increasingly, studies on the local state demonstrate the importance of analysing the specific regulatory arrangements operating in individual regimes, even within relatively centralised nation states (Peck et al., 2013; Jessop and
Rather than a single mode of regulation operating within a nation, a national accumulation regime can be comprised of different regulatory arrangements in different regions—reflecting and reinforcing the patterns of uneven development within a nation state as well as globally (Low, 1995). An implication of this analysis is that some regions with particular structures of accumulation and regulation may be favoured by global changes and national accumulation strategies while others may be equally disadvantaged (Broomhill, 2001; Peck and Tickell, 1992).

In considering the relationship of the ‘institution’ of state agreements to the more broadly identified set of institutions constituting the MSR, they are perhaps most logically located in the realm of ‘state intervention and economic policy’. However, as the case study of the first executed state agreement, The Oil Refinery (Kwinana) Agreement Act 1952, and subsequent state agreements demonstrate, there are also links that can be made between this regulatory tool and the other four categories of MSR institutions: that is, wage-labour’s relationship with capital, monetary and credit relationships, the relations between firms, and the nature of international relationships and arrangements.

Studies focused on the subnational or ‘local state’ have also tended to broaden the definition of institutions to include ‘softer’ conventions and norms, at varying scales and levels of politics (Peck, 2000; Jensen, 1990). Krätke (1999) suggests that a region’s development is determined not only by its physical resources but also by its “institutional resources ... understood as the set of conventions and rules of action prevailing in the economy, which are embedded in the local societal structure and show a marked regional differentiation” (p.683). While the regulation approach may have given licence to ‘strong institutionalist’ accounts of (local) economic successes and failures, Peck (2000, p.68) points out that the determinism that suggests some institutions are unequivocally ‘good for growth’ and others ‘bad’ remains at odds with the original theoretical project of regulationism. At worst, this can lead to a ‘methodological localism’ in which explanatory reach is restricted to endogenous institutional attributes, the internal coherence and causal efficacy of which are implied rather than demonstrated (Peck, 2000). While the causal efficacy of state agreements will be examined in terms of their role in contributing to accumulation in Western Australia for each
of the selected periods, this will be in the context of acknowledging the broader complexities of the MSR, including impacts of other relevant institutions and influences.

If globalisation reflects the power of exogenous or non-local forces on local development then resource peripheries, as ‘contested spaces’, are particularly important for informing the theorising of global-local dynamics, according to Hayter et al. (2003). The conflict between industrial, environmental, cultural and geopolitical dimensions that occurs in resource peripheries is not found in cores, and as a result not theorised in mainstream economic geography (Hayter et al., 2003). While each resource periphery is different, Hayter et al. (2003) argue that resource peripheries are collectively different from cores in terms of their geographical limits. In particular, Hayter et al. (2003) argue that in resource peripheries there are four sets of institutional values or dimensions, each of which features internal variation and tension, that characteristically make them different from cores. In summary these are: (i) industrialism or the economic dimension; (ii) environmentalism or the environmental dimension; (iii) aboriginalism or the cultural dimension, and (iv) imperialism or the geopolitical dimension (Hayter et al., 2003, p.17).

Pursuant to a political economic approach, the extent, if any, that these institutional values or dimensions are reflected in the trajectory of Western Australian development will be considered as part of the discussion of the MSR for each selected period of state agreements. Further, to enhance a geographic perspective for integration within the overall regulation theory based framework - the space-time configurations that form the basis of the staple theory of accumulation will also be considered. To analyse both the process by which staples create new time-space configurations, and the forces by which they dissolve, Innis refers to a geographical, institutional and technological triad as the basis of his theory of accumulation (Barnes and Hayter, 1992). When the right technology comes together with the right geography and the right institutional structure the result is accumulation of ‘cyclonic’ frenzy, with attendant tears in the space-time web (Barnes and Hayter, 1992). Within this cyclone of accumulation, however, there are destructive forces such as (i) changes in technology (of production or transport), (ii) changes in geographical factors...
(exhaustion of resources, discovery of lower cost alternatives elsewhere, or fluctuations in international market price rendering current site unfeasible), and (iii) the effects of institutional structure (Barnes and Hayter, 1992). In addition to the creative and destructive forces in the tension between space and time identified by Innis, those identified in broader geographical political economic perspectives, such as Harvey’s (2010) recognition of the significant interest of the state in the development of transport corridors, hubs, and ports to speed up the flow of capital, will also be addressed.

In summary, the key elements of the integrated theoretical framework developed for the purposes of addressing the key objectives of this thesis are:

1. Application of regulation theory to an empirical account of the evolution of state agreements to consider their role in the MSR and relevant accumulation regime(s) in Western Australia over the 60 year period from 1952 to 2012.

2. As part of the analysis of the MSR, and its coupling with the relevant accumulation regime(s), conceptualising the state and its activity in entering into state agreements - drawing upon state theory (including Gramsci, Polanyi, and developmental state literature) and discourse theory to supplement the regulation theoretical framework as and when required to clarify concepts for this purpose.

3. In addition to the five ‘key’ institutions typically identified in MSR research, softer or ‘non-economic’ societal norms and values on various scales will be considered. For example, contemporary political rhetoric and the ‘ideology of development’ frequently associated with the objectives of state agreements will be examined (utilising discourse theory concepts and methods - to the extent necessary for clarifying dynamics between the MSR and mode of accumulation).

4. Core elements of staple theory relating to accumulation and the ‘triad’ of geography, institutions and technology, will be incorporated into analysis of
the coupling of the MSR and associated accumulation regime(s) - where relevant patterns of developments are evident.

5. Finally, to integrate a more spatial perspective within the regulation theoretical framework, reference will be made to the geographic ‘limits’ and dimensions of both core and resource peripheries identified in broader geographical political economic approaches.

Table 2.1 sets out the key elements of the integrated theoretical framework and relevant aspects of empirical data in the evolution of state agreements in Western Australia to summarise how it is intended to be applied in the following chapters, for the purpose of addressing the key objectives set out in Chapter 1.
<table>
<thead>
<tr>
<th>Theory/Approach</th>
<th>Key Focus</th>
<th>Elements</th>
<th>Specific issues/questions to be addressed based on empirical data</th>
</tr>
</thead>
</table>
| Regulation theory      | Structural coupling of MSR and mode of accumulation; Growth, crisis and reproduction of capitalism | MSR (‘institutions’ - including the state, laws, values/norms); Accumulation regime (mode of production and consumption); Competition and governance | a. What is the relationship of state agreements to other institutions commonly identified as part of the Mode of Social Regulation (MSR)?
                        |                                                                           |                                                                          | b. What are the specific objectives and activities of state when negotiating and implementing state agreements?                |
                        |                                                                           |                                                                          | c. What are the respective obligations of state and capital in each of the state agreements, and how have these ‘shifted’ over time, space and different sectors? |
                        |                                                                           |                                                                          | d. What have been the actual outcomes of state agreements in terms of both capital accumulation and role in MSR in the context of regional development in Western Australia? |
| Staple theory          | Triad of institutions, technology and geography; Diversification around staple production | Staples production; Temporal and spatial patterns of accumulation; Connectivities between ‘core’ and ‘peripheral’ regions | a. What are the types of staples or resources that have been the subject of state agreements?                                   |
                        |                                                                           |                                                                          | b. What, if any, forward and backward linkages have occurred pursuant to resource development under state agreements?        |
                        |                                                                           |                                                                          | c. What is the state function or role in relation to resource development per state agreement terms?                          |
                        |                                                                           |                                                                          | d. What role have state agreements played in the growth and decline of staple producing regions?                            |
| State theory           | Conceptualising the ‘state’ and its relationship to the economy and society | Definition, form, and activity of the ‘state’; Relationship to other institutions | a. Defining the ‘form(s)’ of ‘state’ and its role in entering into state agreements in relation to relevant accumulation regime(s) |
                        |                                                                           |                                                                          | b. Identifying the role/’function’ of the state in accumulation, MSR and staples development.                                |
| Discourse theory       | Constructive effects of discourse, (statements, terms, definitions, concepts) | How the ‘state’, ‘economy’, ‘society’, agents, and objects are constructed and represented in ‘discourse’ | a. How are the state, market and objects of regulation conceptualised in the terms of state agreements and accompanying discourse (in parliament/media)? |
                        |                                                                           |                                                                          | b. What are the overt and implied assumptions in state discourse and policy accompanying state agreements?                  |
                        |                                                                           |                                                                          | c. How are objects of regulation and areas of concern excluded or included in state agreements (eg. indigenous concerns, the environment, community benefits)? How has this shifted over space, time and different sectors? |
| Geographic political economy | Spatial patterns of (uneven) economic development | Movement and fixity of capital as reflected in places, spaces, networks and connectivities; Geographical ‘limits’; Global and local interaction(s) | a. What have been the regional development outcomes of state agreements in spatial and temporal terms (eg. establishment of towns and infrastructure, FIFO, population growth and decline in state agreement (staple/resource) locations)? |
                        |                                                                           |                                                                          | b. Spatial patterns of infrastructure and transport in regional development pursuant to state agreements.                  |
2.7 Conclusion

For the purposes of this thesis, the primary conceptual framework for examining the role of state agreements and the conceptualisations of the ‘state’ in a sub-national semi-peripheral resource economy will be an application of regulation theory. In essence, this approach provides a ‘method’ for understanding processes of capitalist growth, crisis and reproduction in any given region. To this end, it focuses on the changing combinations of economic and extra economic institutions and practices that help to secure, if only temporarily and always in specific economic spaces, a certain stability and predictability in accumulation – despite the fundamental contradictions and conflicts generated by the very dynamic of capitalism (Jessop, 2006).

Utilising an integrated political economic framework based primarily on regulation theory, and incorporating elements from other approaches such as staple theory, development state literature and other approaches to support a more geographic ‘spatial’ perspective, the role of the state in entering into state agreements in Western Australia will be examined over the course of the 60 year period from 1952 (when the first modern state agreement was enacted) until 2012 (when the latest state agreement was signed). The year 2012, is also the point at which the most recent mining boom began to wane, and potential new projects were to come under increasing public and political scrutiny.
The establishment of this refinery will mark a very important milestone in the history of secondary industry in Western Australia. I believe it will be a milestone of such importance that from now on we can expect that Western Australia will reach a stage of development far exceeding that which any of us envisaged two or three years ago ... The oil company’s decision was not based on sentiment so that what we are pleased to call the Cinderella State might be developed by the establishment of the oil refinery ... Their decision was made on a hard cold, cash basis ... this company at any rate has decided to refine its oil in countries where it can assured of a friendly and co-operative atmosphere (Minister for Works, quoted in PDWA, 1952, pp. 1891-1892).

3.1 Introduction

In the period immediately preceding 1952, the Western Australian economy had continued to be dominated by a rural sector which overshadowed the small mining and locally based manufacturing sectors (Beresford, 2001). In an effort to set the preconditions for a more extensive industrial base, the state was proactive in persuading the Anglo-Iranian Oil Company (soon to become the British Petroleum Company) to locate an oil refinery in Western Australia. In the post-World War II era, a gradual restructuring of the oil refining industry was facilitating a shift of refineries from sites of extraction to sites of consumption (MacLachlan, 2013). In the midst of this global shift, growing resource nationalism in Iran threatened the Anglo-Iranian Oil Company with expropriation of its Abadan refinery, prompting the firm to secure additional refinery capacity in lower-risk market regions (Stevens, 2008; Bamberg, 1994; Manners, 1964). Anglo-Iranian Oil’s marketing challenge was solved, and Western Australia’s persistence paid off, in 1951 when the state offered a turnkey infrastructure package worth an estimated £10–12 million and the oil company was persuaded to build a £40 million oil refinery on the shores of Cockburn Sound, 30km south of Perth, Western Australia (MacLachlan and Horsley, 2015).

At the time that the State of Western Australia entered into this first state agreement, successful capital accumulation in industrialised nations was largely
supported by Keynesian macroeconomic policies, the development of a welfare state, corporatist class arrangements between capital, labour and the state, and government intervention to promote investment, stability and consumption (Jessop, 2006; Harvey, 2005; Peck and Tickell, 2002). At the sub-national level, the local state also played a crucial role during the Fordist era in promoting successful capital accumulation and in facilitating political stability and social reproduction (Krätke and Schmoll, 1991; Broomhill, 2001). In general terms, the economic strategy developed over the post-war period by State governments in Australia involved seeking to gain maximum benefit from federal protection policies, combined with the extensive provision of public economic and social infrastructure and services to attract private investment from foreign investors, in competition with the other States, and to develop industrial and manufacturing sectors (Low, 1995; Broomhill, 2001). However, there were clear differences in the processes of regulation and the role of the state, amongst the layers of Australia’s federal system and between regions.

This chapter sets out an historical overview of the relationship between state and capital in Western Australia prior to 1952, an overview of evolution of state agreements in the period from 1952 to 1961, and an analysis of the role of state agreements in the economic development of the region during this period. Within a discussion of ‘Western Australian Paternalism’, the location of state agreements in the ‘mode of social regulation’ (MSR) and its coupling to the accumulation regime in the wider context of contemporary Keynesianism is examined. Included in this analysis are questions concerning the range of institutions constituting the MSR, and the relationship of state agreements to such institutions, in addition to their relationship to the modes of production and consumption forming the accompanying accumulation system. Elements of state theory and discourse theory are utilised for the purposes of considering the influence of the ‘development ideology’ expressed by the state, both directly within the terms of the state agreements and in surrounding parliamentary and media debates on the creation of societal norms and values during this period.
3.2 An overview of state ‘intervention’ in Western Australia prior to 1952

Prior to 1952, the relationship between the state and capital in Western Australia reflected a tradition of ‘state paternalism’ that had commenced soon after the initial establishment of the colony (Glynn, 1975). Broadly speaking, this tradition arose from a series of state interventions that were in response to the continuing failure of private capital to stimulate economic development, population growth, or the provisions of essential infrastructure in non-metropolitan areas during the initial era of Western Australian development (Boreham et al., 1989; Head, 1983; Tonts and Jones, 1997).

In 1829, Western Australia (the Swan River Colony) was established as the third colony in Australia, largely in response to a favourable report on the region’s agricultural potential by Captain James Stirling (Tonts, 2002; Crowley, 1960). However, the combination of poor soils, harsh climatic conditions, the high cost of developing services and infrastructure, and managerial incompetence saw many of the initial land grant schemes to attract immigrants fail, with many settlers abandoning estates in the Peel and Swan River areas to seek employment elsewhere (Tonts, 2002). Despite the colonial administrators’ ongoing desire for intensive agriculture and rural settlement, the reality was that the most successful form of primary production in the colony was the extensive sheep grazing industry, which occupied pastoral leases in those regions deemed too remote to establish intensive farming (Burvill, 1979). While the arrival of around 10,000 convicts between 1850 and 1868 stimulated a degree of agricultural expansion, the end of convict transportation was followed by around 15 years of economic hardship (Battye, 1924). By the late 1870s, the colonial administration had become convinced that the inaccessibility of the areas with agricultural potential was the main factor restricting the development of small-scale farming, and that the provision of a network of railways would improve the efficiency and viability of this form of agriculture. The first premier, John Forrest, was to travel extensively in North America which greatly influenced his thinking with regard to the economic advantages of federation, and the importance of railways in advancing agricultural settlement (Webb, 1993). In putting forward his plans for
agricultural development, supported by land grants and government-owned railways, Forrest used his North American experience to stress the need to open up the land by making it accessible to markets by building railways. As he put it:

If they looked at all the civilised countries of Europe, the centre of civilisation, they saw a network of railways all over the country, whether the country was good or bad.... With such examples before them, they could arrive at no other conclusion except that the lack of railway communication was a death blow to all prosperity. Why should Western Australia be an exception to the other parts of Australia, and the other parts of the civilised world? (Forrest, 1890, p.3)

However, in contrast to eastern Australia, railway development in Western Australia was constrained by the relatively narrow taxation and public revenue base, the long distances involved, and the low levels of economic and population growth (Tonts, 2002). Notwithstanding some earlier controversial attempts to establish railways, it was not until the gold boom of the 1890s that significant revenue became available for the government to pursue this regional development objective with more vigour (see Figure 3.1 and Figure 3.2). The state ‘interventions’ that followed were aimed primarily at establishing large-scale export-oriented agricultural industries to underpin the economic development of the regions.

![Figure 3.1 Gold production in Western Australia 1886-1914](source: Department of Treasury and Finance (2004))
In addition to building railway networks, the state constructed water pipelines, port facilities, irrigation schemes, established an agricultural bank, subsidised immigration, and by the 1920s had committed larger sums to settlement projects all aimed at facilitating the agricultural sector (Beresford, 2001). Although it was gold which had been the foundation of Western Australia’s newly-won prosperity at the turn of the 20th century, throughout the next few decades the State did not deviate from its vision of agricultural development, rather than mineral development, as the means to achieve long-term economic growth and security (Brueckner et al., 2014).

An increasing interest arose in labour-intensive forms of manufacturing after the 1930s Depression had shown the consequences of a narrow reliance on wheat and wool exports, and it was becoming clear that the agricultural sector could not absorb more labour (Hartley, 1995). The importance of the employment motive in the shift of the state’s vision - from development based on agriculture toward greater industrialisation - is evident in the second reading of a Bill to establish a Bureau of Industry and Economic Research in 1938: “As matters are, our one hope for additional employment is in the manufacturing establishments already operating and in those it may be possible to establish in the future” (A.R.G. Hawke quoted in PDWA, 1938, pp.571-572). In the industrial development strategy dominant in the post-Depression to post-World War II years, public
ownership in the three main industries, the Lake Chandler alunite industry, the Wundowie wood distillation and charcoal industry, and the Chamberlain industries tractor plant, demonstrated that scale of private capital involved in this strategy was minimal (Layman, 1982). However, the government policy was not simply focused on state ownership, as evidenced in its promotional literature in 1947, which declared: ‘No manufacturer who had some project worthy of developing would fail to find a sympathetic co-operation in getting established in the State’ (Western Australia: Industrial Opportunities and Facts, 1947, p. 22).

Initial financing was provided through the Industries Assistance Act until 1944 when the state-owned Agricultural Bank became the Rural and Industries Bank and, with Treasury guarantees, assumed responsibility for advances and loans to industry. In this way assistance was extended to a wide range of small industries – textiles, clothing, fish and fruit canning, tanneries, general engineering, among many others (Islam and Johnson, 2003).

The terms of some of the public enterprises were set out in legislation resulting in the Wood Distillation and Charcoal Iron and Steel Industry Act 1943 and Albany Freezing Works Agreement Act 1945, early precursors to the modern form of state agreements. These in turn were modelled on the form of private acts which had been widely used as a mechanism for various developments in Britain in the eighteenth and nineteenth centuries granting certain rights and powers to private companies, and continued to be used in Western Australia until 1940. Examples include the British Imperial Oil Company, Limited (Private) Act 1925 and the Commonwealth Oil Refineries Limited (Private) Act 1940, in each of which the state conferred upon the company certain rights and powers to enable it to construct facilities for the storage and distribution of oil and petroleum on Crown lands. However, even though these measures were ostensibly aimed at developing the manufacturing sector, for the most part the focus was still on the development of sectors based on primary industries and staples production, a familiar feature of economies locked into a ‘staples trap’.

Indeed, by the end of the 1940s, Western Australia still lacked three basic elements required for broad-based industrial development: an iron and steel manufacturing industry, a chemical industry, and power supplies of adequate capacity at a cost competitive with other states (Hartley, 1995). The nation-wide
concern over unemployment following World War II was particularly prominent in Western Australia with its ongoing isolation and the need for a broader industrial base. This led to a particular determination to attract manufacturing industries (Bolton, 2008; Ellery, 1979).

3.3 Evolution of State Agreements from 1952 to 1961

The introduction of the use of the modern form of state agreements, negotiations for which began in the late 1940s, represented an incremental ‘step up’ in the state’s efforts to engage itself in stimulating economic growth of the region, by finding the means to attract capital and secure its investment over the long term, with the primary aim of increasing employment opportunities in the State. This section traces their historical evolution in the period from 1952 to 1961.

3.3.1 Kwinana oil refinery and industrial area

In 1951, the government of Western Australia was proactive in persuading the Anglo-Iranian Oil Company (which subsequently changed its name to the British Petroleum Company) to locate its proposed oil refinery in the State. In the first state agreement signed with foreign capital, the Oil Refinery (Kwinana) Agreement Act 1952, the Western Australian government committed to provide both social and industrial infrastructure including housing and community facilities for the workforce together with railways, harbour works, roads, water supply and a large quantity of land at low cost. The government also undertook to assist the company to acquire necessary materials and necessary migrant labour (PDWA, 1952, pp. 1891-1909). Indeed, the costs to government to implement this first agreement resulted in the halting of all other public works throughout the rest of the State at the time, leading to accusations in Parliament that the government was engaging in ‘socialism’ and favouring a foreign company over local interests (see PDWA, 1952, pp.1894 -1899).

However, in speaking to the Bill, the emphasis on employment creation was made evident by the Co-ordinator of Works and Industrial Development, stressing that ‘a minimum of 1000 people would find employment in the new industry’ (PDWA, 1952, p. 1893). According to Bolton (1981), the predominant emotion at the time the Bill was passed was one of relief and gratitude that Western Australia
was ‘catching up’ to the eastern States, and that notice would be taken by investors in secondary industry in the western State. Accordingly, questions of the desirability of siting the refinery so close to the metropolitan area were raised but quickly dismissed (PDWA, 1952, p.1900), and the agreement contained no environmental protection clauses.

The successful construction of the refinery and related industrial works pursuant to the Kwinana state agreements resulted in a profound basic change in the State’s economy. In 1954 (when the Anglo-Iranian refinery was brought onstream at a cost of £40 million), the total value of manufacturing production reached £134 million, exceeding for the first time since the war years, the total value of the state’s primary production which the same year reached £132 million (Ellery, 1979). The government vision for Kwinana was a ‘great industrial port’ engendered by a burgeoning heavy industrial area built on oil refining, petrochemicals and an integrated iron and steel industry (PDWA, 1952, p. 1892); this first state agreement being a milestone of such importance that it allowed the expectation that ‘Western Australia will reach a stage of development far exceeding that which [anyone] envisaged two or three years [before it was executed]’ (PDWA, 1952, p. 1891). The government also set about planning for anticipated growth and expansion of the Perth metropolitan area, leading to the development of the Plan for the Metropolitan Region, Perth and Fremantle published in 1955 (more commonly referred to as the ‘Stephenson – Hepburn Plan’ after its principal architects).

Future growth would depend on industrial development and it was believed ‘that new industries would follow those already established, and with the provision of port facilities large scale development would be assured’ (Stephenson and Hepburn, 1955, p.235). Indeed, the Anglo-Iranian facility would turn out to be the largest oil refinery in the southern hemisphere and Kwinana would become the largest industrial cluster in the State (MacLachlan and Horsley, 2015). The obligation of the state under the agreement to dredge Cockburn Sound, was to create the best protected bulk cargo port site on the Indian Ocean from Albany to Broome – a site that would attract other heavy industries. Sixty years after the signing of the agreement, BP Kwinana continued to be the largest refinery in Australia with a capacity of 137,000 barrels of crude oil per day. As the only
refinery in Western Australia, it continued to supply most of the State’s energy needs as of 2012.

Since the completion of the oil refinery in 1955, the surrounding Cockburn Sound area, some 30km south of downtown Perth, developed into a resource-processing zone with a deep-water port handling a variety of crude and semi-processed bulk cargoes. As of 2012, the Kwinana Industrial Area (KIA) employed some 4800 workers in subsidiaries of multinational enterprises (ALCOA, BHP Billiton, BP) and in smaller, domestic and foreign-owned firms that process mineral products, synthesise chemicals, gases and fertiliser, handle grain for export, process water, and generate electricity (see Table 3.1). The KIA is dominated by large establishments of multilocational firms operating at world scale; in the mid 2000s 39 per cent of the $8.5 billion in revenues was accounted for by exports (Sinclair Knight Merz, 2007, p.78). Measuring 8 km from north to south and about 3 km in width, the KIA straddles three metropolitan areas — Cockburn, Kwinana, and Rockingham—which collectively accounted for 64 per cent of its workforce, as of 2012.

Table 3.1: Major processing plants in Kwinana Industrial Zone (2012)

<table>
<thead>
<tr>
<th>Corporate owner</th>
<th>Processing plant</th>
<th>Opened</th>
<th>Source of resource inputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>British Petroleum</td>
<td>Oil refinery</td>
<td>1955</td>
<td>6.8 GL per year of crude oil; 40 per cent from WA sources</td>
</tr>
<tr>
<td>BHP</td>
<td>Steel rolling mill</td>
<td>1956</td>
<td>Steel billets from NSW; closed in 1995</td>
</tr>
<tr>
<td>Cockburn Cement</td>
<td>Portland cement</td>
<td>1955</td>
<td>Local limestone</td>
</tr>
<tr>
<td>ALCOA</td>
<td>Alumina refinery</td>
<td>1963</td>
<td>Local bauxite (75 km south of Perth)</td>
</tr>
<tr>
<td>BHP</td>
<td>Blast furnace</td>
<td>1968</td>
<td>Iron ore from Koolyanobbing, WA; closed in 1982</td>
</tr>
<tr>
<td>CSBP</td>
<td>Fertiliser</td>
<td>1968</td>
<td>Synthesis of locally produced ammonia and fertilisers</td>
</tr>
<tr>
<td>BHP Billiton Nickel West</td>
<td>Nickel refinery</td>
<td>1970</td>
<td>Nickel ore from Kambalda, WA</td>
</tr>
<tr>
<td>Coogee Chemicals</td>
<td>Chemicals</td>
<td>1971</td>
<td>Locally sourced chemicals</td>
</tr>
<tr>
<td>CBH Group</td>
<td>Grain terminal</td>
<td>1976</td>
<td>Wheat from the wheatbelt region, WA</td>
</tr>
<tr>
<td>Tronox</td>
<td>Titanium dioxide</td>
<td>1991</td>
<td>Mineral sands mined at Lancelin, WA</td>
</tr>
<tr>
<td>Verve Energy</td>
<td>Electrical power</td>
<td>1970</td>
<td>Oil (from Kwinana), coal and gas from WA</td>
</tr>
<tr>
<td>Kwinana Cogeneration</td>
<td>Steam and electrical power</td>
<td>1996</td>
<td>Gas from WA</td>
</tr>
<tr>
<td>KwinanaWater Recycling</td>
<td>Water treatment plant</td>
<td>2004</td>
<td>Waste water from Woodman Point, WA</td>
</tr>
<tr>
<td>Water Corporation</td>
<td>Desalination plant</td>
<td>2006</td>
<td>Local seawater</td>
</tr>
</tbody>
</table>

Source: Modified from MacLachlan (2013, p.384)

3.3.2 Iron and steel industry

The second state agreement to be signed, although the first to be extensively negotiated, was between the state and the Broken Hill Proprietary Co. Ltd (BHP), which had operated as a private sector monopoly in the iron and steel industry in
the eastern States of Australia since the 1930s (Fagan and Webber, 1994). In the *Broken Hill Proprietary Steel Industry Act 1952*, the state granted iron ore leases in the form of extendable 50 year leases in Yampi Sound in the north of Western Australia for supply to the domestic market, in return for the construction of a steel rolling mill in Kwinana. However, as the objectives of the agreement reflects, the state had a grander development goal: ‘The State of Western Australia is desirous that an integrated iron and steel industry should be established in the ... State and has requested the Company ... to assist in that objective’ (*Broken Hill Proprietary Steel Industry Act 1952*: recital (a)). However, there was no actual obligation placed on the company by the agreement to fulfil this objective, as the relevant clause stated:

> While the Company intends to pursue such establishment in good faith any decision in this respect by the Company shall in no way effect any of the rights or obligations conferred or imposed upon the Company by this agreement (*Broken Hill Proprietary Steel Industry Act 1952*: clause 5(a)).

Initially, some £4 million was invested in a steel fence-post factory and steel rolling mill at Kwinana. The state guaranteed to provide at cost a 600 acre parcel of land for a works site with half a mile of Cockburn Sound frontage to supply BHP with electricity, water, a rail link, roads and as much workers’ housing as possible. The agreement allowed the Company to discharge into Cockburn Sound industrial drainage with no restriction other than the proviso that it was not ‘dangerous or injurious to public health’ (clause 5(c)). It also waived harbour charges for outward cargo (clause 25).

From this stemmed a later agreement, *Broken Hill Proprietary Company's Integrated Steel Works Agreement Act 1960* which was to be implemented in the 1960s for the development of the Koolyanobbing iron-ore deposits, the standardisation of the 596 km section from Perth and Kalgoorlie of the east-west railway, and the establishment of a blast furnace at Kwinana. The recitals to this later agreement expressly set forth the state’s objectives in entering into the agreement:

> WHEREAS the State is desirous that a blast furnace or blast furnaces and steel making plant and new rolling mill facilities shall be established and operated within the said
State and has requested the Company whose principal business is that of Iron and Steel Masters in the Commonwealth of Australia to assist in that objective AND WHEREAS the Company is willing to do so upon satisfactory arrangements for that purpose being made AND WHEREAS for the proper conduct of its operations it is necessary that the Company should be assured of supplies of raw materials and security of tenure of certain mineral and other leases and be granted certain powers and rights (Broken Hill Proprietary Company's Integrated Steel Works Agreement Act 1960: recitals).

As part of this 1960 Agreement, the state agreed to provide and/or contribute to the cost of the railway, dredging works, roads, housing, electricity and water, and granted concessions with respect to leasing of land and labour rights. The company, for its part, agreed to spend not less than £40 million on the works including a blast furnace and steel rolling mill. Within 10 years a blast furnace was built and first blown in May 1968 using ore from Koolyanobbing. The blast furnace and steel mill were successfully established and operated for a period. However the blast furnace closed in 1982, followed by the steel rolling mill in 1995 and, by 2011, only their shipping facilities remain (KIC, 2011).

3.3.3 Cement works - Kwinana

The third state agreement entered into in the early 1950s in the Kwinana area was signed in 1952, revised in 1961, but not finally ratified into legislation until the Cement Works (Cockburn Cement Ltd) Agreement Act 1971. The impetus for the new cement works at Coogee, 12km north of Kwinana was provided by a combination of government direction and private initiative, with an aim to alleviate post-war shortages of the product (Layman, 1982; Ellery, 1979). The State government agreed to finance half the cost of the works £1,1000,000, and the British firm Rugby Portland Cement Company agreed to invest £300,000 in its subsidiary Cockburn Cement Pty. Ltd. (Cockburn Cement) established for that purpose, with a further £300,000 shareholding to be taken up a local syndicate and any other interested local parties. The remaining £500,000 capital required would be raised by the Cockburn Cement. However because of lack of local investment in a period of credit restriction as well as the fee payable to Rugby Portland out of Cockburn Cement’s profits, the State government’s commitment rose to £1,250,000, and Rugy Portland’s to £400,000. The state agreed to provide
at cost government owned land for the works site, electricity, water supplies and workers’ housing. The company was permitted to dredge in Cockburn Sound for shell sand without charge (clause 6).

There was concern in Treasury and other sectors of the public service at the size of the State government’s financial commitment, especially given the 1952 recessionary situation and the Commonwealth’s tight fiscal and monetary policies (Dumas, 1952a). The Industrial Development Committee asserted that ‘the Government appears to have yielded every point, in order to have a works established’ (Industrial Development Committee, 1952). For the chief government negotiator Dumas, these claims were unfounded and his position was set out in a letter to his Minister:

There is no need for me to indicate to you the entire dependence of the State’s progress on this project, or to emphasise the enormous annual cost for imported cement ... I do urge that if necessary irrigation, harbours, town water supplies, and other works be deferred – the cement works appear to me to be the first priority (Dumas, 1952b).

3.3.4 Agricultural development

However, notwithstanding the industrialisation focus of this initial series of state agreements, the government also remained committed to a balanced development policy by expanding agricultural development during the same period. The Ord River Scheme combined the vision for agricultural expansion with the desire to settle the far north of the State, and the terms for the scheme were set out in Northern Developments Pty Ltd. Agreement Act 1957 and the Northern Developments (Ord River) Pty Ltd. Agreement Act 1960. This project envisioned a series of dams, irrigation areas, tropical industries and hydro-electric power in the Kimberley region. According to Graham-Taylor (1981) at no point was there a long-term commitment to any one mode of production or to any one set of purposes for the scheme. Nevertheless, the 25-year prediction made in the 1950s was that the project would stimulate regional population growth that would ultimately reach approximately half a million.

Pursuant to the 1957 Agreement, the state agreed to licence to the company four parcels of land at a yearly rental of £100 for the purpose of cultivating rice and other crops, build a weir, provide roads and housing for the company’s
employees, in return for which the company was to pay the state a sum of £3000 which included the cost of 30,000 acre feet of water. The new town of Kununurra and the Ord River Irrigation Area (ORIA) became established pursuant to the terms of this agreement. The agreement also provided that upon its expiration the company could purchase the parcels of land (at £1 per acre for first two parcels, £5 per acre for second parcel, and £10 per acre for the fourth parcel). The purpose of this ratified agreement was to establish a pilot farm to test different types of crops. The state agreed to pay the company £100,000 over three years to support the project, to construct and maintain irrigation channels, to supply water, and to supply technical advice. The Commonwealth government made a grant to the State government of £5 million to support this ‘Ord River Project’. The company also had the option to purchase the pilot farm land at a cost of £1 per acre and the value of economic improvements on the farm funded by the state.

By November 1960, the first 200 acres had been cleared, and a channel and pumps were in place to irrigate the first commercial rice crop planted on the new pilot farm. Allocation of commercial farm land was implemented in stages, with the first group of farmers arriving in 1962 and final allotments completed in 1966. There were 30 farms which produced mostly cotton. However, pest problems soon became apparent. The resulting low crop yields combined with a drop in world cotton prices led to suspension of the commercial cotton industry in the region. Following implementation of a ‘stage 2’ of the project, the irrigated areas successfully produced a variety of fruits and vegetables, with the most recent crop being sandalwood. Much of the current produce is exported to South East Asia. Sugar, which was produced from the late 1990s until the end of 2007 in the ORIA was trucked to Wyndham where it was exported to a Korean-owned food manufacturing plant in Surabaya, Indonesia. Fruit and vegetables are sold to domestic markets and are trucked to all capital cities. The ORIA provides one of the largest commercial Indian Sandalwood plantations in the world. In connection with this project, a power station was constructed from 1995 to 1996 pursuant to the Ord River Hydro Energy Project Agreement Act 1994. It provides for a privately funded, owned and operated power system in the East Kimberley region of Western Australia. The 1957 agreement was later replaced by the Northern
Developments Pty. Limited Agreement Act 1969. However, the projected population of half a million in the northern region was never to eventuate.

Agricultural development was also further expanded in the southern most part of the State through a state agreement made during this period. In 1949 the Department of Agriculture had set up a research station in the Esperance District to demonstrate the area’s potential for grazing with emphasis on the removal of as much as possible of the original vegetation by burning before ploughing and dressing with superphosphate (Bolton, 2008). By 1956 the Esperance district was deemed ready for subdivision into farms (Bolton, 2008). However, there was a recognition that development would require large amounts of capital. Following advertising overseas for investors, an agreement was reached with the American Chase Syndicate for the purchase and settlement of 1,500,000 acres of land east and west of Esperance by a subsidiary company, Esperance Plains (Australia) Pty Ltd. Under the scheme 650 farms were to be established at a cost of £10-12 million. However, after a major failure in the 1957 season, the syndicate returned 50,000 acres of land to the government in 1958, a further 60,000 in January 1959 and sold another 60,000 undeveloped to other investors (Layman, 1982). There was criticism that the huge grant to the American company prevented experienced Australian farmers from obtaining land and farming the area successfully (Layman 1982). However, the American company transferred its obligations to an Australian company leading to the Esperance Lands Agreement Act 1960 (which replaced an earlier 1956 agreement made with the American company). The Esperance Land and Development Company contracted to partly develop and sell, large tracts of land in the district. The farmed land consisted of eleven stations, which were to provide the impetus for a proliferation of farms that were to become established in the area in following years.

By 1965, largely due to impetus of this initial agreement, Esperance was supporting 436 farms totalling nearly 700,000 hectares carrying half a million sheep and a significant number of cattle. In the space of two decades, a major agricultural region emerged. Despite early difficulties the project eventually became a success and large areas of lands were cleared during this time.
Agriculture is still the leading industry, with the economic base now including tourism, fishing and other industries.

3.3.5 Construction, manufacturing and processing

Other state agreements entered into during the period from 1952 to 1961 include the Paper Mill Agreement Act 1960, and the Chevron-Hilton Hotel Agreement Act 1960, each of which further demonstrate the state’s intentions to attract investment into Western Australia. The Paper Mill Agreement Act 1960 was entered into with Australian Paper Manufacturers Limited, a company incorporated in New South Wales carrying on manufacturing operations in several Australian states. The recitals expressed the state’s desire to ‘encourage and expedite the early expansion of the industry’ in Western Australia and noted that the state had ‘indicated to the Company its readiness to provide financial and other assistance in the furtherance of this objective’. The recitals to the agreement further provided that ‘[b]efore the Company incurs the expense and risk involved in establishment of the industry it is necessary for it to be assured as hereinafter provided that certain rights powers and facilities incidental to the establishment and carrying on of the industry will be reasonably assured to it’. The agreement provided, amongst other things, that the state would lend the company an amount not to exceed two-thirds of the cost of the mill and make certain guarantees regarding supplies of water and electricity, and zoning permission.

Further, in line with the optimistic view for development potential of Perth, the Chevron-Hilton Hotel Agreement Act 1960, reflected the government’s aim of attracting foreign and interstate investors by granting concessions to ensure the completion of an international standard hotel in time for the 1962 ‘Empire Games’. During the debate on the Bill in Parliament, the government was accused by the opposition of being too willing to allow the company to dictate the terms of the agreement – for example, the company had indicated it would only proceed with the project if it was granted a very specific area of land (PDWA, 1960, p. 663).

In 1956 the State government and Laporte Australia Ltd, a subsidiary of the British firm Laporte Industries Ltd, had begun negotiations to establish a titanium
dioxide plant in Western Australia (Bailey and Saunders, 1987). The state agreed in 1956 to accept full responsibility for the disposal of liquid wastes should Laporte establish at Bunbury. Negotiations lapsed in 1957 when the Australian market was considered inadequate to support the proposed development. Negotiations were re-opened in 1960 leading to the agreement Act of 1961. Under the Laporte Industrial Factory Agreement Act of 1961 the Company was to construct and establish a factory by 1965 capable of producing 10,000 tonnes per annum (tpa) of titanium dioxide. The plant was to be sited south of Perth near Bunbury. The state agreed to supply the company with up to 2,000,000 gallons (9,000 kL) of water per day to be obtained from bores. The state also assumed total responsibility for the disposal of all effluent including cooling water from the company's works and the company was only required to pay the state less than a third of the total cost incurred. This agreement demonstrates the lengths to which the state was prepared to make continuing concessions to secure capital from any source.

The term of the Laporte Industrial Factory Agreement Act of 1961 was originally for 50 years, however, this agreement was terminated in 1986 by the Pigment Factory (Australind) Agreement Act 1986. In consideration of the Company agreeing to cancel the 1961 Agreement Act and releasing the State's obligation to fund waste disposal, the State would paid the company $8,500,000 (Bailey and Saunders, 1987). This later agreement expired in 2011.

However, notwithstanding the modest success of stimulating new industry in the early to mid 1950s, by 1957 unemployment had again become a major concern in Western Australia, and attracting further industrial capital seemed to be elusive (Bolton, 2008). In 1958, the government embarked on a trade mission, a four month long promotional tour of the United Kingdom, the United States and Canada which failed to attract the much needed foreign capital. During this mission, inconsistencies in the government's policies were highlighted, in particular concern was expressed regarding Western Australia’s unfair trading legislation (Layman, 1982). According to Layman (1982), the government’s unfair trading legislation - the Unfair Trading and Profit Control Act of 1956 which was introduced by the then incumbent Labor government as an endeavour
to curb what was seen as the threat of large-scale private capital – not only alarmed overseas capital but also provided a focus for the mobilisation of the ‘local bourgeoisie in an ‘anti-socialist’ crusade. The Liberal Party, reorganised with new Parliamentary leadership of Mr. David Brand and Mr. Charles Court, were fully committed to seeking more major overseas investment for economic growth, as demonstrated in their policy statement – ‘The Development of Western Australia by Private Enterprise’: A Blue-Print for the LCL (Liberal and Country League State Council Minutes, 24 February 1958).

3.3.6 Mineral exploration

With continuing difficulties to attract capital to boost industrialisation prospects, attention became increasingly focused on the exploration of mineral deposits. The bauxite resource in the Darling escarpment south of Perth was one of the initial prospects explored, followed by the mineral sands deposits south of Bunbury (Flynn, 1979). Bauxite discoveries led to the Alumina Refinery Agreement Act 1961, following extensive negotiations with potential American and Japanese investors and purchasers (Blainey, 1967). During the Parliamentary debate, the Labour Party, criticising the terms of the agreement, complained that far more jobs should have been generated by the bauxite and that higher royalties should have been charged for each tonne of bauxite mined (Bolton, 2008). The first of the iron ore agreements, and the only one to be in the southern part of the State, was also entered into in 1961 – the Iron Ore (Scott River Agreement) Act 1961.

In summary, by 1961 there had been 11 major state agreements in total. Six located in the Perth – Kwinana metropolitan region, two in the Kimberley (Ord River) region, two in the South-West region, and one in the Goldfields-Esperance region, as set out in Table 3. 2. The key obligations of the state and capital in Case Study 1: Oil Refinery (Kwinana) Agreement Act 1952, are summarised in Table 3.3.
Table 3. 2: State agreements 1952 to 1961

<table>
<thead>
<tr>
<th>Year</th>
<th>Region</th>
<th>Sector</th>
<th>Title</th>
<th>Party</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1952</td>
<td>Perth Metro</td>
<td>Oil</td>
<td>Oil Refinery (Kwinana) Agreement Act</td>
<td>Lib</td>
<td>Current</td>
</tr>
<tr>
<td>1957</td>
<td>Kimberley</td>
<td>Agriculture</td>
<td>Northern Developments Pty Ltd. Agreement Act</td>
<td>Lab</td>
<td>Repealed 2003</td>
</tr>
<tr>
<td>1960</td>
<td>Kimberley</td>
<td>Agriculture</td>
<td>Northern Developments (Ord River) Pty Ltd. Agreement Act</td>
<td>Lib</td>
<td>Repealed 2003</td>
</tr>
<tr>
<td>1960</td>
<td>Goldfields-</td>
<td>Agriculture</td>
<td>Esperance Lands Agreement Act</td>
<td>Lib</td>
<td>Repealed 2003</td>
</tr>
<tr>
<td>1960</td>
<td>Perth Metro</td>
<td>Forest Products</td>
<td>Paper Mill Agreement Act</td>
<td>Lib</td>
<td>Current</td>
</tr>
<tr>
<td>1960</td>
<td>Perth Metro</td>
<td>Construction</td>
<td>Chevron-Hilton Hotel Agreement Act</td>
<td>Lib</td>
<td>Current</td>
</tr>
<tr>
<td>1960</td>
<td>Perth Metro</td>
<td>Iron Ore &amp; Steel</td>
<td>Broken Hill Proprietary Company's Integrated Steel Works Agreement Act</td>
<td>Lib</td>
<td>Current</td>
</tr>
<tr>
<td>1961</td>
<td>Perth Metro</td>
<td>Alumina</td>
<td>Alumina Refinery Agreement Act</td>
<td>Lib</td>
<td>Current</td>
</tr>
<tr>
<td>1961</td>
<td>South West</td>
<td>Iron Ore &amp; Steel</td>
<td>Iron Ore (Scott River) Agreement Act</td>
<td>Lib</td>
<td>Repealed 1991</td>
</tr>
<tr>
<td>1961</td>
<td>South West</td>
<td>Chemical</td>
<td>Laporte Industrial Factory Agreement Act</td>
<td>Lib</td>
<td>Repealed 1986</td>
</tr>
</tbody>
</table>

Source: Compiled by author from Parliamentary Counsel’s Office (2018) data

3.4 The contribution of state agreements (1952 to 1961) to the economic development of Western Australia

While formally eschewing functionalism, the regulation approach nevertheless permits a kind of ‘a posterior functionalism’, specifying as it does through historical analysis the roles of specific institutional forms, codes and conventions in sustaining different patterns of economic growth (Peck, 2000). Institutional forms are themselves the (under-determined) outcomes of social struggles and political interventions, replete with unintended consequences and rule changing behavioural adjustments, the full implications and effects of which can only be assessed ex post. Because these fortuitous regulatory fixes are, ultimately, ‘chance discoveries made in the course of human struggles’ (Lipietz, 1987, p.15), the process by which MSRs are formed is reducible neither to functionalist responses to the ‘needs of capital’, nor to conscious action on the part of state technocrats (Peck, 2000).

To understand how state agreements played a role in the broader ensemble of state activity prevalent during this period, it is perhaps useful to further breakdown specific forms of state intervention associated with the MSR typically accompanying Keynesian governance. For heuristic purposes, it is possible to
identify seven broad types of government intervention which had a strong influence on the Australian economy after 1950 that, while also reflecting key characteristics of the stylised Fordist regime, would serve to create a distinctive economic geography for each of its States and regions (Fagan and Webber, 1994). The extent to which provisions of state agreements entered into by the Western Australian aligned with such forms of state intervention is discussed below:

i. Direct and indirect state expenditures (by the Commonwealth and State governments) for example, building infrastructure and stimulating housing development, that helped ensure a demand for manufactured goods.

Under each of the state agreements entered into between 1952 to 1961, the Western Australian state government committed direct expenditure for the provision of infrastructure and/or housing developments. For example, in the Oil Refinery (Kwinana) Agreement Act 1952, the Western Australian government committed to provide both social and industrial infrastructure including housing and community facilities for the workforce together with railways, harbour works, roads, and water supply (see, for example, subclauses 4(e), (f), (g), (h), (i), (k), (m), (n), (o), (p), and (q)). In the Broken Hill Proprietary Steel Industry Act 1952, the state guaranteed to supply BHP with electricity, water, a rail link, roads and as much workers housing as possible (see, for example, subclauses 4(a), (b), (c), (d), (e), and (n)). In this respect, the activities of the state under state agreements was consistent with the broader public spending being made pursuant to Keynesian macroeconomic policy. Although the immediate beneficiaries were the companies contracting with government, the expenditure was also intended to benefit the anticipated growing population and attract further residents/employees to the area, in addition to providing employment and housing to those directly involved in the works.

ii. Direct participation in production (common in the United Kingdom and Western Europe but not in Australia).

A key feature of the state agreements entered into the 1950s which differed from the Western Australian industrial strategy in the 1940s, was the absence of direct public ownership. The three key industries set up with significant investment and
direct ownership by the government in the 1940s had failed. The Lake Chandler alunite industry had been abandoned in 1949 because of continuing heavy financial losses (Layman, 1982, p.254). By 1958 the capital cost of the Wundowie charcoal iron works had reached £1,500,000 and it had accumulated losses of approximately £600,000 although for the first time the industry made small profits in 1957 and 1958 (PDWA, 1958, p.587).

By the end of the 1950s, the failing manufacturer of tractors and agricultural implements, Chamberlain Industries, owed the government approximately £3,000,000, although it has also made a small profit for the first time in 1958 (PDWA, 1959, p.2606), the government had contributed £2,330,932 (PDWA, 1958, p.1889). Conversely, the state agreements of the 1950s were very much aimed at attracting private capital to directly own and operate the subject industries, with the government role limited to more indirect participation through assistance with capital works and provision of infrastructure and utilities. In 1959, when the Liberal Party was elected back into government, the legacies of state trading concerns (sawmills, brickworks, meatworks, hotels) were sold to private enterprise (Bolton, 2008). Accordingly, the Western Australian form of state intervention in this aspect differed from the ‘stylised history’ of direct participation mirrored, to varying extents, in other regions.

iii. Tariff protection of domestic industries (the centrepiece of Australian government policy to develop manufacturing after 1950).

The national tariff policy clearly advantaged those states with a manufacturing base. A key aim or ‘hope’ of the state agreements was to allow Western Australia to ‘catch up’ with the eastern States to establish a manufacturing sector. For example, a key government negotiator wrote of the Kwinana oil refinery’s establishment ‘The great thing is that it will be a major step forward industrially for Western Australia and, if we can add to it the commencement of a steel industry, the State will begin to lose its inferiority complex, which will be a good thing’ (Dumas, 1952c). However, although the State lacked industries to directly benefit from the imposition of tariffs, it was to benefit indirectly through the allocation of federal funds derived from the national tariff policy.
Since federation, the Commonwealth government had made payments of various
descriptions to the States. Prior to World War II, these payments were mostly of a
marginal character confined to special grants to assist financially weaker states
and to certain specific purpose grants such as roads or debt charges
(Commonwealth Government, 1975/76). From 1942, the Commonwealth
government assumed sole power to impose taxes on income (Burton et al., 2002).
By the fiscal year 1948/49, the Commonwealth was collecting 88 per cent of all
taxes levied in Australia compared to 8 per cent by the States and 4 per cent by
local governments (Burton et al., 2002). In terms of state agreement projects, the
State government was to receive funds from the Commonwealth for the railway
built pursuant to the Broken Hill Proprietary Company’s Integrated Steel Works
Agreement Act 1960 and the Ord River irrigation project pursuant to the Northern
Developments (Ord River) Pty Ltd. Agreement Act 1960. Therefore, indirectly,
state agreements provided a vehicle for Western Australia to benefit from the
Commonwealth adherence to this aspect of Keynesian governance, although not
directly engaged in imposing tariffs per se.

iv. Increasing economic regulation and subsidies (for example, the Australian
federal government’s regulation of the currency, banking and financial
systems, trade, capital inflow and outflow, taxation regimes, and both wages
and work practices in key manufacturing sectors).

Western Australia was subordinate to the federal government with respect to
access to economic regulation and subsidies and, accordingly, capital inflow and
outflows. With its isolation and need for a broader industrial base, it was
particularly dependent on financial assistance from the federal government. This
was not only because of the uniform taxation legislation but also due to the
Commonwealth’s domination of the Loan Council, which resulted in restrictions
on direct State borrowing from other sources. State agreements provided an
opportunity for Western Australia to attract capital directly from the private
sector, both domestic and foreign, to assist it in establishing a manufacturing
base, and reduce its reliance on ad hoc federal assistance.

In the Esperance Lands Agreement Act 1960, for example, there was an express
provision that the state was under no obligation to provide finance to the
company (clause 14). However in some cases, particularly where foreign capital was not involved, finance was provided by the state such as in the *Paper Mill Agreement Act 1960*, where the Western Australian state government agreed to finance up to two thirds of the cost of the mill to the New South Wales company. Further, by providing housing, infrastructure and land to prospective capital, arguably, the state was providing indirect subsidies to particular industries that it sought to attract and support.

With respect to work practices, state agreements also provided exemption from other potentially onerous obligations under the general legislation, which in some cases could indirectly constitute a form of subsidy. In the *Cement Works (Cockburn Cement Limited) Agreement Act*, for example, there is a provision (clause 7(3)) which expressly excludes the company from the obligation to comply with the labour conditions that otherwise would have been imposed by the mining legislation applicable at that time (the *Mining Act 1904*). The company was also permitted to dredge Cockburn Sound for mineral sands at no cost.

v. *Public investment in infrastructure (especially by State governments which made costly investments in, for example, energy systems and other public utilities, roads and railways, and constructed factory buildings to encourage the development of manufacturing in particular locations).*

A key feature of the state agreements during this period, was the guarantee or provision by the state of water, electricity, roads, and other services and infrastructure. See for example, provisions in the *Oil Refinery (Kwinana) Agreement Act 1952* and the *Broken Hill Proprietary Steel Industry Act 1952* referred to in the discussion on direct expenditure under paragraph i. above. In the Parliamentary debates on the agreements, it was clear that there was some concern expressed that the expenditure on infrastructure and services for the state agreement projects diverted expenditure away from other public works throughout the State. For example, in the debate on the Cockburn Cement project, defending the government’s expenditure the key negotiator claimed that ‘if necessary irrigation, harbours, town water supplies, and other works be deferred’ (Dumas, 1952b). In the case of the expenditure connected with the Kwinana
developments in particular, it was envisioned that the investment was warranted to attract further capital and labour. Kwinana was envisioned as a town to service not only the oil refinery, but other industries the government was anticipating would follow.

vi. Development of the labour force (an essential element to the success of the long boom), involved regulation of the labour market through industrial relations laws, providing education and technical training, assisting with the housing of industrial workers, and developing immigration programs to deal with labour shortages.

The provision of housing and labour resources were key features of the *Oil Refinery (Kwinana) Agreement Act 1952*. For example, clause 4(l) provided that the State would ‘make or support representations to the Commonwealth Government with a view to obtaining special quotas of migrant labour for the rapid construction of the refinery’. clause 4(n) set out the state’s obligation to acquire the necessary land and arrange for the building of at least 333 houses in the proximity of the site for employees of the refinery, which was to become a total of 1000 dwellings. There were also obligations for the state to make housing available in provisions under the *Northern Developments Pty Limited Agreement Act 1957* (clause 10(9)) and the *Paper Mill Agreement Act 1960* (clause 17).

Traditionally, the labour movement in Western Australia was based predominantly on the transport and service industries required to work on behalf of a rural economy (Bolton 1981). While the trade unions resorted occasionally to industrial action to push their specific claims, they were dominated by a parliamentary party that shared the same development goals as its opponent (Dufty, 1979). It was only in the 1950s with the greater growth of industrialisation that a Trades Labour Council came into existence and, according to Bolton (1981), the rift between capital and labour began. It seems that state agreements were to occupy an interesting position with regard to control of labour relations. For example, in negotiations for the *Oil Refinery (Kwinana) Agreement Act 1952*, it is alleged that traditional waterfront labour – notably the dockers – were excluded and replaced by the Australian Workers Union pursuant to an oral
agreement between the Anglo-Iranian company and state leadership of industrial labour (Layman, 1982). Militant labour would not be allowed to hold back growth and the company was said to have been assured by the government that the Kwinana development would not be hampered by industrial disputes (Layman, 1982).

vii. Urban, regional and environmental policies, adopted by most State governments during the long boom, designed to alter the location of industry, commonly to stimulate regional development; sometimes coupled with policies to restrict the growth of new industry in the most congested areas of the largest cities, or to stimulate decentralisation to non-metropolitan centres.

The state agreements entered into in the 1950s primarily reflect the state’s policies to promote industrialisation and development in metropolitan areas. However, the agreements in the Kimberley (Ord River) region (Northern Developments Pty Ltd. Agreement Act 1957 and the Northern Developments (Ord River) Pty Ltd. Agreement Act 1960) and Esperance (Esperance Lands Agreement Act 1960) also demonstrate the aim to develop other non-metropolitan regions. Even the location of the oil refinery and other industries at the ‘satellite city’ of Kwinana, following the Oil Refinery (Kwinana) Agreement Act 1952, reflected a government concern at the time for ‘planned decentralisation’, away from the city centre (Cumberland City Council, 1953). State agreements effectively enabled the government to participate more directly in determining the location of particular industries, particularly in cases where it negotiated which land parcels to grant to the company, such as the Oil Refinery (Kwinana) Agreement Act 1952. In terms of industrialisation policy, state agreements directly expressed the aim for broader regional and sector development. For example, the Broken Hill Proprietary Steel Industry Agreement 1952 stated, in the first recital, “The State of Western Australia is desirous that an integrated iron and steel industry should be established in the said State and has requested the Company whose principal business is that of iron and steel masters in the Commonwealth of Australia to assist in that objective.”

As the case study of Oil Refinery (Kwinana) Agreement Act 1952 demonstrates, in conjunction with other examples referred to in the discussion above, the use of
state agreements with provisions granting concessions, securing tenure and guaranteeing access to utilities, housing and resources to attract capital may have played an important role in assisting Western Australia in the competition with other Australian States in the accumulation of capital, through attraction of foreign direct investment and other means.

State agreements were also to form part of the MSR during this period through their facilitation of norms or values associated with the ideology or hegemony of ‘development’ (see Loveday, 1977). ‘Hegemonic projects’ which serve to reassert and attempt to re-cohere the interests of the capitalist class in ways which have a chance of winning a degree of popular acceptance within society as a whole, have been identified as a crucial element of any MSR (Peck, 1992). Layman (1982) notes that, in the case of Western Australia, there has been a continuity of certain features in state development policy. From a regulationist perspective, this continuity of features seems to transcend different phases identified in stylised history of core regions. These features include: an active interventionist state both initiating development and ensuring its successful implementation; an agricultural pastoral and mining development mix with manufacturing an ever-elusive prospect; an anti-eastern States, anti-Federal (often populist) polemic which cultivate existing feelings of State loyalty and identity; and an inflated rhetoric which has claimed for Western Australia a ‘greatness’ to match its geographical area (Brueckner, 2014). However, in examining policies more closely, Layman (1982) identifies that there were in fact two distinct approaches that occurred during the 20th century: the first from the 1930s to the early 1950s; and, the second which commenced in the early 1950s through to the 1960’s, reflecting the dynamic nature of MSRs, even within singular modes of production/accumulation, in this case over the span of the Fordist regime.

The first approach dominant from the late 1930s to the early 1950s was a response to the structural shift to manufacturing which marked the Australian economy from the early years of the twentieth century. Industrialisation became the new goal as Western Australia sought to share the benefits the shift was generating in other parts of Australia (Loveday, 1977). This approach was identified with a substantial section of the political elite; within the Australian Labour Party which was the dominant party in Western Australian politics from
the 1920s to 1950s and with key public servants, chiefly in the Department of Industrial Development and the Treasury. It was made up of a number of elements: a belief in the value of industrial development with a commitment to ‘balanced development’ that included maintaining and enhancing the agricultural sector; an emphasis on employment creation as the main good to flow from that industrial development; production geared for the ‘home’ (Western Australian) market; an anti-eastern States and anti-Federal polemic; and, a high level of government involvement in assistance to small private capital but also government ownership or part-ownership of industry. During this period, Layman (1982) claims there was also a wariness to seek out large scale capital and limited expectations about the potential scale of industry.

This strategy was challenged in the 1950s and replaced by another which was in turn a response to broader economic trends: a continued response to the move to industrialisation at the national level but also an accommodation to the post World War II movement of international capital into Australia and increasingly into resource development (Broeckner et al., 2014). It was with the Liberal Party and senior public servants, especially in the Public Works Department (predominantly by RJ Dumas who played a lead role in initiating and negotiating the Oil Refinery (Kwinana) Agreement Act 1952), that this second approach to development became identified. In this second approach, the belief in industrial development as part of balanced development continued, as did the identification of industrial development with resource development, the commitment to a highly interventionist role for the state, and the utilisation of an anti-Eastern States, anti-Federal polemic (Loveday, 1977). What was new was the support for large-scale private (often international) capital and rejection of government involvement at the level of ownership or control. The extent of the incentives proffered by the state to attract this foreign capital, the scale of the infrastructure provided by the state, the gearing of production to the world market, and an extremely imprecise evaluation of the benefits accruing from the development, were additional key changes characterising the transition to this second approach. The state rhetoric now centred on the idea of ‘bigness’ rather than employment per se (Layman, 1982).
From a state-theoretical perspective, the objectives and terms of each of the state agreements entered into in the period between 1952 to 1961, and in particular the first state agreement, the *Oil Refinery (Kwinana) Agreement Act 1952*, reflect many of the activities carried out by the ideal-typical ‘Keynesian Welfare State’ (KWS) identified by Jessop (2002). The key focus of the Western Australian state government was on creating employment, providing housing and infrastructure, and intervening to control the location and pace of development, rather than leaving it all up to the market. However, unlike the KWS of core-industrialised regions, the Western Australian government was particularly focused on attracting large foreign capital to establish new industry, rather than simply increasing demand within a closed economy. Further, it continued to rely on income from agriculture and exports more in line with a ‘staples state’, while also indirectly benefiting from the flow of benefits from a Commonwealth government that was engaged in a ‘purier’ form of Keynesianism, through the use of tariffs for manufacturing goods, for example.

### 3.5 Conclusion

Throughout the first half of the twentieth century Western Australia was the least industrialised of the mainland States, notwithstanding strong resource exports from agriculture and mining. In the 1950s, the wider Australian economy had witnessed a structural shift to manufacturing from the early years of the twentieth century. However, Western Australia, the ‘Cinderella State’\(^2\), was still lagging behind the rest of Australia following World War II and was seeking ways in which to enhance its industrialisation (MacLachlan, 2013; Broomhill, 2001). Industrialisation became a priority goal as the State government sought to share the benefits the shift was generating in other parts of Australia. This new emphasis on economic development and diversification in the post-World War II era was emerging just as a gradual restructuring of the oil refining industry saw a shift of refineries from production-located oil fields to more market-oriented locations. The establishment of the Anglo-Iranian oil refinery in 1951-52 and the associated Kwinana industrial complex, on the basis of large scale capital upon

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\(^2\) The term ‘Cinderella State’ has frequently been applied to Western Australia by academics and politicians, first coined in a 1920 pamphlet which noted the potential of the State, and bemoaned its low status and attention given by the fledgling Commonwealth government, compared with other States (Barclay and Sharland, 1920).
the terms set out in the initial state agreement of 1952, precipitated changes which were to move the State within the aegis of advanced capitalism by 1960.

Modes of accumulation and regulation are separated in regulation theoretical accounts only for heuristic and expository reasons. The regulationists understanding of the ‘fit’ between systems of accumulation and modes of social regulation is invariably a complex one (Peck, 2000). Regulationists do not position institutions over and above the laws of motion of capital, but they do see them playing an important role in normalising and regularising particular patterns of development (Peck, 2000; Jessop, 1992). No set of institutions can be guaranteed, a priori, to generate growth, but through historical analysis it is possible to reconstruct how certain regimes of accumulation/regulation function as an ‘ensemble of regularities [to] secure a general and relatively coherent progression of the accumulation process [allowing] and absorption of, or a temporary delay in the distortions and disequilibria that born out of the accumulation process itself’ (Moulaert, 1996, p.160).

The evolution of state agreements during this period serves to reflect and confirm this observation in that some agreements, such as the original *Oil Refinery (Kwinana) Agreement Act 1952*, worked very well to contribute to accumulation and economic growth, whereas others, such as the *Broken Hill Proprietary Company's Integrated Steel Works Agreement Act 1960*, were only able to deliver for a relatively short period of time and not fully realise the vision embodied in their stated objectives. In each case, the final ratified agreement and commitment by the state was tempered by debates and compromises, particularly with respect to the associated allocation of resources. For example, the state’s commitment to provide the Kwinana oil refinery infrastructure meant that other public works and expenditures in other parts of the State had to be curtailed. It is doubtful that the location of the refinery, environmental impacts, and public welfare costs in other areas would be as easily ‘accepted’ by Western Australian society now as it was in 1952. The discourse promoting the virtues of development as a means to catch up to the eastern States, evidently was more influential in those times, and was critical in establishing widely held norms and values aligned to support
government activity in the belief that all would benefit from greater economic growth.

The concept of ‘mode of regulation’ or MSR is used to characterise the political and economic institutional arrangements within a particular society at a particular time which provide the political, economic and social ‘regulatory framework’ needed to support and sustain economic growth (Jessop, 2006; Broomhill, 2001; Peck and Tickell, 1992). This concept extends well beyond the notion of regulation in the narrow legal sense, and includes social and cultural processes which are important in creating patterns of mass integration and social coherence (Broomhill, 2001). For this reason the terms ‘regularisation’ may more accurately represent the concept of MSR (Jessop, 2006; Peck and Tickell, 1992).

While state agreements entered into in the period from 1952 to 1961 are a form of legal regulation in the narrow sense they also, as demonstrated in this chapter, played a key role in (i) implementing the broader economic governance strategy associated with Keynesian, and (ii) constituting and constructing a discourse of development for the State of Western Australia. Accordingly, they not only directly contributed to the regime of accumulation associated with Fordism, by directly attracting foreign capital and stimulating a significant industrial cluster, but also formed part of the corresponding MSR through influencing social and cultural norms – primarily by encouraging acceptance of an optimistic vision of ‘catching up’ to the eastern States in terms of employment opportunity and economic growth.

From a more spatial geographic perspective, if we were to consider a counterfactual hypothetical where no state agreements were entered into during this period, the commencement and intensity of development in Kwinana, the Kimberley region and the Esperance area likely would not have occurred to a similar extent, or at least would have experienced far more of a delay in growth. However, compared to later periods to be covered in this thesis, the geographical spread of economic development during the period from 1952 to 1961, as reflected in state agreements, was relatively limited.
Table 3.3: Case Study 1 Key obligations of the state and the Anglo-Iranian Oil Company Ltd under the *Oil Refinery (Kwinana) Agreement Act* 1952

<table>
<thead>
<tr>
<th>Company obligations</th>
<th>State obligations/concessions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complete the construction of an oil refinery having a designed capacity of at least 3 million tons of crude oil per annum</td>
<td>Acquire land and sell to the Company for a total price not exceeding £750, an estate in fee simple in an area of land comprising 75 acres for the company to use as a residential area, social centre and recreation ground</td>
</tr>
<tr>
<td>Construct wharves and jetties necessary for carrying on the refinery</td>
<td>Prohibit the use by unauthorised persons the use of the jetties and wharves</td>
</tr>
<tr>
<td>Establish and erect at its own cost and expense all things, buildings and erections on the land to be leased by the State for the purposes of the establishment of a construction camp by the Company as living quarters for employees</td>
<td>Within one month of the commencement date (as notified by the Company) lease to the Company upon terms to be agreed, land within a half mile of the refinery site for the purposes of living quarters for employees</td>
</tr>
<tr>
<td>Notify the State of when it intends to start work on the refinery site</td>
<td>Acquire land for the purposes of company to the extent that it is alienated Crown land</td>
</tr>
<tr>
<td>Notify the State of when it first receives oil into the refinery from a tanker</td>
<td>Provide and supply at cost to the Company electricity at the standard schedule rates of the State Electricity Commission</td>
</tr>
<tr>
<td></td>
<td>Provide at reasonable cost to the Company, water and sanitary services</td>
</tr>
<tr>
<td></td>
<td>Construct and maintain all necessary roads and footpaths in the living quarters</td>
</tr>
<tr>
<td></td>
<td>Construct at an agreed point within the refinery site, a high tension power supply system and thereafter supply electric power</td>
</tr>
<tr>
<td></td>
<td>Supply to the company electric power for its construction</td>
</tr>
<tr>
<td></td>
<td>State to purchase from Commonwealth and then sell to Company the land in free simple comprised within the refinery for the price it acquired the land but not exceeding £80 per acre</td>
</tr>
<tr>
<td></td>
<td>Make or support representations to the Commonwealth Government with a view to obtaining special quotas of migrant labour for the rapid construction and establishment of the refinery</td>
</tr>
<tr>
<td></td>
<td>Dredge the channel in Cockburn Sound</td>
</tr>
<tr>
<td></td>
<td>Arrange for the building of housing within 2 and one half miles from the refinery site</td>
</tr>
<tr>
<td></td>
<td>Provide all roads, sewerage, fencing, water and electricity services necessary for the reasonable occupancy of the houses</td>
</tr>
<tr>
<td></td>
<td>Provide a supply of not exceeding 3 million gallons per day of potable water.</td>
</tr>
<tr>
<td></td>
<td>Construct a railway to the refinery site from the existing railway at Woodman’s point.</td>
</tr>
<tr>
<td></td>
<td>Construct the road diversions leading to the refinery site.</td>
</tr>
<tr>
<td></td>
<td>Not charge the company for vessels using its wharves</td>
</tr>
<tr>
<td></td>
<td>Allow the Company to use its wharves etc to receive goods necessary to operate the refinery</td>
</tr>
<tr>
<td></td>
<td>Facilitate all supplies required by the Company</td>
</tr>
</tbody>
</table>

*Source: Compiled by author from Parliamentary Counsel’s Office (2018) data*
Capital will not come here of its own volition ... We have to go out after it and convince them that we not only have some natural resources that are worth having but that we have the stability and determination to develop and exploit these resources (C.W. Court, Minister for Industrial Development, 1962, p.11).

4.1 Introduction

As discussed in Chapter 3, the successful construction of the oil refinery and related industrial works pursuant to the ‘Kwinana state agreements’ resulted to a profound basic change in the State’s economy. In line with other Australian governments, aspirations for further industrialisation were made a priority. However, by early 1957 unemployment had again become a major concern in Western Australia, and attracting further industrial capital seemed to be elusive (Ellery, 1979). With continuing difficulties to attract industrial capital, the State government’s attention became increasingly focused on the exploration of mineral deposits.

In 1960 the Western Australian government was successful in persuading the Commonwealth government to relax restrictions, existing since 1938, on the export of iron ore. Previous export restrictions by the Commonwealth government were based on known reserves of iron for all Australia estimated at 400 million tons (AIME, 1964). It is perhaps noteworthy that in the first quarter of 2012, Western Australia surpassed its six billionth tonne of iron ore product output, almost all of which came from the Pilbara region (DSD, 2012b). Current estimates are that Western Australia has an estimated 63 billion tonnes of iron ore resources capable of sustaining production for another 76 years (DSD, 2017). However, in 1960 Western Australia’s general legislative framework was not geared to large mining projects with their extensive requirements for the provision of infrastructure and community services in very remote and undeveloped regions (Barnett, 1996). The government recognised then that state agreements ratified by Parliament could provide a useful ‘enabling’ instrument
for facilitating development without the need to modify large amounts of legislation (Barnett, 1996; Pilgrim, 1988).

The resource projects undertaken during this period, through the instrument of state agreements, were all developed by very large companies, mostly joint ventures formed by transnational corporations. The effects of these state agreements were substantial, leading not only to major investments in the development of new mines, ports, railways and other infrastructure but also the establishment of ten new towns: Panawonica, Wickham, Dampier, Tom Price, Paraburdo, Karratha, Newman, South Hedland, Goldsworthy, and Shay Gap (Horsley, 2013).

This chapter sets out an historical overview of the ‘waves of staples’ in Western Australia prior to 1962, the evolution of state agreements from 1962 to 1978, and an analysis of the role of state agreements in regional development during this period, with a particular focus on the interrelationship between the state and 'staples-led' development. The analysis will draw on staples theory and state theory to supplement the regulation theoretical framework, as part of the broader political economic approach of this thesis.

4.2 An overview of staples development in Western Australia prior to 1962

The path of Western Australian regional development appears to align closely with the staples thesis, which theorises the development trajectories of peripheral places dependent on the export of raw materials (Tonts et al., 2013; Hayter and Barnes, 1990; Walker, 2001; Watkins, 1963). A ‘staple’ refers to a raw, or unfinished bulk commodity product which is sold in export markets (Howlett, 2007). In the Western Australian context, staples have primarily consisted of agricultural products, timber products, minerals, and energy.

Although there was some small-scale agricultural development in Western Australia between 1830 and 1900, this was primarily for the purpose of supporting the small local population of the new settlement (Beresford, 2001). The first discernible ‘wave of staples’ of Western Australia can be traced to the initial resource boom that occurred in the late 1880s and 1890s when successive
gold discoveries were made in the Kimberley, Pilbara, Murchison, Yilgarn and Eastern Goldfields regions of the State (Wade, 1987). At that time there were few or no pre-existing communities in these regions and little or no government regulation apart from law enforcement (Head, 1983). Between 1890 and 1900 the State’s population rose from 48,000 to 180,000, an average annual increase exceeding 14 per cent (Webb, 1993). During the same period, the State’s total borrowings for infrastructure, mainly in providing transport and water supply, increased from $32,000 to $1,757,000 – a large debt in those days (Wade, 1987).

The construction of telegraph communications between Perth and the goldfields (1894), the Eastern Goldfields Railway (1894), and the Perth-Kalgoorlie water pipeline (1903) all helped to open up the region (Battye, 1924). The goldfields also gave some stimulus to infant secondary industries in Western Australia. Hutton (1966) estimates that in 1900 perhaps as much as 15 per cent of the metropolitan workforce was employed in secondary industry of one kind or another. The government also used its improved financial position to construct the Fremantle Port, improving connectivity with the world economy (Tonts et al., 2013). Western Australia became even further entrenched as a staples economy with the decision of the government to invest in agriculture as the major export backstop to the resource economy (Argent, 2013; Beresford, 2001). Public investment was channelled into agricultural expansion in marginal rural areas, providing funding through the newly established Agricultural Bank, raising loan money to pay for railways, and assisting immigration to rural farming areas such as the Wheatbelt (Brueckner et al., 2014; Beresford, 2001).

However, the 1930s depression was to cast doubts upon the adequacy of relying too heavily on rural growth built upon agriculture. Had it not been for the goldfields in the 1930s, Western Australia’s economy would have been in a perilous position as many wheat and dairy farmers were bankrupted during this decade (Bolton, 1981). The Great Depression saw a return to boom conditions for gold, as its countercyclical properties fuelled reinvestment and a rapid increase in production (Crowley, 1960) which, according to Tonts et al. (2013), aligns with documented ‘cycloic’ tendencies of staples production (see also Barnes et al., 2001). However, even during this difficult period, both the federal and the State governments attempted to ensure the continued prosperity of
farming through agricultural research and extension services, freight subsidies and taxation concessions (Tonts and Jones, 1997).

Following World War II, the Australian agricultural economy and agricultural industry experienced a period of sustained expansion (Beresford, 2001). Further enhanced by buoyant wheat and wool prices, the state provided an environment which facilitated the primary sector regularly contributing up to 85 per cent of Australian export earnings (Tonts and Jones, 1997). Policies and regulatory mechanisms during the 1940s and the 1950s that supported this expansion included the imposition of tariff barriers, statutory marketing authorities, price-support mechanisms and the partial regulation of the Australian economy (Lawrence, 1987). This approach also came to be entrenched in certain state agreements negotiated in the 1950s, as discussed in Chapter 3, which aimed at expanding agriculture to the north and south of Western Australia such as the Northern Developments Pty Ltd. Agreement Act 1957, the Northern Developments (Ord River) Pty Ltd. Agreement Act 1960, and the Esperance Lands Agreement Act 1960.

Even after formulating an industrial development policy to address the problem of unemployment in the post-depression years, as typified by its entering into the Oil Refinery (Kwinana) Agreement Act 1952, and prior attempts at public enterprise including those established under the Wood Distillation and Charcoal Iron and Steel Industry Act 1943 and the Albany Freezing Works Agreement Act 1945, the State did not abandon its commitment to either agricultural or mining development. Many of the main features of resource development policy in the period prior to World War II were embodied in the Mining Development Act 1904 which was primarily aimed at providing state assistance to facilitate a large number of small scale mining enterprises across the State (Grinlinton, 1988). Much of the assistance and spending went towards encouraging individual prospectors and providing small loans (Layman, 1981).

Although there were preliminary discoveries of various minerals prior to and during the period of the 1940s and 1950s, these were not successfully developed until the second major ‘wave’ of staples development that occurred in the 1960s. The most noteworthy attempt, outside of continuing gold mining operations, prior
to this period was that of asbestos mining and a milling operation at Wittenoom Gorge in the Hamersley Range. Mining activity had begun there in the traditional manner when in 1937 and 1938 when high asbestos prices caused a minor rush of prospectors to the gorges (Blainey, 1963).

In 1943, the Colonial Sugar Refining Company (CSR), one of Australia’s biggest companies took over the operations through its subsidiary Australian Blue Asbestos Ltd. (ABA). However, after a brief experience of wartime mining, the company realised it needed substantial state assistance to become profitable. What was required, according to ABA’s general manager in 1946, was a ‘firm and binding agreement between the Western Australian government, Commonwealth government and ABA Ltd.’ before the venture could proceed (ABA Ltd. letter to Under-Secretary for Mines dated 13 August 1946). Although there was no state agreement entered into for this development, and foreign capital was not sought, ABA obtained substantial assistance from the state which included the building of the town of Wittenoom largely at the state’s expense (Layman, 1981).

In two key aspects this operation could be considered a precursor to the 1960s iron ore developments that occurred under state agreements. First, the building of a company town, albeit in this case mostly at the state’s expense. Second, the rhetoric employed to describe the project: ‘The value of asbestos has been calculated to exceed the value of gold already won in W.A.’, government promotional literature stated in 1947 (Layman, 1981, p.157). Along with BHP’s fledging iron ore operations at Yampi Sound and the discovery of oil at Exmouth Gulf in 1953, each were promoted as holding vast promise to move the State forward and developing the north (Blainey, 1963).

However, it was iron ore that was to provide the way for Western Australia to cease being a ‘claimant State’ in the Australian federation (Brueckner et al, 2014). From the time the State had first emerged as a member of the federation in 1901, there had been certain adjustments made whereby it has received assistance or special grants from the Commonwealth government in order to function as a full member of the federation (Head, 1983). It had long been known that the Pilbara region held promising iron-ore deposits, but it was only after
World War II that improvement of transport technology, and an unprecedented period of sustained industrial growth in North America, Europe, and especially Japan made it possible to explore the prospects for large scale enterprise (Bolton, 2008). Given that the largely undeveloped north-west of the State, including the Pilbara and the Kimberley regions, was half a million square miles resource development, the government now believed, had to be undertaken by large capital because the scale of the development required (Trengrove, 1976). The state’s role as promoter and facilitator became fundamental (Phillimore, 2014; Pick et al., 2008). This involved, first of all, creating the conditions for investment; by negotiating to persuade the Commonwealth to lift an iron ore export embargo (in 1960), by ending the State government ban on the granting of iron ore prospecting leases, and by re-organising at the senior levels of the State public service to ensure a consensus on development policy (Layman, 1981). This was accompanied by an advertising campaign, primarily aimed at overseas capital.

4.3 Evolution of staples-led state agreements from 1962 to 1978

This section describes the context, objectives, and evolution of state agreements in the period from 1962 to 1978 which, amongst other things, saw a dramatic shift in the express terms regarding state and capital responsibilities for infrastructure costs. Although the wave of resource development and associated state agreements during this period are predominantly associated with iron ore development of the Pilbara region, there were also state agreements associated with a short boom in nickel, the mining of bauxite, salt, and mineral sands, in addition to the establishment of operations to process alumina and forest products.

4.3.1 Iron Ore Development

The iron ore resource projects first developed in the 1960s were all undertaken by very large companies, most by joint ventures among transnational corporations (Ellem, 2017). The joint venture parties signed state agreements guaranteeing that, within 3 to 4 years, they would begin to export not less than 1,000,000 tons of iron ore per year and committed themselves to massive expenditures on infrastructure (see Table 4.4)). In return, the government committed to security of
tenure, concessional royalty rates, stamp duty exemptions, reduced land rates, and other concessions (see Table 4.4).

In clearly identifying rights and responsibilities of the government and the developer in relation to the projects, state agreements provided secure, bankable documents that could provide a basis for project planning and financing for the developer. Nearly all the new iron ore ventures of the 1960s and 1970s adopted the ‘project financing’ approach, sometimes called ‘off balance sheet’ or ‘non-recourse’ financing (Spillman, 1993). Essentially, this is a form of structured finance whereby lenders look to the project itself, rather than the members of the consortium, for repayment. These instruments also supported the state to engage in longer term regional development planning based around resource projects.

Mount Goldsworthy Mining Associates were to become the first to mine in the Pilbara and created the blueprint for later operations. In essence, it was a matter of granting access to resources in consideration for money and economic development (Table 4.4). Ownership of Goldsworthy Mining Limited (GML) at the time of entering into the state agreement ratified as the Iron Ore (Mount Goldsworthy) Agreement Act 1962 (later repealed and replaced by the Iron Ore (Mount Goldsworthy) Agreement Act 1964), was Consolidated Gold Fields Ltd (London) - 46.6 per cent; Utah Development Co. (San Francisco) – 33.3 per cent; and Mt Isa Mines Holdings Ltd (MIM) (Brisbane) – 20 per cent (see Figure 4.1). Consolidated Gold Fields began to move into Australia in 1960 as part of diversification project out of its major activity in South Africa (Thompson, 1983). Construction began in 1965 after contracts were signed with Japanese steel mills in December 1964, and the first shipment of iron ore was made in June 1966.
The next significant state agreements to be negotiated were ratified by the Iron Ore (Hamersley Range) Agreement Act 1963, Iron Ore (Robe River) Agreement Act 1964 and Iron Ore (Mount Newman) Agreement Act 1964. Hamersley Iron Pty Ltd. was formed by Cozinc Riotinto of Australia (a subsidiary of Rio Tinto Zinc) and by Kaiser Steel Corporation of California (see Figure 4.2). Hamersley’s initial contract was for 65 million ton of ore over sixteen years, starting at 1.33 million in 1966 and rising to a peak of 5 million tonnes by 1975, at prices ranging between $US7.68 for fines, and $US9.92 for a lump ore on a free-on-board basis (Thompson, 1987). Before the first shipment, Hamersley representatives were in Europe seeking further sales and by 1969 production capacity had risen to 19 million tonnes. The first 100 million tonnes had shipped between 1966 and 1973 (Lipscome, 1979). In 1968, Hamersley gained access to the Paraburdoo deposit, underpinned in November 1969 by a Japanese sales contract for 112 million tonnes of ore (Thompson, 1987).
Cliffs Robe River Iron Associates (CRRIA) was a joint venture owned, operated and controlled by American and Japanese transnational corporations with a minority Australian participation (see Figure 4.3). The project was based on limonitic ore, a lower grade which makes it necessary to either process the ore into higher grade pellets or ship it as lower-grade fines (Thompson, 1983). Initial contracts were signed between CRRIA and the Japanese steel mills in 1970 for 86 million tonnes of high-grade pellets over a twenty-one year period; and 71.8 million tonnes of sinter fines over a fifteen-year period (Thompson, 1983).
The case of Mount Newman Mining Pty Ltd. (MNM) was slightly different from the other three major joint ventures in that it involved two of Australia’s historically powerful and largest companies, CSR and Broken Hill Proprietary Ltd (BHP), which assisted in forming MNM to manage the mining project in 1967, along with Amax Iron Ore Corporation, Mitsui C. Itoh Pty Ltd and Seltrust Iron Ore (British Petroleum), (see Figure 4.4). Mining operations began in January 1969 at Mt. Whaleback, which at the time was to become the largest single, open-pit iron ore mine in the world (Thompson, 1983). By June 1979, 241 million tonnes of iron ore had been shipped to BHP steelworks, Japan, the Pacific Basin and Europe.
Within seven years of commencement, the major iron joint venturers had together invested approximately $1200 million in the Pilbara (Kerr, 1975). Most of this expenditure went on the provision of infrastructure such as railways, roads, wharfs, harbour channels, and townsites (including housing, recreational and other facilities and services). Towns created pursuant to the state agreements included Goldsworthy, Shay Gap, Tom Price, Paraburdoo, Newman, Pannawonica, Dampier and Wickham (Horsley, 2013). Unlike Wittenoom, it was the private sector that funded all the infrastructure costs of the new towns with the state only responsible for recurrent costs of regular public services such as hospitals, schools and police (Pilgrim, 1988). With the exception of the existing regional centre at Port Hedland and the new regional centre at Karratha, the administration of the new townships was different from that elsewhere in the State. To a large degree the normal roles of the State government departments and local authorities were carried out by the developing company. Housing, commercial premises, recreation amenities and other facilities within the township were built on land leased from the state under the terms of the relevant state agreement (Pilgrim, 1988). During this period in the Pilbara, the economic sphere became largely determined primarily by the transnational corporations
which, particularly through the development of ‘company towns’, controlled not only the process of production, but also distribution and consumption to a large extent (Ellem, 2017).

By 1970 over 40 million tons of iron ore was being mined in the north west. By 1975, the United States had decreased its share of the world output of steel production to 16 per cent, from 60 per cent in 1947 (Thompson, 1983). Conversely, by 1976, Japan had increased its share to 56 per cent and in 1980 became the largest steel producing nation in the world (Thompson, 1983). Accordingly, the output of these joint ventures became increasingly exported to Japan, as its industries grew exponentially under its ‘development state’ policies. Indeed, by some accounts, the early development stage was directly attributable to the rapid growth of the Japanese steel industry from 4.8 million tonnes in 1950 to 119.3 million tonnes in 1973. Overall, the Pilbara was producing 6.8 million tonnes in 1967 and five years later this had been increased more than 700 per cent to 50.5 million tonnes per annum (Thompson, 1987).

4.3.2 Nickel, bauxite, salt, and mineral sands development

The optimism of the mining industry in Western Australia in the 1960s and 1970s was reinforced by successful development of mineral reserves in nickel, bauxite, salt, and mineral sands (Head, 1986). In 1966 significant nickel discoveries south of Kalgoorlie led to the development of Kambalda by the Western Mining Corporation, resulting in the Nickel Refinery (Western Mining Corporation Limited) Act 1968, with subsequent discoveries leading to a ‘nickel boom’ that overlapped (very briefly) with the iron ore boom. Shares in the Poseidon Company that discovered further nickel deposits were trading at 80 cents per share in September 1969, and by April 1970 had reached $286 per share (Lipscombe, 1979). In 1971, the Poseidon Nickel Agreement Act 1971 was ratified. Within two years, Poseidon shares had dropped from $286 to $9 per share. By the time Poseidon actually started producing nickel, the price of nickel had fallen and extraction costs were higher than anticipated as the ore was of a lower grade than expected (Ord, 1998). This did not, however, dissuade the government from entering into another agreement related to nickel during this period - the Nickel (Agnew) Agreement Act 1974.
Bauxite-mining and alumina production also grew during this period, after the bauxite deposits in the Darling escarpment were proved commercially viable (Bolton, 2008). The Western Mining Corporation had introduced the world’s biggest aluminium producer, the Aluminium Company of America (Alcoa) to the deposits, which led to the building of refineries at Kwinana and Pinjarra (Bolton, 2008). By late 1978/early 1979, Alcoa was employing 2800 Western Australians, had invested $1000 million, was spending $100 million on goods, and services and $35 million on wages in Western Australia each year, in addition to injecting about $120 million a year into the national estate by way of taxes and royalties (Lipscombe, 1979).

However, the alumina industry in particular seemed to stimulate the debate about whether or not economic growth was worth the associated social and environmental costs, as the expanding industry threatened domestic water supplies with salinity, and seemed to be accelerating the fungus dieback that was killing off jarrah forests (Brueckner, 2014). Premier Charles Court had to use all his political persuasion to obtain the votes needed to have the Alumina Refinery (Worsley) Agreement Act 1973 and the Alumina Refinery (Wagerup) Agreement Act 1978 passed by Parliament. From the perspective of alumina companies, however, Western Australia had become perhaps the world’s most attractive place to invest with its ‘welcoming and largely unquestioned attitude to large-scale foreign investment, and the world’s lowest royalties’ (Lipscombe 1979, p.150). Other state agreements relating to alumina entered into during this period include: the Alumina Refinery Agreement Act 1961, the Alumina Refinery (Pinjarra) Agreement Act 1969, the Alumina Refinery (Mitchell Plateau) Agreement Act 1971 and the Alumina Refinery (Muchea) Agreement Act 1972.

Salt and mineral sands production were also to take off during this period. The first salt agreements were all in the Pilbara, and ratified in the Leslie Solar Salt Industry Agreement Act 1966 and the Dampier Solar Salt Industry Agreement Act 1967. By 2010, 80 per cent of all salt produced in Australia came from Western Australia (DMP, 2010). Of the State’s production, 77 per cent, in turn, originates from Dampier Salt Limited’s operations at Dampier, Port Hedland and Lake MacLeod in the Pilbara. Other salt mining locations that commenced during this period include the Gascoyne (Exmouth Gulf Solar Salt Industry Agreement Act
1969) and Esperance (Lake Lefroy Solar Salt Industry Agreement Act 1969). Heavy minerals like rutile, ilmenite, zircon and monazite are also mined in Western Australian beach locations around the State’s western and south western coastline, formed by alterations to the coastline that occurred approximately 75,000 years ago. Although mining of mineral sands had begun in certain areas in the 1950s, (during which time Australia’s east and west coast producers were accounting for 90 per cent of the world production in ilmenite, for example), in the 1970s production of various mineral sands increased following the discovery of new deposits in the mid-west resulting in the Mineral Sands (Eneabba) Agreement Act 1975 and in the south west resulting in the Mineral Sands (Western Titanium) Agreement Act 1975. The Evaporites (Lake MacLeod) Agreement Act 1967, which related to development of potash and other evaporates, was also entered into in this period.

After twenty years of relative stagnation, the mineral export industries began to have a major impact on the WA economy from the 1960s (Head, 1983). In 1970, the value of mineral products exceeded that of farm products for the first time, and these two sectors had broadly similar values of production in the following decade (Head, 1983). Manufacturing had also increased in the period of the mid-1950s to the late 1960s, and the rough parity between the value of production across each of these three sectors differed significantly from the pattern in larger States and from the national pattern of Australia as a whole (Head, 1983). By 1968, Western Australia was in a position to end its status as a claimant State for Federal government subsidising (Bolton, 2008). The minerals boom of the late 1960s and 1970s, more than the industrial spurt of the 1950s, was seen as the key which finally opened the way to rapid growth in the State's regional economy (Head, 1983). This began to transform its previous ‘Cinderella’ mentality, a common characteristic shared by other peripheral regions (Bolton, 1981).

4.3.3 Typical state agreement provisions and secondary processing
The state agreements legislation during this period from 1962 to 1978 usually contained the following types of provisions (not all of which applied in each case given that the projects were as variable as extractive mining, mineral-processing, and woodchipping, but were certainly typical in each of the iron ore state agreements) (Head, 1983, p. 173):
Tenure over a specific site for the project, and any necessary acquisition of land (either Crown land, or resumption from other uses);

Priority of state agreement provisions over inconsistent elements of existing legislation (for example Mining Act, Land Act, Local Government Act, Forests Act and Public Works Act);

Specification of necessary legislation and public works, and allocation of costs between the state and the company, in such matters as water and power supplies, roads and railways, dredging and port construction, townsite and housing, and maintenance of these items;

Royalty rates and freight rates. Concessional power rates were generally subject to confidential negotiation. In some cases the state agreement contains specific royalty clauses, while in other cases it simply refers to the Mining Act royalty sections. Where a state agreement is silent on the matter of royalties, regulations made under the Mining Act may apply.

The form of plant, its minimum cost and output capacity, and minimum or maximum agreed rates of production over a period of years;

Financial and marketing arrangements, to be acceptable to the state;

Timetable and rates of expenditure for upgrading the plant, or further stages of processing (especially in relation to an envisaged steel industry arising from the iron ore state agreements of the 1960s);

Provisions for maximising the use of ‘local’ subcontracting in the construction phase of the project, that became increasingly stronger over this period compared to the earliest agreements;

Procedures for modification or termination of the state agreement.

A state agreement, ratified by Parliament, generally has both facilitative and regulatory functions, which vary depending upon the project and the intentions of the parties (Hillman, 2006). Although other States, most notably Queensland, have used state agreements on occasion, the Western Australian agreement approach is unique in terms of both quantity (of agreements used) and the scope of objectives contained therein. Even in Queensland, the terms of the state agreements are limited to a few specific issues pertinent to the actual
development of the particular project, unlike the more comprehensive regional development objectives contained in Western Australian state agreements (Forde, 1993). The Western Australian form of agreements are also unique in containing a proposals mechanism which allows the government to be informed on all key aspects and progress of the project, and generally separates the proposed development into two or more ‘phases’ (Grinlinton, 1988). The initial phase in most projects usually relates to the period prior to any construction or production and contains a number of steps leading to implementation (Grinlinton, 1988). For the iron ore projects in the Pilbara, this phase involved negotiating and consultation between the state and capital on location of infrastructure such as town sites, ports, airports, roads, railways, power, water, transportation, and housing in addition to proposed labour/employment, local content, secondary processing, and other services and contributions to community and regional development.

A key aim included in state agreements in the 1960s and 1970s was an integrated iron and steel industry, as evidenced in the recitals to agreements such as the *Iron Ore (Hamersley Range) Agreement Act 1963* – ‘The Company agrees to investigate in due course the feasibility of establishing within the State of Western Australia an integrated iron and steel industry’, in addition to substantive clauses relating to secondary processing obligations. This underlying commitment to secondary industry as a preferred form of development suggests a belief in the soundness of Walt Whitman Rostow’s (1960) stages of growth model. Rostow (1960) argued a universal model of development in which all nations (in this case regions) pass through five phases: the traditional society; the preconditions for ‘take-off’; the ‘take-off’; the drive to maturity; and the age of mass consumption. The plausibility of his argument seemed to be well anchored in historical dynamics, because it fit quite well with the British experience, the basis for many generalisations in economics (Cypher, 2014). Further, the economic history of less-developed regions had not been the subject of much research, so his theory seemed to conform with what many economists knew, or at least believed, to be true at the time (Cypher, 2014). Central to this development theory was the understanding that maturity could only be reached through industrialisation and manufacturing. In the case of Western Australia, the
cyclical downturns experienced by the State economy through reliance on primary industries and staples, added an urgency to progress forward to secondary processing.

When Hamersley Iron and the state first entered into the Hamersley Range state agreement in 1963, there was an expectation by both parties that the Mt. Tom Price project would develop in stages from iron ore export through secondary processing and ultimately to iron and steel production. Specific further processing obligations were therefore written into the state agreement some of which did not become due until 20 years after the agreement commenced. With the amendments to the Hamersley Range agreement which saw the Paraburadoo Iron Ore Mine open up with the Iron Ore (Paraburadoo) Agreement Act 1968 and later with negotiation of the Iron ore (Mt Bruce) Agreement Act in 1972, additional further processing obligations arose, including the production of metallised agglomerates (direct-reduced iron or ‘DRI’).

The Hamersley Range agreement and the Mt Bruce agreement contained a complicated web of cross-referenced obligations some of which could be triggered only by completion of earlier obligations and others which became due on fixed dates. The situation became further complicated over the years by the deferrals of due dates for proposals which were granted to Hamersley in recognition of the dramatic change in world steel consumption patterns which occurred in the 1970s and the far reaching structural re-organisation of the world steel industry.

Some of the iron ore processing obligations that were fulfilled include:

• a pellet plant commissioned at Dampier in 1968 – which operated until 1980 when changes in oil price and blast furnace technology combined to make the production of pellets no longer economic; and

• a concentrator commissioned at Mt Tom Price in 1979 with a capacity of 6.5 million tonnes per year. Such a capacity was in excess of Hamersley's obligation under the agreements and this was recognised in a 1976 amendment to the company's obligations which saw the tonnage of metallised agglomerate
required to be produced under the Paraburdo agreement reduced from three million tonnes per year to two million tonnes per year.

The overall success of secondary processing obligations in various state agreements up until 2004 is set out below in Table 4.1.

**Table 4.1: Success of Processing Obligations**

<table>
<thead>
<tr>
<th>Mineral</th>
<th>Processing Objectives</th>
<th>Benefit Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bauxite</td>
<td>Alumina refinery</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Smelter</td>
<td>No</td>
</tr>
<tr>
<td>Copper</td>
<td>Further processing</td>
<td>Yes</td>
</tr>
<tr>
<td>Diamonds</td>
<td>Sorting facilities</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Further processing</td>
<td>No</td>
</tr>
<tr>
<td>Iron Ore</td>
<td>Further processing</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Steel production</td>
<td>No</td>
</tr>
<tr>
<td>Mineral Sands</td>
<td>Further processing</td>
<td>Yes</td>
</tr>
<tr>
<td>Natural Gas</td>
<td>Petrochemical industry</td>
<td>No</td>
</tr>
<tr>
<td>Nickel</td>
<td>Refinery/smelter</td>
<td>Yes</td>
</tr>
<tr>
<td>Timber products</td>
<td>Pulp mill</td>
<td>No</td>
</tr>
</tbody>
</table>

*Source: Modified from Auditor General (2004)*

Secondary processing obligations generally require the developer to investigate processing and to build facilities where commercially viable. The state has expended considerable effort encouraging the development of these facilities, particularly for iron ore. However, it has not been able to remove ‘impediments’ to their survival. Apart from the fact that mining companies do not necessarily have expertise in the processing of the minerals they extract and export, other impediments to the success of such processing identified by the Industry Commission (1991) include: high transportation costs; high energy costs; taxes, charges and regulations; high assistance to other industries; and restrictive work practices (Hillman, 2006). According to Hillman (2006), BHPB’s Boodarie plant was considered feasible only after the deregulation of the electricity and gas industries (which was successfully established but subsequently closed in 2005) and industrial problems (which plagued the Rio Tinto HIsmelt plant until its closure in 2011), a lack of infrastructure and inefficient rail networks remain significant barriers to the development of further processing industries; all of which indicate that the government’s role is crucial in reducing such impediments and facilitating development of secondary industries (Hillman, 2006).
In summary, Table 4.2 sets out the 44 state agreements entered into from 1962 to 1978 which include: 16 iron ore (Pilbara); 5 salt (Pilbara, Gascoyne, Goldfields-Esperance); 3 nickel (Goldfields-Esperance); 7 alumina (South West, Peel, Kimberley); 2 forest products (South West); 2 mineral sands (Goldfields-Esperance and South West); 2 irrigation (Kimberley); 1 Uranium (Yeerlirrie); and 13 miscellaneous state agreements (non-mining related and not in the Pilbara), for example, industrial lands development (Perth metropolitan area) and woollen mills operations (Albany, Great Southern region). The initial series of iron ore state agreements that established new towns in the Pilbara are set out in Table 4.3. The key obligations of the state and capital in Case Study 2: the Iron Ore (Mount Goldsworthy) Agreement Act 1964, Iron Ore (Hamersley Range) Agreement Act 1963, Iron Ore (Robe River) Agreement Act 1964 and Iron Ore (Mount Newman) Agreement Act 1964 are summarised in Table 4.4.

![Table 4.2: State Agreement Acts from 1962 to 1978](image-url)
Table 4.3: Key state agreements for the development of iron ore resources and associated company towns in the Pilbara region in the 1960s

<table>
<thead>
<tr>
<th>Company</th>
<th>Title</th>
<th>Date</th>
<th>Towns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goldsworthy Mining Ltd., a partnership between two Californian mining companies (Cypres Mines Corporation and Utah Construction and Mining Company) and an Australian subsidiary of the Gold Fields Group of London.</td>
<td>Iron Ore (Mount Goldsworthy) Agreement Act</td>
<td>1962</td>
<td>Shay Gap Goldsworthy</td>
</tr>
<tr>
<td>Hamersley Iron Pty Ltd formed by Consino Riointo of Australia (a subsidiary of Riointo Zinc) and by Kaiser Steel Corporation of California</td>
<td>Iron Ore (Hamersley Range Agreement Act)</td>
<td>1963</td>
<td>Tom Price Paraburdoo Dampier Karratha</td>
</tr>
<tr>
<td>Mount Newman Mining Company Pty Ltd., formed by two of Australia’s historically powerful and largest companies, Broken Hill Proprietary Ltd (BHP) and CSR Ltd.</td>
<td>Iron Ore (Mount Newman) Agreement Act</td>
<td>1964</td>
<td>Newman South Hedland</td>
</tr>
<tr>
<td>Basic Materials Pty Ltd, a joint venture amongst Cleveland-Cliffs Iron Company, Mitsui Iron Ore Development and an Australian company, Robe River Ltd</td>
<td>Iron Ore (Robe River) Agreement Act</td>
<td>1964</td>
<td>Panawonica Wickham</td>
</tr>
</tbody>
</table>

Source: Compiled by author from Parliamentary Counsel’s Office (2018) data

Source: Horsley (2013)
4.4 The contribution of state agreements (1962 to 1978) to economic development

As discussed in Chapter 2, the trajectory of Australia in general, and Western Australia in particular, differed in many respects from the stylised facts of both the extensive and the intensive regimes of accumulation, that had been identified by regulation theorists as occurring successively in the period from the late nineteenth century up until the Fordist crisis of the 1970s. In the Western Australian context, the centrality of staple production, amongst other things, may perhaps account to some extent for some of these differences. However, at least theoretically, staples exports may similarly serve to drive the development process both in terms of intensive and extensive growth (Altman, 2003).

A comparison of Western Australia with the Canadian experience of growth during these two regimes demonstrates that staple production, in itself, cannot account for all differences. For example, after the drop in export earnings from agricultural products following the 1930s depression, the Western Australian government came to focus on building up an industrial base, aimed at mitigating its dependence on staples and securing a more ‘balanced development’ between industry and agriculture. In the 1940s and 1950s, while agriculture continued to play an important role, and new discoveries of minerals led to some modest beginnings of further mining activity, Western Australia did not experience the flourishing of secondary industry based on natural resources that occurred during Canada’s permeable Fordism over the same period (Jensen, 1990).

However, it was not long before the 1960s were to bring the next big wave of staple development in Western Australia which was to occur partly within the intensive Fordist regime of accumulation. However, in terms of infrastructure provision, the provisions of state agreements entered into to develop iron ore deposits of the Pilbara in the early 1960s, commencing with the Iron Ore (Mount Goldsworthy) Agreement Act 1962 (as revised in 1964), seemed to constitute a ‘rolling back’ of the form of direct state intervention evident in the 1950s state agreements, such as the Oil Refinery (Kwinana) Agreement Act 1952. The emphasis in the iron ore state agreements of setting the ground rules within the
context of a public private partnership, and reducing overt state expenditure could, in a sense, be viewed as pre-empting shifts in economic governance that came to be associated with the post-Fordist approach of neoliberalism. However, in examining the discourse underlying the negotiation of state agreements, in addition to the inclusion of express development aims in the recitals, further processing provisions, and activities that the state engaged in outside of its contractual obligations, it appears that the departure from the Fordist practice of state expenditure on infrastructure provision apparent in the terms of the state agreements might be more consistent with a staple theory explanation; rather than an early precursor of a roll-back of overt state expenditure associated with neoliberalism.

The Western Australian government vision of the 1960s was one which foresaw iron ore and gas projects in the Pilbara spawning an integrated iron and steel plant and a major industrial complex in the desert (Western Australian Government (DoDD, 1972). The provision of water, an integrated regional power scheme, the expansion of ports and towns would all spill over into the growth of irrigated agriculture, deep sea fishing and tourism (Court, 1966, pp.310-311). This vision reflects an optimistic version of staple theory, combined with elements of modernisation theory, which anticipates economic growth progressing through a series of stages of development (Harman, 1981). The central premise of this position, is that growth will occur in three stages in which the initial extraction and export of raw materials will ultimately and inevitably lead to a mature, stable and diversified economy (Tonts et al., 2013).

There is also a pessimistic version of the staples thesis that came to be prominent in the new political economy of the 1960s and combined with theories of the dependency school originating in Latin America (Albo and Jensen, 1990). The emphasis in the dependency thesis, which actually is closer to Innis’s original position, is that staples production leads to dependency or a ‘staples trap’. From this perspective, a staples-oriented economy is doomed to be distorted, to be dependent, and to remain so (Tonts et al., 2013; Barnes and Hayter, 2006). In essence, the staples economy becomes locked into a set of uneven relationships where it acts as the periphery/hinterland/region to an external and dominant central/heartland/metropolis. The two economies remain unevenly developed,
with the staple-based region dependent on external sources of capital and technology, vulnerable to the vagaries of an externally located locus of economic and political power (Barnes and Hayter, 2006).

McNally (1981) criticises the methodological foundation of both the optimistic-liberal and the ‘Marxian’ variants of the staple theory, claiming they rely on ‘market abstractionism’. Theories of development or underdevelopment via the market, despite their empirical differences, both accept that it is through the process of exchange, within the sphere of market circulation, that economic development is either fostered or blocked; by identifying capitalism with trade and exchange, these theorists place too much emphasis on commodity circulation and ignore the fundamental social relations of production (McNally, 1981). Regulation theorists are also critical of theories of development that purport to identify and predict fixed stages of growth, and the narrow focus of orthodox economics on production functions, economising behaviour and pure market forces (Jessop, 2006).

However, Innis himself did not intend or utilise staple theory as a theory of economic growth; rather it was an historical thesis or economic interpretation of Canadian history (Barnes and Hayter, 2006). Barnes et al. (2001) contend that Innis was not inclined to theorise in the abstract. His conception of space and time was informed by a particular case – an investigation of staples production in Canada grounded in empirical detail (Barnes et al., 2001). Innis’s contention, based on his ‘dirt research’, is that the peculiar space-time relations produced within staples production can be temporarily controlled by non-economic institutions, permitting stability and prosperity but it never lasts. Sooner or later the space and time relations of staple production rupture, creating economic disruption. This notion of stability interchanged with crises in accumulation is similar to the basic contention of regulation theory about the tendencies of capitalism. However, whereas regulation theory focuses on the MSR and its relationship to accumulation in seeking to explain periods of stability whereby capitalism manages to ‘postpone’ the crisis, staple theory focuses on the process by which staples create new space-time configurations, and the forces by which they dissolve (Barnes and Hayter, 2006). And whereas regulation theory, at least historically, has focused on the shared experiences of core-industrialised nations
at the national scale, Innis was concerned with devising a theory in the margin to explain the margin, and to warn of the cyclonic dependency of a staples region (Barnes et al., 2001).

Each staple product, according to Innis (1972), embodies a complex of geographic, technological institutional factors which uniquely shapes the social organisation of society:

Concentration on the production of staples for export to more highly industrialized areas in Europe and later in the United States had broad implications for the Canadian economic, political and social structure. Each staple in its turn left its stamp, and the shift to new staples invariably produced periods of crises in which adjustments in the old structure were painfully made and a new pattern created in relation to a new staple: (pp. 5-6).

In this sense, it is more than a mere primary product for exchange identified in market abstractionism, as the pattern of economic development is determined uniquely by the character of the specific staple commodity that is being exported to the metropole (McNally, 1981). Further, staple production is different from typical manufacturing activities as changes in geographical factors frequently lead to abandonment and dislocation of particular sites of staple production (Barnes and Hayter, 2006).

For Innis (1946, p. 87), ‘Geography provides the grooves which determine the course and to a large extent of economic life’. This is not geographic determinism however, as the ‘triad’ of geography, technology and an appropriate institutional structure work together to form the basis for a theory of accumulation, that begins with the metropole and its dominant technology in production, communication and transportation (Barnes and Hayter, 2006). Only two institutional forms are capable of raising sufficient funds for the large amounts of capital expenditure required for investing in the infrastructure and plant equipment of staples production in the periphery: the state and large (foreign) corporations (Barnes and Hayter, 2006).

State agreements in Western Australia served a function in bringing these institutions (state and capital) together in a form of public-private partnership, particularly in the case of iron ore development in the Pilbara. During the period
from 1962 to 1978, the iron ore companies, pursuant to obligations under state agreements, provided much of the infrastructure in the Pilbara including railways, ports, airports, power facilities, roads, and towns (including housing, recreational and other social facilities). However, although there were no express contractual obligations on the state to provide infrastructure in the same manner or extent as provisions of the 1950s state agreements, there were nevertheless considerable direct and indirect state contributions to infrastructure during this time that can be identified (Brown, 1981).

The rapid development of iron ore projects led to public works expenditure on construction and maintenance, primarily in water, sewerage and harbour works in the Pilbara region. The state also embarked upon developing a regional development scheme involving the co-ordination of water storage, irrigation and power supplies (Brown, 1981). The creation of a new town Karratha, which was envisioned as the capital of the Pilbara and a service town for a number of mining operations, was an additional contribution of the state, along with extensive sub-divisional developments to the town of Port Hedland (Bolton, 2008). Finally, the main roads programme undertaken by the state in this region was probably the single most expensive project associated with the Pilbara iron ore industry (Brown, 1981).

This state activity is consistent with the role of a ‘staples state’ observed by Innis in the Canadian case. As Tonts et al. (2013) and others have pointed out, Innis observed that the state oriented itself squarely toward the exploitation of the staple, and therefore played a critical role in the peripheralisation process of the relevant staples regions. As governments become increasingly financially dependent on the staple, their support of its further development is cumulative (Gunton, 2003). This support includes: guaranteeing private companies’ access to staples; developing subsidised infrastructure to facilitate ease of export; supplying social infrastructure and housing to sites of extraction/production; and, engaging in a range of labour market programs aimed at supporting resource industries. Governments become increasingly financially tied to a particular form of economic production and, thereby, become unable to move beyond resources dependence (Wellstead, 2007; Altman, 2003; Hayter and Barnes, 2001; Watkins, 1963).
From the scattered comments on the state discernible from the writings of Innis, whose analytical focus was on the pattern of exchange relations, the state acted at the edge of staples extraction (Albo and Jensen, 1990). In his view, the state was limited by the character of the staple, its elasticity of adjustment was measured in relation to the central dynamic of external demand interacting with local technology and geography. On the other hand, Innis's critical pessimism about the role of the Canadian state remained unique for some time. The principal legacy of the staples thesis came from other writers who embraced a more favourable view of the positive state (Albo and Jensen, 1990). The functional promotion of a staples-led economy still explained state actions for them, but attention turned to the institutional and policy structures of the state. W.A. Macintosh (1945) for example, wrote a paper combining the staples thesis with Keynesianism policies, in which the state role was seen as intervening with sound techniques of economic management to smooth market processes and ease the economy along a stable growth path. Innis, on the other hand, was sceptical of the Keynesian view that adjusting aggregate measures through monetary and fiscal policy could resolve real imbalances of industrial and spatial structures (Albo and Jensen, 1990). For Innis, Keynesianism was too specific, too blunt and too optimistic about the intelligence of the state (see Innis 1933, 1935).

The Western Australian government had made it clear when entering into state agreements in the period from 1952 to 1961, that attracting industrial capital and creating employment was a key aim that justified its commitment to public expenditure, as discussed in Chapter 3. In the case of its contribution in the Pilbara, commencing from the early 1960s, the state expressed its optimistic belief that secondary industrial processing was a logical outcome of iron ore mining, as illustrated by the following quotes from the Premier Charles Court:

The maximum degree of local processing must always be our aim ... Sometimes it will be necessary to make considerable concessions to allow the export of the natural material as a first phase towards the development of mineral areas (Court, 1962b, p.11).

Our iron ore will inevitably form the basis for a steel industry in the future and our bauxite/alumina will evolve into the production of aluminium ... Each phase creates a new one.
New businesses – big and small – will spring up in the wake of the big projects (Court, 1978, p.3)

The export earning for the nation of Ashburton/Pilbara by the end of the 1970s ... will come from minerals, salt, wool, fish, meat with others to follow. It will only be a matter of time, after we have adequate power and water, when chemical industries will develop from the large quantities of solar salt that we can economically produce in the region, initially for export. With more water than industry will need, irrigated agriculture will eventually develop ... in the production of high grade fruits and vegetables. Fruit and vegetable processing will follow (Court, 1968, p.11).

Again, this emphasis on secondary processing reflects the priorities and assumptions of Rostow’s (1960) stages of growth model. However, by 1970, there was a growing realisation that getting the secondary processing industries established was not going to be as easy as it had been to establish the primary mining industry; there was to be no automatic progression through development ‘stages’ as had been hoped for:

Whereas a rich flow of iron ore can carry a big infrastructure burden on its back, the fine margins of profit from processing may not so easily carry it (Court, 1970, pp. 6-9).

Following the discovery of a new staple - natural gas off the north-west coast in 1971 - the state was to determined to step up its efforts to facilitate secondary processing, industrialisation, and realise its optimistic vision of staples development for Western Australia. The unique combination of fuel and ferrous minerals in close proximity in the Pilbara formed the basis of a plan by the State government designed to raise the national equity in its natural resources as set out in a document entitled ‘The Pilbara: A Development Concept’ published in 1972 (Western Australian Government (DoDD), 1972). This concept was a plan of state-led development which would require commitment of large sums of public money (raised through loans serviced from royalty payments) seeking to implement the vision of staples development by direct government action which, contrary to initial hopes, was not developing organically through logical stages on its own. Another proactive state initiative had been the establishment of the North West Planning and Co-ordinating Authority (NWPA) in the mid-1960s, which not only provided advice on regulatory matters but was also actively involved in research and planning for the region:
The functions of this Authority are to consider the harnessing of rivers, the most productive uses of land, the potential for power generation from rivers and tides, and the provision of communication and the need for basic research: (Western Australian Government (Public Works Department), 1967, p. 10 cited in Olive, 2007, p. 164).

The NWPA (an inter-departmental committee which functioned as a sub-committee of Cabinet) was to oversee the activities of both the state and private capital. Firstly, with respect to government activity, its chairman disclosed in an interview with Layman (1981) that, “to catch the market the government wished to get development moving .... This then involved the [NWPA] stirring up government departments to move at ten times or more at the rate at which they’d ever moved in their lives before” (Layman, 1981, p. 161). Secondly, with respect to private companies, the NWPA sped up negotiations on their development proposals, for example, with the Hamersley joint venturers, by advising them on the government’s preferred locations for the port, railway and water sources to implement their state agreement obligations. Thirdly, with respect to work jointly funded by the state and companies such as Port Hedland’s port works and water supply schemes, the NWPA facilitated a “good rapport with mining companies” to ensure that such works proceeded without conflict and delay (Layman, 1981, p. 161). Amongst other things, the NWPA provided the iron ore companies with a single authoritative government channel of communication, rather than requiring overseas companies to liaise across a range of government departments.

These more proactive activities of the state in seeking to lead and coordinate development, seem to go beyond the functions described as typical of a ‘staples state’ and, arguably, share features of a ‘developmental state’. The original formulation of the ‘developmental state’ concept had a number of features – principal among which were competent state agencies and carefully calibrated industrial policies (Beeson, 2009). Rather than rely on market forces to determine the optimal allocation of resources, there was a planned development process (Beeson, 2009). Leftwich (1995) notes that the political purposes and institutional structures of developmental states have been developmentally-driven, while their developmental objectives have been politically driven. Fundamentally, political factors have always shaped the thrust and pace of developmental strategies through the structures of the state (Leftwich, 1995).
These factors have included a development ideology and a wish to ‘catch up’ (Leftwich, 1995). These factors – that is, a development ideology and a wish to ‘catch up’ - are clearly discernible in state activities and rhetoric in the Western Australian context in the period from 1962 to 1978.

Notwithstanding some similarity of strategies of the Western Australian government with those of identified ‘development states’, the outcomes were vastly different as, despite achieving some significant spurts of gross State product, the aim of industrialisation was never actually achieved. Though in more recent literature on development states, some scholars have suggested that the role of the state in all regions that have experienced successful development (regardless of economic structure and sectoral base) should be examined to determine the extent of ‘state-led development’ (Chang, 2010). The significant contribution of the Pilbara region to economic growth arising out of state agreement projects and the activity of the NWPA is significant in this regard.

The regulationist study of the problems of securing the conditions for accumulation or managing an unstable equilibrium of compromise, involves examining not only a complex array of instruments and policies but also acknowledgement of the continuing struggle to build consensus and back it with a flow of material concessions and, where necessary, coercion (Jessop and Sum, 2006). This approach to the state invokes Antonio Gramsci (1971), the Italian theorist of the state in its integral sense (that is including both political society and civil society) and his analysis of state power in terms of hegemony armoured by coercion.

By the late 1970s, local opposition groups in Western Australia largely working outside the established party system sought to bring attention to the degree to which other social considerations had been sacrificed in the interests of economic development (Brueckner et al., 2014). The state reacted first by attempting to legitimate its actions through a more detailed elaboration of its ‘development ideology’ by increasing the level of hyperbole in the press and subsequently resorting to repressive measures (Harman, 1981). For example, the protracted and bitter strike by Hamersley workers in the Pilbara in 1979 led to the use of section 54B of the Police Act 1892 to discourage union organisation and the mobilisation
of public support, culminating in arrests and widespread public protest over the loss of civil liberties (Thompson, 1983). Environmentalist opposition to the Wagerup aluminium refinery led to the Government Agreements Act 1979, making it unlawful ($5000 fine or 12 months imprisonment) to hinder or obstruct any activity being carried out to implement state agreement developments or remain on state agreement land after being asked to leave.

Further, the early Pilbara iron ore agreements made no reference to Aboriginal populations or their interests - even though they accounted for more than half the population of the region. The Newman project (developed pursuant to the Iron Ore (Mount Newman) Agreement Act 1964), involved the mining of a sacred site which was destroyed without consultation or compensation to the Jigalong Community. Changes to the Aboriginal Affairs Planning Act 1978 and the Mining Act 1978 left indigenous communities with little protective legislation and their disquiet was increasing. The government forcibly quashed protests, for example, when a proposal by a foreign corporation (Amax) to carry out exploratory work on land significant to indigenous people met with strong protest, the government provided police escort for convoy of drilling equipment over several hundred kilometres to break through the protestors' blockade (Head 1986). Additionally, the state not only financed some of the drilling costs of the company but the site-protection procedures of the Aboriginal Heritage Act 1972 were overruled by the Minister for Cultural Affairs to facilitate this particular development project (Head, 1986).

Although Jessop (2006) points out that there are reductionist dangers in suggesting the state’s essential role is to manage the tensions and contradictions in capitalist regulation; that there are functionalist dangers in claiming that the state must do so for accumulation to proceed; and that there are empirical risks in presupposing the state actually has the capacity to act in these ways, the experience of Western Australia in the period from 1962 to 1978 suggests that state activity to manage tensions, both within and without state agreements, was a significant component of the MSR that contributed to accumulation based on natural resource production.
The substantial investment in the development of iron ore deposits by multinational consortia in the Pilbara required guarantees of protection and support from the state (Brown, 1981). The main reasons given for extensive use of state agreement legislation are: to provide security of tenure for the developer; to facilitate a coordinated approach by numerous government departments and agencies; and to set out the rights and responsibilities of the state and private capital in respect to infrastructure, royalties, and timetable of expenditures (Head, 1986). While the provisions of state agreements, during the period from 1962 to 1978 remained basically consistent regardless of which political party was in power, there were differences in perceptions of the state role in supporting the implementation of these agreements and in furthering regional development, albeit actual expenditure by the state and the underlying development ideology was substantially similar. Both parties shared the notion that a resources boom would produce great benefit for Western Australia and proceed to diversification and industrialisation of the State economy. Accompanying the state activity of entering into agreements with capital was a strong rhetoric:

For Court 'the only real limitation' on north-west development lay in Western Australians' 'capacity to think big enough and bold enough'. What was required was people 'of vision, of faith and confidence in the future'. This was 'the State on the move'; the great development breakthrough, 'the great leap forward' was taking place. It was all, Court said, 'so challenging, so exciting, so vast' (Court 1962 cited in Layman 1982, p.260).

However, by the end of the 1970s, the hoped for industrialisation had not occurred, growth in employment in the resource sector was somewhat offset by a decline in employment in manufacturing (from 18.8 per cent in mid 1966 to 12.5 per cent in mid 1980 (Harman, 1981)), conflict was emerging around social and environmental costs of pursuing growth, and growth itself had begun to stagnate with a softening of iron ore prices and in the aftermath of the oil crisis.

As the 1980s approached, a new resources boom was seen as the panacea for the economy and attention turned toward developing the natural gas deposits found off the north west coast. It was also becoming apparent to the Western Australian government that recession conditions, rises in energy costs, and inflationary pressures, meant that the state was going to have to step up its support to
encourage private capital to invest in resource projects (Brown, 1981). This led, firstly, to the launch of a campaign to persuade the Commonwealth government to lift federal Loan Council restrictions on the ability of State governments to borrow money and, secondly, to a change in policy which saw the next period of state agreements return to a model whereby the government expressly assumed the obligations to fund and provide infrastructure.

According to Brown (1981), this shift in the express obligations of state agreements at the end of the 1970s, not only reveals another dimension of the role played by state agreements in the period from 1962 to 1978, but would also come to generate a more urgent and extreme need to elaborate an ‘ideology of development’ to justify the state’s overt assistance to private capital. Referring to O’Connor’s (1973) work – *The Fiscal Crisis of the State* – he notes that the capitalist state must try to fulfil two basic and mutually contradictory functions: accumulation and legitimisation. Without the accumulation of capital, the system would collapse, therefore the state’s function in facilitating private capital accumulation is essential (Brown, 1981; O’Connor, 1973). At the same time, however, the state needs to legitimate its assistance to one class at the expense of others, especially as the other classes form the basis of its support (Brown 1981; O’Connor, 1973).

According to O’Connor (1973), to overcome this paradoxical situation the state must continue to involve itself in the accumulation process but must either ‘mystify’ or conceal its policies. Brown (1981) observes that the policies of the Western Australian government in assisting the accumulation of private (mostly foreign) capital in the 1960s and 1970s were concealed in two ways: firstly, by drawing up legal contracts (state agreements) wherein the state held no legal responsibility for infrastructure; and, secondly, having created an impression of total company responsibility was able to give extensive assistance in the form of infrastructure through its ‘administrative’ apparatus rather than treat such investment decisions as political issues (Brown, 1981).

Jessop (2006) assumes that since economic activity is both socially embedded and socially regulated, the focus should be on the state’s role in the expanded economic and social reproduction of capitalism or ‘the economy in its inclusive
sense’. This encompasses the accumulation regime plus the mode of regulation. The state has two key roles in this regard: first, helping to secure the conditions for ‘valorisation’ – that is, securing the conditions for the overall profitability of private capital and, second, helping to secure the reproduction of labour power. In regulationist terms, it is plausible to expect different accumulation regimes will be associated in different ways in which the state secures these two basic functions. Attention should also be paid to the scales on which the state formulates and implements policies that support the reproduction-regulation of the capital relation and help secure the conditions for social cohesion in class-divided societies (Jessop, 2006).

Applying this focus to state activity in Western Australia during this period, Thompson (1983) has argued that the principal role of the state in the company towns of the Pilbara, established pursuant to state agreements, was to maintain and perpetuate the cohesion of this social formation by promoting and sanctioning the class domination of those who controlled the means of production over the workers, which it could do by ‘utilising the context of world class-contradictions’ (Jacoby, 1997; Thompson, 1983). In the case of the Pilbara, these included influencing migrant labour intake, warning of Japanese concern with the level of industrial disputation, arresting workers for meeting in a public place, and abolishing unionist preference clauses (Thompson, 1983). In the early 1970s, amidst rising union disputes and costs to state agreement companies, the government perceived that there were advantages to be gained from consolidating growth in regional centres as ‘open’ towns with the State and local authorities seeking to play a more positive role in forward planning (Pilgrim, 1988). This led to the implementation of a policy to abandon the closed town system to achieve ‘similar normal relationships’ as existed in other towns in Western Australia (Pilgrim, 1988).

Likewise, many of the challenges elaborated in staple theory are particularly evident in processes of regional development in Western Australia in the period from 1962 to 1978 (Tonts et al., 2013). At a macro-level, the State has, arguably, tended to avoid the sharp booms and busts often associated with resource dependent economies, largely because of the diverse range of commodities produced (Tonts et al., 2013; Department of Treasury and Finance, 2004). For
example, while heavy reliance was placed on the export earnings of iron ore, in addition to modest success in the development of other minerals in other parts of the State during this period, there was also a continuing commitment to agricultural expansion in the 1960s, with 1,000,000 acres of Crown Land being released and developed for this purpose each year (Layman, 1982). However, at regional and local scales, where diversity is generally less characteristic, volatility and vulnerability were the norm (Tonts, Plummer, and Lawrie, 2012). For example, the entire towns of Wittenoom and Shay Gap, amongst others, were to shut down following cessation of mining operations. In this context, the staples trap is not simply an economic phenomenon, but a cultural one; where a set of norms, principles and accepted wisdoms emerge that help to reproduce high levels of dependence and a narrow economic base (Tonts et al., 2013). This is perhaps most evident during ‘boomtimes’ when public and political discourse focus on the benefits of the production of particular staples, and encourage further cumulative investment and dependence (Tonts et al., 2013).

However, by primarily ascribing the creative role in the historical process to the primary commodity itself, McNally (1981) claims that staple theory systematically ignores the role of social relations of production in shaping and reproducing society. In other words, it shares the failings of classical political economy by taking the position that things dominate people, social activity of human beings takes the form of relations between things (McNally, 1981). There is a strand of literature in staple theory which aims to synthesise the theoretical systems of Marx and Innis (see, for example, Barnes and Hayter, 2006; Barnes et al., 2001). However the concerns of McNally (1981) in this regard, which were expressed at the height of the ‘Marxist turn’ in economic geography, are more than compensated for by combining staple theory with regulation theory, and other state theoretical perspectives, in analysing the particular trajectory of Western Australian development in the period of 1962 to 1978, as this chapter has aimed to demonstrate.

4.5 Conclusion

Initially the aim of the Western Australian government in entering into the first state agreements of the 1950s was to increase employment, as discussed in
Chapter 3, and to a great extent the express state obligations to provide infrastructure in these instruments was consistent with key elements of Keynesian policy at the time. Conversely, the marked shift in division of infrastructure obligations in the state agreements from the 1960s ostensibly suggested a departure from the Keynesian policy of public spending on infrastructure to transfer responsibility to the private sector. However, given the remote location of the iron ore deposits, the transfer of responsibility onto the private sector is more likely explicable as the activity of a staples state, rather than a rational decision to retreat from the Keynesian form of governance. This is reinforced by the level of public expenditure and assistance that occurred outside of the provisions of the state agreements and other policies which were still consistent with being a KWS, using Jessop’s terminology. Additionally, when the optimistic vision of diversification and industrialisation around staples failed to materialise, the state stepped up its proactive intervention and took on some features of a development state, such as the Pilbara Concept and the North West Planning and Co-ordinating Authority. However, by the late 1970s it seemed a crisis in both accumulation and legitimation of the state was looming again. It was to be another staple, natural gas, that the state would turn its attention toward in the hope of pinning down the elusive next level of economic growth. The next major state agreement entered into for the purpose of developing this staple, would mark a return to more significant and overt state assistance in assisting accumulation of private capital, as will be discussed in Chapter 5.
Table 4.4: Case Study 2 Key obligations of the state and the joint venturers under the Iron Ore (Hamersley Range) Agreement Act 1963, Iron Ore (Robe River) Agreement Act 1964, Iron Ore (Mount Newman) Agreement Act 1964, and the Iron Ore (Mount Goldsworthy) Agreement Act 1964

<table>
<thead>
<tr>
<th><strong>Company obligations</strong></th>
<th><strong>State obligations/concessions</strong></th>
</tr>
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<tbody>
<tr>
<td>- To submit a detailed proposal within a limited timeframe with respect to the development of the project including:</td>
<td>- Granting of mining lease areas of greater size than available under the Mining Act</td>
</tr>
<tr>
<td>- Specifications for mining by company</td>
<td>- Granting of mining leases for longer terms than available under the Mining Act (21 years with rights of renewal)</td>
</tr>
<tr>
<td>- Transport and shipment of iron ore mined by the company</td>
<td>- Exemption from having to meet labour and expenditure conditions of lease holdings under the Mining Act</td>
</tr>
<tr>
<td>- Construction of associated infrastructure including: harbour; railways; townsites; housing; water supply; roads; and other necessary works</td>
<td>- Exemption from the requirement to lodge environmental rehabilitation bonds required by the Mining Act</td>
</tr>
<tr>
<td>- To construct within 3 years of the commencement date (date of approval of proposal) at a cost no less than £30 million pounds all things necessary to enable the company to mine, transport and export not less than 1 million tonnes of iron ore (Hamersley and Newman); within 4 years at a cost of no less than £35 million pounds (Robe River);</td>
<td>- Concessional royalty rates</td>
</tr>
<tr>
<td>- To pay royalties to the State</td>
<td>- Granting of land leases at reduced or peppercorn rental</td>
</tr>
<tr>
<td>- To use local labour and materials sourced within the State ‘as far as reasonably and economically practicable’ and to the extent not ‘prejudicial to the interests of the company to do so’</td>
<td>- Assistance with infrastructure provision</td>
</tr>
<tr>
<td>- To investigate the possibility of secondary processing, specifically:</td>
<td>- Stamp duty exemptions during the establishment period of the project</td>
</tr>
<tr>
<td>- the feasibility of establishing an integrated iron and steel industry within the State with a view to submitting proposals within 20 years for an industry capable of producing one million tons of steel per annum (Hamersley and Newman)</td>
<td>- Undertakings that local and state government land zoning powers will not impact on the activities of the company for the duration of the Agreement</td>
</tr>
<tr>
<td>- the feasibility of establishing a plant for secondary processing within the State of iron ore with a view to submitting proposals within 8 years for such a plant for treating not less than 2 million tons of iron ore per annum (Goldsworthy)</td>
<td>- Provision that all land within the lease, excluding accommodation, will be rated at unimproved value for the duration of the Agreement</td>
</tr>
</tbody>
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Source: Compiled by author from Parliamentary Counsel’s Office (2018) data
Chapter 5
STATE AGREEMENTS 1979-1992
AND
‘WESTERN AUSTRALIAN ‘CORPORATISM’

The State government will have the major say in the next wave of development, even it means fighting the federal government to do so (C.W. Court, Western Australian Premier, cited in Warton 1976:26).

...there should be local control and ownership of Western Australia's land and resources ... a Labor Government would 'actively participate with private enterprise to establish a financial institution to be known as the Western Australian Development Corporation, for the purpose of attracting major inflows of capital to Western Australia and developing the Western Australia-based finance market' (WA Inc. Royal Commission Report citing 1982 Australian Labor Party (WA Branch) State Platform, 19 October 1992, p. 7-2).

5.1 Introduction

By the early 1970s, the emerging structural crisis of the Fordist-Keynesian configuration of capitalist development had become apparent leading to changes in the new era of global and political and economic relations (Cumbers and Mackinnon, 2011; Knox et al., 2008; Jessop, 2006). In the context of the international economic crisis and falling profit rates for firms, the priority of the Western Australian government to attract and secure capital investment was strengthened (Brown, 1981). By the mid 1970s, the government felt obliged to contribute infrastructure costs to offset a decline in profit rates which threatened, in the words of the State’s Premier, Charles Court, to ‘prove Marx right’ and which brought average return in the mining sector to a dangerously low 12.6 per cent by 1980 (Harman, 1981).

During this period, when the federal and State governments were increasingly adopting neoliberal shifts in regional policy and planning, and in economic governance more generally (Broomhill, 2001; Fagan and Webber, 1994), the Western Australian government was looking for ways to further assist the infrastructure requirements for industry in the Pilbara, in particular, and to a
lesser extent other sites of natural resource production, such as bauxite mining in the South West (Harman, 1983; Brown, 1981). This position was most significantly expressed in the *North West Gas Development (Woodside) Agreement Act 1979*. The size of initial capital investment by the state in the Woodside project handling this north west gas development was 80 per cent greater than the combined investments of the four major iron ore joint ventures in the Pilbara during the 1960s and 70s (Brown, 1981; Western Australian Government (DRD), 1980).

This chapter sets out an overview of ‘governance’ in Western Australian economic development prior to 1979, traces the evolution of state agreements from 1979 to 1992, and considers the relationship of state agreements to the form of Western Australian post-Fordism/corporatism during this period, primarily through a regulation theoretical approach, with consideration of staple theory and state theory, where relevant and applicable to explain variation(s) from its stylised ‘facts’ based on the experience of core industrialised regions.

5.2 An overview of governance in Western Australian economic development prior to 1979

As discussed in Chapters 2, 3 and 4, for much of the nineteenth and twentieth centuries, Western Australian governments have demonstrated a strong commitment to state intervention in the economic and social development of the State, particularly in rural and regional areas (Beresford, 2001; Glynn, 1975). In the early years, the intervention was primarily a response to the failure of private capital to stimulate economic development, population growth or the provision of essential infrastructure in regional areas (Powell, 1988; Crowley, 1960). The first major infrastructure projects occurred in the goldfields of the 1890’s rush, the most significant being the provision of a water pipeline from Perth to Kalgoorlie (Battye, 1924). In this case, the foreign capital investment was not multi-national in form and seemed to produce far more labour as the population figures reveal: in 1890 the entire population of the ‘State’/colony of Western Australia was 48,500 whereas in 1897, following the goldrush, the population in the goldfields alone reached 48,500 (Webb, 1993).
Taking advantage of the new found wealth and in response to the increased population, the next phase of state-funded intervention was focused on further agricultural development, in particular wheat farming (Tonts and Jones, 1997). This involved, amongst other forms of assistance, the provision of an extensive railway system in the south west of the State, access to water, land settlement policies and assisted migration, a pragmatic form of intervention, given the failures of private capital, all aimed at the promotion of a locally owned industry in the early part of the 20th century up until the World War II (Bolton, 2008).

The next or third ‘phase’ of state provision of infrastructure, (excluding public enterprise experiments from 1911-16 and in the 1940s), was the provision of social and industrial infrastructure in the 1950s to support capital in establishing the Kwinana oil refinery pursuant to the Oil Refinery (Kwinana) Agreement Act 1952, which included housing and community facilities for the workforce together with railways, harbour works, roads and water supply (Horsley, 2013).

Apart from the ebb and flow of the agriculture industry, and the gold rush of the 1890s, the next wave of staples-led infrastructure development, as discussed in Chapter 4, was not until the expansion of the iron ore industry in the Pilbara in the 1960s and 1970s. At this time that private capital itself had finally stepped in to provide all the required infrastructure for development of this resource, allowing the state to retreat back from its interventionist role. However, although the express provisions of state agreements in the 1960s and 1970s appeared to transfer the responsibility to finance infrastructure from the state to private capital, there continued to be considerable state assistance provided in various forms during this period.

Most economists have been content to identify Australia as an advanced capitalist society akin to core industrialised nations of Europe and America (Head, 1986). However, as discussed in Chapters 2, 3, and 4, the particular form of state intervention and patterns of economic development in Australia generally, and Western Australia in particular, differ in significant ways from the stylised facts identified in regulationist accounts of core industrialised nations during the first two regimes of accumulation identified prior to the 1970s. One interpretation of this experience may suggest a form of ‘exceptionalism’, based on the unique set
of policy responses that reflected a local context. And/or, additionally, this experience perhaps also exemplifies the considerable diversity both within and across nations of actually existing ‘capitalisms’; a precursor to the body of work on the ‘varieties of capitalism’ or ‘variegated capitalism’ that was to become the subject of a body of academic work commencing in the 2000s (Argent, 2013; Sheppard, 2011; Peck and Theodore, 2007). At the very least, the contrasting experience of Western Australia suggests the possibility of ‘local’ MSRs nested within broader structures and influences, as Peck and Tickell (1995) identified in examining the local business agenda in Manchester, for example. In any case, the overall pattern of dependence on staple exports (agriculture and mineral products) and reliance on (foreign) capital inflow for major project investment suggests a greater affinity with staple states such as that identified with Canadian economic history. Further, as Argent (2013) notes, differentiated experiences provide an important epistemological provocation to think critically about the taxonomies we develop and apply to the world in order to make better sense of it; “[i]t is all too easy to assume that the strain of capitalist development prevalent in one country is the global norm” (p. 325).

While both Canada and Australia adopted sets of social, economic and spatial policies that aimed to ensure stability and growth in the domestic economy that typified the Keynesian Welfare State associated with the Fordist regime of accumulation, in each case their frameworks have been described variously as ‘permeable Fordism’ or ‘bastard Keynesianism’ (Peck and Tickell, 2002). These versions of Fordism or Keynesianism were ‘different’ but not ‘exceptional’ from the stylised versions identified by regulation theorists in core industrialised nations (Jensen, 1990). The key difference being that they were more ‘permeated’ by the demands of international and core-region capital. In part, this was due to the classic staples core-periphery relationship which is the central element of any staples political economy.

In discussing the Canadian experience, Wellstead (2007) noted that there was a decline in the classic staples political economy during the period of Fordism evidenced in a change of the relationship between the core-periphery relationship whereby the periphery retained and managed to foster industrial growth. While this trend may also be true for Australia as a whole, in Western Australia repeated
attempts to facilitate a local industrial base, to facilitate the conditions for a ‘take-off’ of the economy per Rostow’s (1960) growth model, continued to fail. By the end of the 1970s, it was toward another staple – natural gas – the state was to turn its attention to achieve economic growth and development. A new resources boom was seen as the local economy’s panacea to the onset of another international recession (Harman, 1981).

According to some accounts, such as Robertson (2008), by the late 1960s, Australia as a whole could be said, under government aegis, to have undergone a successful transition to a non-staple economy. The proportion of GDP originating in manufacturing and the distribution of the labour force were similar to those in North America and Western Europe. The trade ratio had fallen and the distribution of exports partners had widened considerably. The United Kingdom, which had absorbed 37.2 per cent of Australian exports in 1947-48 to 1952-53, took only 13.6 per cent from 1965-66 to 1969-70. Over the same period, the share of the USA grew from 9.4 per cent to 13.1 per cent and that of Japan from 4.9 per cent to 21.8 per cent. By the late sixties, the share of the EEC7 was 13.2 per cent. The composition of exports also changed, but the emphasis remained on primary produce. The share of pastoral exports decreased from 60.8 per cent of total exports in 1953-54 to 37.2 per cent in 1967-68, but this was counterbalanced to a degree by an increase in minerals from 6.5 per cent to 23.5 per cent. In 1967-68, primary produce still amounted to just over 80 per cent of all exports while the share of manufacturing had grown rapidly but was still only 16 per cent (Robertson, 2008; Boehm, 1993). However, Western Australia by the late 1960s was riding on the Pilbara iron ore boom and still predominantly a ‘staples state’. This contrasts to economic structural changes throughout the rest of Australia, once again demonstrating the need to understand differences in development processes at multiple scales across varying jurisdictions.

At the international and national level, repeated global recessions in the 1970s destabilised and led to a crisis in the Fordist regime of accumulation (Harvey, 1989). The inability of Keynesian policies to resolve problems led to the adoption of a new political strategy of neoliberalism by many nation states including Australia and Canada. Jessop (2002) argued that the demise of the Keynesian Welfare State led to the emergence of a Schumpeterian Workfare State (or
workfare postnational regime). In the workfare state the primary goal is the development of local competitiveness and ‘redistributive welfare rights take second place to a productivist reordering’ of policy (Jessop, 1994, p.263). Although this has frequently been represented as a shift to a state role more geared to the demands of neoliberal restructuring, he argues that the workfare state could take neoliberal, neo-corporatist or neo-statist forms depending on local circumstances (Broomhill, 2001). Wellstead (2007) builds on Jessop’s acknowledgement that other forms of competition may lead to other forms of state and distinguishes between a Schumpetarian competition state and a Ricardian competitive state; the latter being directly linked to staples production.

The ‘Ricardian’ competition state, which preceded those forms of state associated with both Fordism and post-Fordism, stresses the importance of a comparative advantage, and builds on the work of the British economist, David Ricardo (Wellstead, 2007; Jessop, 2002). Such competitiveness depends on exploiting the most abundant and cheapest factors in the relevant economy and exchanging products embodying such local factors for products from other locations which embody other factors. In a staple economy the abundant factors are predominantly natural resources and/or agricultural products. Ricardian competitiveness depends on a stable level of efficiency in the allocation of resources to minimise production cost with a given division of labour (Wellstead, 2007; Oser and Blanchfield, 1975).

In the case of Canada, Wellstead (2007) observes that the importance of natural resources to Canada’s provinces means that certain local states would continue to take on the Ricardian (mature staple) state form even while attempting to pursue Schumpetarian (post-staples state) competition strategies. This tension between different forms of competition certainly came to be apparent in the experience of Western Australia as a less mature staple economy recognising the need for infrastructure support, while the same time seeking at to uphold the free-market ideals of classical economic theory. For example, one of the key shifts in governance identified with neoliberalism was the subordination of social policy to economic policy (Beer et al., 2005; Jessop, 2002). Until the 1970s, the provisions of state agreements prioritised the needs of capital over policy related to labour
conditions, the environment and indigenous issues. With few exceptions, state agreements exempted mining companies from the standard labour and expenditure covenants that were typically included in mining leases granted under the Mining Act, pursuant to a standard clause such as that set out in the *Iron Ore (Mount Newman) Agreement Act 1964* (clause 10(i)):

10. The parties hereto covenant and agree with each other as follows: ... 

**Labour conditions**

(i) that during the currency of this Agreement and subject to compliance with its obligations hereunder the Company shall not be required to comply with the labour conditions imposed by or under the Mining Act in regard to the mineral lease ...

Until 1968, mining (other than coal mining) had not accounted for more than 5 per cent of labour loss due to strikes in Western Australia (Dufty, 1979). However, in the first six years of mining iron ore from 1966, the Pilbara became home to a particularly active set of unions, as the industry boomed (Ellem, 2017). In 1968 the mining industry was responsible for 30 per cent of time lost due to labour strikes in Western Australia, rising to 71 per cent in 1973 before a slight decrease back down to 67 per cent in 1976; the number of lost days of productivity in 1976 being 26 times the number lost in 1968 (Dufty, 1979). The State government led by Premier Charles Court responded by using the *Police Act 1892* to discourage union meetings. Indeed the state, seemingly in ‘cahoots’ with the multinational companies, actively participated in labelling union activists as ‘troublemakers’, rather than acknowledging any underlying issues in working conditions and management practices (Ellem, 2017). This position was reflected in the express terms of state agreements that exempted companies from complying with labour conditions under the Mining Act.

Further, until the 1970s, the provisions in state agreement acts regarding environmental protection were limited. Many agreements contained provisions amending or replacing environmental provisions that would apply under general law, and established a specific regime for the project in question. The early iron ore agreements contained no provisions regarding the environment whatsoever. However, all state agreements since the mid 1970s have been made subject to the *Environmental Protection Act 1972* (and later the 1985 Act), and several pre-
1972 agreement acts have been amended to make them subject to environment protection legislation. Nevertheless, the role played by state agreements in subduing opposition to development on environmental grounds was reinforced by the passing of the Government Agreements Act 1979 making it unlawful (the penalty being a $5000 fine or 12 months imprisonment) to hinder or obstruct any activity being carried out to implement state agreement developments or remain on state agreement land after being asked to leave.

Finally, although large mining projects are typically located in the remote and sparsely populated areas that are the traditional lands of indigenous communities, the social and cultural impacts of developments on indigenous Australians was historically largely ignored in the regulation and management of mineral resources until the High Court’s recognition of native title in the Mabo case in 1992, and the enactment of the Native Title Act 1993 (Cth). Although prior to this case, in theory, state agreements became subject to the Aboriginal Heritage Act 1972 (WA), the government tended to strongly favour the interests of capital over indigenous populations, as demonstrated most overtly when the site-protection procedures of the Act were overruled to allow drilling at Nookanbah in 1980.

In 1978, Western Australia was key in persuading the Commonwealth government to make changes to the Australian Loan Council borrowing guidelines, which for the previous fifty years had prevented State governments from borrowing overseas capital to fund infrastructure projects connected with private industrial ventures (Bolton, 2008; Brown, 1981). The next state agreement entered into with the oil and gas company Woodside, and other transnational joint venture partners - the North West Gas Development (Woodside) Agreement Act 1979 - represented a major change from the previous series of state agreements enacted in the 1960s and 1970s. The main difference was with respect to express state obligations to fund infrastructure relating to the north west shelf gas project.

This significant increase in obligations of the Western Australian government to provide infrastructure for resource development in the Pilbara in recession conditions did not occur without prior extensive negotiations with the Commonwealth government. In the late 1970s early 1980s, macro-economic issues of inflation, high interest rates, and a decline in the ability of Australians to
be able to afford increasing mortgage payments were of deep concern to the Commonwealth (Thompson, 1983; Fagan and Webber, 1994). The national government took the position that borrowing by the States would add an inflationary burden to a rapidly increasing money supply, a money supply which was already increasing too rapidly due to foreign investment in the resource sector (Thompson, 1983). The north west gas project was to be marked by battles for control between the State and Commonwealth governments, in addition to issues regarding foreign ownership (Harman, 1983).

Under the Australian Constitution, the States exercise sovereignty over minerals and control the conditions governing exploration and production (including the granting of leases, determining royalties and service charges, setting environmental standards, and providing infrastructure and investment incentives). The Commonwealth has extensive, albeit indirect, powers relevant to resource development including those relating to foreign investment, public borrowing, exports, taxation, exchange rates and industry assistance. The first major discoveries of gas in 1971/1972 coincided with the election of the Whitlam Labor government to office. Beyond issues of regulatory control, the differences in party ideology between the federal Whitlam administration and Court government in Western Australia added to conflict over the gas project: Court valued free enterprise, limited government intervention (except paradoxically, or pragmatically, when it came to large resource projects), individualism, reward for effort, and one law for all; Whitlam placed more stress on government participation and regulation, the collective good, equity in distribution, and protection of special interests such as indigenous communities (Harman, 1983, p.4).

Reginald (‘Rex’) Connor, as the Federal Minister for Minerals and Energy, dramatically changed the direction of Australian resource policy promoting federal control, national energy planning, government participation, limited exports and limited foreign ownership; he viewed Australian resources as national assets to be controlled by the Commonwealth and had a particular interest in the energy sectors (Harman, 1983). Connor’s federal policies were a threat to the State’s right over its mineral and gas resources, and renewed doubts about the
division of powers with respect to offshore exploration and development. These types of differences in State and Commonwealth priorities, amongst other things, were to amplify spatial differences in Australian’s transition from Fordism to Post-Fordism or, more accurately, from a strategy predominantly incorporating elements identified with Fordism to a range of locally adapted modifications of elements of governance that emerged ‘post-Fordism’. In particular, in the case of Western Australia, a unique form of coporatism.

5.3 The evolution of state agreements from 1979 to 1992

During the midst of a series of interrelated shifts in economic policy toward a predominantly neoliberal approach by many national and local states in the period from 1979 to 1992, the Western Australian government entered into 22 state agreements. However, it was the North West Gas Development (Woodside) Agreement Act 1979 that was to exemplify the most significant change in the division of infrastructure obligations between the state and the private sector. This state agreement in particular also serves to illustrate the complexity of state/capital relations in a federal system. In 1979 when the development agreement was debated in the Western Australian parliament, the north west shelf gas project was called a ‘momentous development; one of the greatest in the history of the State’ (PDWA 1979, p. 5822). The eagerness to make this kind of large resource project viable perhaps explains the persistent lobbying of the Commonwealth Government by resource-rich outlying States, led by Western Australia, for amendments to the federal Loan Council regulations on public borrowings to allow a special additional category of loan monies for development infrastructure (Head, 1981).

The Loan Council was established by a 1927 Federal-State Financial Agreement which was to control public borrowing by all governments. However, following the mineral boom in the 1960s, the Western Australian government increasingly became of the view that this federal institution was an unacceptable restriction upon the growth of the State. As early as 1964, Court expressed the hope that ways could be found to overcome the Loan Council restrictions:
so that a State such as Western Australia can, in the national interest, effectively and safely have an accelerated rate of growth greater than the national average. We certainly cannot achieve it alone or under the Commonwealth-State financial agreement ... The [W.A.] government has endeavoured to try and anticipate the needs of all phases of development – agriculture, minerals, secondary or tertiary industries. But the present Commonwealth-State financial arrangements – particularly in respect to public works and loan funds – make it impossible for us to achieve the rate of growth that is in the interests of the State and the nation ... (Court, 1964, p.61).

At the time of entering into negotiations for the north west shelf gas project, the Western Australian government was still holding onto the vision of a co-ordinated steel industry and petrochemical complex in the Pilbara (Western Australian Government (DoDD), 1972). The expansion of borrowing guidelines in 1978 allowed the States to make immense claims on loan monies in advance: future commitments totalling nearly $5 billion had been approved by June 1980 of which the Western Australian government was seeking $1 billion (Head, 1981). For the purposes of the project the state commissioned considerable infrastructure including a gas pipeline from Dampier to Perth. The State Electricity Commission (S.E.C) agreed to purchase a high volume of gas, much of which it was planning to make available at concessional rates to the expanding alumina/aluminium industry of the south west (Head, 1981). Special industrial relations agreements (to minimise disputes) were negotiated with the trade unions (Ellem, 2017).

On the side of capital, pre-production planning involved large feasibility studies, immense overseas borrowing by the joint venturers, and the negotiation of long-term sales of liquefied gas to Japanese utilities (Head, 1981). The project was developed by five companies working together in an unincorporated joint venture (Harman, 1983). The major companies, most of which operated through subsidiaries, were Woodside Petroleum Ltd., BP Australia Ltd., California Asiatic Oil Company, Shell Australia and Broken Hill Proprietary Company. Each participant was expected to provide capital for the venture in proportion to their interest. Woodside Petroleum was the major shareholder (50 per cent), with Shell and BHP controlling 19 per cent each including shares in Woodside Petroleum
Ltd. which, as operator of the project, created various subsidiaries to handle different aspects of the operation. Woodside Offshore Petroleum Pty. Ltd. (WOP) was responsible for production onshore and offshore at Burrup Peninsula.

After many years of dispute between the Commonwealth and State governments, agreement on a common code of practice division of powers with respect to offshore exploration and development had been implemented previously in the *Petroleum (Submerged Lands) Act 1967*, which provided for shared authority on granting leases and licences and revenue collection that applied to the north west shelf. However, both levels of government were to pursue their different conceptions for the use of the gas (Harman, 1983). Connor announced his intention to ‘take over’ north west shelf gas and feed it into a national energy grid to rationalise the production and distribution of gas across Australia. The prospect of Canberra control of north west gas for use in a national plan aimed at self-sufficiency (in the wake of the 1973/74 oil shock) cut right across plans for use of the gas in Western Australia intended by the State government, including the industrialisation of the Pilbara (Harman, 1983). The State government was relying on the north west gas development as a ‘glamour mega-project’ to consolidate its power and reinforce its ‘ideology of development’ (Layman, 1981).

In the period from the initial major discoveries of gas in 1971 up until the entering of the *North West Gas Development (Woodside) Agreement Act* in 1979, the State government had to overcome a number of obstacles to gain support for the proposed gas development. However, eventually bipartisan support to ratify the state agreement was obtained and, as with other state agreements, ratification was treated as a formality rather than an opportunity to evaluate the underlying policy. Parliament only has the power to accept or reject a state agreement for ratification, and does not have the power to seek amendments. Accordingly, the Labour party’s concerns regarding terms for assuring returns to the community in the form of jobs and contracts for local manufacturing were not given a hearing (Harman, 1983). The State government proceeded to give its formal endorsement of the state agreement prior to the signing of commercial contracts for sale of the gas, and thus before the Federal government had given its approval of the gas
exports (Head, 1981). There were to be a considerable number of further obstacles and delays before the project finally became operational in 1984. Collectively, the original and later joint venture participants were to invest in onshore and offshore oil and gas facilities totalling more than $29.5 billion.

Karratha was nominated as the dormitory town for the project’s workforce, and negotiations occurred between the State government, the joint venture companies and the Shire of Roebourne to address the impact of what was expected to be a doubling of Karratha’s population from 7000 in 1980 to 14,500 in 1984 (Wade, 1987). The joint venturers wished to limit their assistance to capital works only and did not want to become involved in continuing operation costs, resulting in the State government agreeing to take on a continuing commitment to assist the local Shire (Wade, 1987). Indeed, all state agreements across the State exempted mining companies from payment of local government rates; an issue that was to continue to cause contention (Pick et al., 2008) and is yet to be fully resolved.

The North West Shelf project originally comprised two trains in 1989; a third, fourth and fifth train were developed in 1992, 2004 and 2008, raising total capacity to 16.9 million tonne per annum currently (JTSI, 2018). Japan was Western Australia’s first LNG customer in 1989 and it remains the State’s largest customer. Western Australia became the first region to export LNG to China in 2006. By the end of 2013, a total of 3429 exploration wells had been drilled in Western Australia (1843 onshore, 302 in State waters and 1284 in Commonwealth waters). Petroleum royalties are levied by the State Government on petroleum production that occurs onshore or within coastal waters, and by the Commonwealth on the North West Shelf Project. Generally, there are three systems used for the collection of petroleum royalties:

• wellhead value royalty
• resource rent royalty
• petroleum resource rent tax

Royalties collected for onshore projects are retained by the State Government,
while offshore projects are shared between the State and Commonwealth governments in accordance with the relevant legislation as set out in Figure 5.1. The rate of royalty for the North West Shelf project is set at between 10 and 12.5 per cent of the wellhead value of petroleum produced, and then shared between the Commonwealth (33%) and the State (67%). The Resource Rent Royalty (RRR) under the *Barrow Island Royalty Variation Agreement Act 1985*, is applied only to the economic profit or rent of the project. It is levied at 40% of the net cash flow and is shared between the Commonwealth (75%) and the State (25%).

Total petroleum royalties, including North West Shelf Grants, collected in 2013 amounted to A$1.05 billion. This is approximately 19.3 per cent of all royalties collected in Western Australia (Figure 5.2).

Accounting for more than one third of Australia’s oil and gas production in 2018, the NWS Project continues to be one of the world’s largest LNG producers, supplying oil and gas to international markets. In the twelve months to July 2018, Western Australia exported 38.2 million tonnes of LNG of which:

- Japan accounted for 59 per cent;
- China accounted for 18 per cent;
- South Korea accounted for 9 per cent;
- Singapore accounted for 5 per cent;
- India and Taiwan each accounted for 4 per cent
For over 30 years, the NWS Project has also been Western Australia’s largest producer of domestic gas. A variation agreement was made on 20 November 2014 between the state and the North West Shelf joint venturers that further secured new domestic gas supply for the State, consistent with the Western Australian government’s domestic gas policy. The domestic gas policy was introduced in 2006, the same year LNG exports began to China, and basically builds upon the original state agreement provisions, to ensure the State’s long-term energy needs are met by requiring that LNG export project developers also make gas available to the domestic market. The policy seeks to make gas equivalent to 15 per cent of exports available for WA consumers (JTSI, 2018).

There is little doubt that the *North West Gas Development (Woodside) Agreement Act 1979*, and associated State government commitment to invest in infrastructure pursuant to its terms, played a pivotal role in the successful accumulation of capital generated through this project. The North West Shelf Project’s facilities represent an investment of more than $34 billion to date, producing LNG, natural gas, liquid petroleum gas (LPG), condensate and crude oil. However, both State and Commonwealth governments have come under criticism for not collecting enough revenue from this sector when compared to other LNG exporting countries (Kraal, 2017).

The next major state agreement entered into in the period from 1979 to 1992, was the *Diamond (Argyle Diamond Mines Joint Venture) Agreement Act 1981*. This state agreement, also, was to mark a departure from the previous period in terms of the form of express government support. In 1977, the transnational group Ashton Joint Venture (AJV) had the first significant success in its diamond exploration program when it discovered 31 diamondiferous, kimberlite pipes with a total surface area of 600 hectares, approximately 120 kilometres east of the old cattle town of Derby in the Kimberley region (Thompson, 1983). At that time, 1 per cent of the State’s population resided in the region (mostly pastoralists and indigenous communities) which covers approximately 17 per cent (421,451 square kilometres) of Western Australia. After further exploration and testing in the region, the joint venture announced in September 1979, another kimberlite find near Lake Argyle which significantly overshadowed the previous discovery (Thomson, 1983). Four months later in January 1980 CRA Ltd., the major
shareholder in the venture, reported that the Argyle Diamond discovery was sufficiently rich to influence the world diamond markets (Thompson, 1983). At that time, it was estimated that the market value of diamonds in the Kimberley would amount to between $9 billion to $15 billion, or between $450 million to $750 million per year for the approximate life of mining at full capacity (Thompson, 1983).

The Ashton Joint Venture was initially made up of three major participants (Thompson, 1983, p. 281):

- CRA Exploration Pty. Ltd. 56.8%
- Ashton Mining Ltd. 38.2%
- Northern Mining Corporation Ltd. 05.0%

CRA Exploration Pty. Ltd. was a 100 per cent owned subsidiary of CRA, the largest mining transnational corporation operating throughout Australia, which also controlled Hamersley Iron Pty. Ltd., one of the many subsidiaries of Rio Tinto Zinc (RTZ), amongst an extensive list of other resource entities (Thompson, 1983).

Ashton Mining Ltd. was incorporated in Victoria in 1978 to acquire the Australian diamond and mineral exploration interests of its 50.1 per cent controlling shareholder, the Malaysian Mining Corporation. The Malaysian Mining Corporation was 72 per cent owned by the Malaysian Government and 28 per cent owned by Charter Consolidated. Charter Consolidated was considered to be the European financial house for the Anglo-American Corporation and De Beers Consolidated Mines, each in turn part of the Harry F. Oppenheimer empire which effectively controlled the world’s diamond production and marketing of uncut stones (Thompson, 1983).

Northern Mining NL was incorporated in Victoria in 1969 and also held the interest in the Murchison iron ore project (pursuant to the Iron Ore (Murchison) Agreement Act 1973) amongst other interests including gold mining leases in Western Australia. It was a wholly owned Australian company, which first allied itself with Endeavour Resources Ltd. and Mr. Alan Bond early in 1981 to raise
funds necessary for development of the Argyle diamond deposits, and was then to acquire the company in 1982 after a total takeover bid. Bond had the vision of replacing the $30 million worth of diamonds imported into the Australian market each year with the cutting, polishing and selling of Argyle diamonds (Thompson, 1983). In 1983, the Western Australian government enacted The Northern Mining (Acquisition) Act 1983 which enabled the Treasurer to purchase 100 per cent of the shares in Northern Mining Corporation from the Bond Corporation, including its main asset – the 5 per cent share in the Argyle diamond mine. In return for the government’s equity purchase, the joint venturers were exempted from a commitment to build a town at the project site and required to pay $50 million in advance royalties as compensation for being released from responsibility of building a town (Harman, 1983).

Prior to the signing of the Diamond (Argyle Diamond Mines Joint Venture) Agreement Act in 1981, CRA reported that it had reached an agreement with the indigenous people in the area to mine on their traditional land, although this had not been a requirement imposed by the State government. Court was determined to maintain the strong stance demonstrated at Noonkanbah against ‘interference’ by indigenous groups with the ‘progress’ of development (see discussion in Chapter 4 on Noonkanbah details). The two major indigenous groups in the Argyle project area were the Warmun community at Turkey Creek which is made up of four different tribal groups; and the Mandangala community which had moved a short distance away to the Glen Hill area. The agreement with CRA was actually only made with the Mandangala community, a group of about 34 people (Thompson, 1983).

Kingsley Palmer, an anthropologist working on an Australian Institute of Aboriginal Studies survey in the Kimberley area, reported that ‘CRA reached an agreement with the wrong group of people – or only part of the group’; six indigenous people representing the Mandangala were flown to Perth at CRA’s expense and signed an agreement not to oppose CRA activities on the site in return for CRA spending $286,000 on capital improvements on the Glen Hill station (Thompson, 1983). The Kimberley Land Council accused CRA of using ‘divide and rule tactics’, and brought attention to the fact that the total payment
agreed to be distributed to indigenous communities over 20 years was somewhere between 0.00015 per cent and 0.0002 per cent of anticipated market value of the development project (Thompson, 1983). The Ashton Joint Venture, through the *Diamond (Argyle Diamond Mines Joint Venture) Agreement Act 1981,* would proceed to initiate what was expected to become one of the largest resource developments in Australia in terms of market value and profitability; the dislocation of indigenous populations from their land was a justified cost from the perspective of the state and capital at that time (Howlett et al., 2011; Howitt, 1989).

The first large-scale operation for recovering diamonds in Australia, production in 2000 reached 26.5 million carats (approximately 25 per cent of annual world production), following a peak in 1994 of 42.8 million carats, which was 40 per cent of the diamonds produced worldwide that year (Shigley et al., 2001). From late 2000 it became 100 per cent controlled by Rio Tinto, and by 2001 was the largest diamond producer of diamonds by volume in the world. Although no longer subject to public equity holdings, production is still carried out pursuant to the terms of the *Diamond (Argyle Diamond Mines Joint Venture) Agreement Act 1981,* which remains currently in force.

Following Sir Charles Court’s retirement in 1982, the Labor party came to power in the next election under Premier Brian Burke. The Labor government generally decided to go ahead with all state agreement projects for which negotiations had begun under previous Liberal governments, with the minor exceptions of woodchipping in certain locations in the south west Jarrah forests, and uranium mining that was in any case subject to Federal restrictions on export licences since 1983 (Head, 1986). Labor was to place greater emphasis on maximising local contracts for the construction phase of new projects, including the latter LNG phase of the north west shelf development (Head, 1986). Local content clauses in state agreements were also strengthened from this time.

In an effort to reduce the incidence of strikes and disputes, a more consultative approach to industrial relations was adopted, the police power imposed by the Court government to restrict the right of political assembly (section 54B of the
Police Act 1892 was abolished, and tripartite bodies were established to reduce friction in key industries (Bolton, 2008). An Occupational Health and Safety Commission and an Equal Opportunity Commission were established (Bolton, 2008). An enquiry into native title commissioned by the State government was conducted by Paul Seaman QC who endorsed a strong form of land claim for traditional land owners but, according to Bolton (2008), the majority of Western Australians were not ready for the idea that past dispossession called for compensation. Accordingly, after one ineffectual attempt at an Aboriginal Land Bill, the Burke government was easily scared into inaction by the mining companies (Bolton, 2008). The state’s efforts in improving environmental protection were also somewhat tempered by a reluctance to press policies that would result in job losses among timber-workers and other sectors (Head, 1986).

However, in addition to this suite of social reforms, the Burke government was eager to prove that a Labor government was not hostile to business (O’Brien, 1989). The Pilbara industrialisation vision of previous State governments seemed to be fading away, but an equally bold vision of entrepreneurship was to be adopted by the state in line with a transforming ‘ideology of development’. The enactment of the The Northern Mining (Acquisition) Act 1983 and, in the same year, the Western Australian Development Corporation Act 1983 by the newly elected Labour government in Western Australia, enhanced the powers of the state to operate in the commercial sphere, representing a new phase of public enterprise (Harman, 1983). Previous phases of state ‘entrepreneurship’ had been witnessed in the 1940s and 1950s, with public investment in the Lake Chandler alunite industry, Wundowie iron and steel industry, and the Chamberlain Industries tractor plant, as discussed in Chapter 3, and also earlier in wide-ranging activities pursued by the Scadden Government (1911-16). Around this time in Canada also, there was a rekindling of the use of public corporations being intensively involved in all aspects of resource development, sometimes in partnership with private corporations (Head, 1986). However, according to Harman (1983), the objectives of these new Western Australian public corporations were not part of the ‘old Labor way’ of state ownership, nor was the focus exclusively on developing natural resources, but rather a complex logic that provided the state with a highly commercial vehicle with which to pursue various
entrepreneurial objectives, seemingly a ‘hybridised’ response to the ‘forces’ of global neoliberalism.

This new innovative state approach also seemed to be aimed at increasing the leverage of local equity, rather than chasing after foreign capital. For example, the first purchase by the state through one its first two public corporations (NMC) of Bond Corporation’s 5 per cent stake in the Argyle Diamond Mine was moved out of the corporation into the WA Diamond Trust, of which 80 per cent of the units were subsequently floated to the public (Harman, 1983). NMC subsequently became a limited company and its name was changed to Western Australian Government Holdings Ltd. (WA Holdings), which then established a wholly owned subsidiary EXIM Corporation (EXIM) which, in turn, created further subsidiaries of its own. The Western Australian Development Corporation (WADC), established along side NMC, was a crown agent and a completely separate legal entity from WA Holdings and EXIM. The statutory functions of the WADC reflected the State government’s view that there were gaps in the Western Australian economy, especially in financial services, a need to diversify the economy, and to retain benefits through new opportunities for local ownership (Harman, 1983). To this end this new form of state corporation had a wide range of powers and a vague set of objectives that seemed to allow it to engage in almost any activity.

Apart from managing the WA Diamond Trust and holding equity in an iron ore mine, the WADC initially focused its attention on the commercial management of government assets ranging from a money market operation to the commercial development of state-owned city properties. In at least two of these instances – Perth’s first casino and an extensive tourist complex – the developments occurred pursuant to state agreements – Casino (Burswood Island) Agreement Act 1985 and Tourist Development (Secret Harbour) Agreement Act 1983. Further miscellaneous state agreements entered into during this period relating to commercial development were the Morley Shopping Centre Redevelopment Agreement 1992 Act and the Port Kennedy Development Agreement Act 1992. Each of these differed from the general form of previous state agreements in that
they were less aimed at attracting foreign capital and more concerned with promoting local equity and diversification of the local economy.

For most of the 1980s the Burke government tended to focus its attention on entrepreneurial activity in the Perth metropolitan area. After the deregulation of the national banking sector, electronic transfer could now shift capital quickly and leading banks began eagerly competing for borrowers (Bolton, 2008). Burke had gathered together a ‘new breed’ of Western Australian entrepreneurs including Laurie Connell, Alan Bond and Dallas Dempster, who each showed great dexterity in shifting capital between interlocking companies and involving influential stakeholders, including the State government, in the management of their enterprises (Bolton 2008). The alliance between the Burke government and these businessmen came to be dubbed in the media as ‘WA Inc’, and Bolton (2008) observes that during this period access to government contracts and commercial opportunities seemed easier for some members of the business community than others. Operating through the WADC and EXIM, the State government was able to operate without scrutiny from, or accountability to, either political party or the public service. Very few at the time criticised Burke’s ‘cavalier methods of governance’ (O’Brien, 1989).

Amongst other investments, the government pressured the State Government Insurance Office and the State Superannuation Board into partnerships in city real-estate investments with Bond and Connell, with the government agencies providing most of the capital for no more than half the equity (Bolton, 2008). After the stock market crash in October 1987, the State government, working with Bond who drew a $16 million commission, put together a package to bail out Connell’s companies, compelling several State government instrumentalities and the state-owned Rural and Industries Bank to contribute generously to cover the debts of Connell’s merchant bank Rothwells (Bolton, 2008). Later in 1988, the State government purchased an environmentally controversial project for a petrochemical plant at Kwinana, paying Connell $500 million for his half-share, and his partner Dallas Dempster a mere $50 million; allowing some shareholders to withdraw from Rothwells without excessive loss (Bolton, 2008).
Following Burke’s retirement the next incumbent labour party government had to concentrate on ‘cleaning up’ a financial mess which included amortising a debt of $230 million arising from the failed petrochemical plant in Kwinana, which never came to fruition, through cuts in government spending and special taxes. The WADC and EXIM were abolished and their functions returned to government instrumentalities. As Bolton (2008) notes, both Court and Burke were of the view that Western Australia was still too dependent on mineral and agricultural exports and needed bold government action to diversify economically. Former Premier, Sir Charles Court, too, had contemplated a petrochemical plant as a logical next step to the State’s mining and energy growth. However, both Premiers were to fail at achieving their visions of diversification which they had each approached through very different sets of policies in the areas of economic management and social policy.


Most of these state agreements were extensions of existing staples-led development activity, and did not reflect the change of more entrepreneurial governance engaged in by the Burke government in metropolitan areas. However, they were implemented during a period in which the broader regional development and planning policies of the state, at both Commonwealth and State
levels, reflected a move away from government intervention in the spatial distribution of economic growth and development (O’Neill and Fagan, 2006; Pritchard, 2005). Adopting the political strategy of neoliberalism, Australian governments were no longer willing to invest in large scale development projects or spatial distribution strategies, such as those that had been initiated by the state in the Wheatbelt, Pilbara and Kimberley region in the Fordist period (Beer et al., 2005). Regional development was seen as a costly and inappropriate form of government intervention in the economy; the outcome was an increasing focus on the role of the market in determining the location of economic activity in line with the Schumpeterian form of competition (Wellstead, 2007; Sorenson, 2002; Peck and Tickell, 1995a).

In summary, there were 22 state agreements entered into during this period as set out in Table 5.1; these included: 2 coal (South West); 1 gas (Pilbara); 1 diamonds (Kimberley); 2 salt (Gascoyne and Pilbara); 3 iron ore and steel (Pilbara); 1 forest products (South West); 1 copper (Pilbara); 1 gold – tailings treatment (Goldfields-Esperance); 1 mineral sands (Mid West); and, 9 miscellaneous (mostly urban and industrial development projects in Perth and Peel metro areas). The key obligations of the state and capital in Case Study 3: the North West Gas Development (Woodside) Agreement Act 1979, are summarised in Table 5.2.
Table 5.1: State Agreement Acts from 1979 to 1992

<table>
<thead>
<tr>
<th>Year</th>
<th>Region</th>
<th>Sector</th>
<th>Title</th>
<th>Party</th>
<th>Status</th>
</tr>
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<tr>
<td>1979</td>
<td>South West</td>
<td>Coal</td>
<td>Collie Coal (Western Collieries) Agreement Act</td>
<td>Lib</td>
<td>Current</td>
</tr>
<tr>
<td>1979</td>
<td>South West</td>
<td>Coal</td>
<td>Collie Coal (Griffin) Agreement Act</td>
<td>Lib</td>
<td>Current</td>
</tr>
<tr>
<td>1979</td>
<td>Pilbara</td>
<td>Gas</td>
<td>North West Gas Development (Woodside) Agreement Act</td>
<td>Lib</td>
<td>Current</td>
</tr>
<tr>
<td>1981</td>
<td>Kimberley</td>
<td>Diamonds</td>
<td>Diamond (Argyle Diamond Mines Joint Venture) Agreement Act</td>
<td>Lib</td>
<td>Current</td>
</tr>
<tr>
<td>1983</td>
<td>Gascoyne</td>
<td>Salt</td>
<td>Shark Bay Solar Salt Industry Agreement Act</td>
<td>Lab</td>
<td>Current</td>
</tr>
<tr>
<td>1985</td>
<td>Perth Metro</td>
<td>Commercial land</td>
<td>Casino (Burswood Island) Agreement Act</td>
<td>Lab</td>
<td>Current</td>
</tr>
<tr>
<td>1985</td>
<td>Pilbara</td>
<td>Copper</td>
<td>Western Mining Corporation (Throssel Range) Agreement Act</td>
<td>Lab</td>
<td>Current</td>
</tr>
<tr>
<td>1985</td>
<td>Pilbara</td>
<td>Gas</td>
<td>Barrow Island Royalty Variation Agreement Act</td>
<td>Lab</td>
<td>Current</td>
</tr>
<tr>
<td>1985</td>
<td>Kimberley</td>
<td>Manufacturing</td>
<td>Camballin Farms (AIL Holdings Pty Ltd.) Agreement Act</td>
<td>Lab</td>
<td>Repealed 2003</td>
</tr>
<tr>
<td>1986</td>
<td>South West</td>
<td>Manufacturing</td>
<td>Pigment Factory (Australind) Agreement Act</td>
<td>Lab</td>
<td>Current</td>
</tr>
<tr>
<td>1987</td>
<td>South West</td>
<td>Manufacturing</td>
<td>Silicon (Kemerton) Agreement Act</td>
<td>Lab</td>
<td>Current</td>
</tr>
<tr>
<td>1987</td>
<td>Pilbara</td>
<td>Iron Ore &amp; Steel</td>
<td>Iron Ore (Channar Joint Venture) Agreement Act</td>
<td>Lab</td>
<td>Current</td>
</tr>
<tr>
<td>1988</td>
<td>Wheatbelt</td>
<td>Mineral Sands</td>
<td>Mineral Sands (Cooljarloo) Mining and Processing Agreement Act</td>
<td>Lab</td>
<td>Current</td>
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<tr>
<td>1988</td>
<td>Goldfields-Esperance</td>
<td>Gold</td>
<td>Tailings Treatment (Kalgoorlie) Agreement Act</td>
<td>Lab</td>
<td>Current</td>
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<tr>
<td>1991</td>
<td>Pilbara</td>
<td>Iron Ore &amp; Steel</td>
<td>Iron Ore (Marillana Creek) Agreement Act</td>
<td>Lab</td>
<td>Current</td>
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<tr>
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<td>Onslow Solar Salt Agreement Act</td>
<td>Lab</td>
<td>Current</td>
</tr>
<tr>
<td>1992</td>
<td>South West</td>
<td>Forest Products</td>
<td>Dardanup Pine Log Sawmill Agreement Act</td>
<td>Lab</td>
<td>Current</td>
</tr>
<tr>
<td>1992</td>
<td>Perth Metro</td>
<td>Commercial land</td>
<td>Port Kennedy Development Agreement Act</td>
<td>Lab</td>
<td>Current</td>
</tr>
<tr>
<td>1992</td>
<td>State-wide</td>
<td>Railways</td>
<td>National Rail Corporation Agreement Act</td>
<td>Lab</td>
<td>Repealed 2002</td>
</tr>
<tr>
<td>1992</td>
<td>Perth Metro</td>
<td>Commercial land</td>
<td>Morley Shopping Centre Redevelopment Agreement Act</td>
<td>Lab</td>
<td>Current</td>
</tr>
<tr>
<td>1992</td>
<td>Pilbara</td>
<td>Iron Ore &amp; Steel</td>
<td>Iron Ore (HopeDowns) Agreement Act</td>
<td>Lab</td>
<td>Current</td>
</tr>
</tbody>
</table>

Source: Compiled by author from Parliamentary Counsel’s Office (2018) data

5.4 The role of state agreements (1979 to 1992) in economic development

This section interprets and analyses the role of state agreements, as part of an increasingly mixed ‘basket’ of governance, both reflecting the shifting nature of the MSR, as well as their part in co-constituting, or shaping, its changing trajectory during the period from 1979 to 1992, primarily through a regulation theoretical framework, with reference to staple theory.
The experience of Western Australian economic governance demonstrates the significant degree of the interpenetration of the state and the economy in modern capitalist societies, and how the forms of state intervention have changed over time in response to numerous factors. Observing the specific patterns of political and economic development of Western Australia during the period between 1979 and 1992, further raises the question of this local state’s position in the international political economy, both in terms of its impact and how it is impacted (Head, 1983).

For most of Australia, the adoption of a neoliberal approach saw a general retreat from government-led proactive strategies towards those that favoured the role of market principles in determining economic and, to some extent, social outcomes (O’Neill and Argent, 2005; Gleeson and Low, 2000). Rather than focus on addressing specific problems in their less developed regions, many State governments subsumed the development of these places within the wider framework of the economic development of the State as a whole; assuming that these regions would grow as a logical and inevitable result of general growth in the State economy (Beer et al., 2005). This perhaps, in part, explains the continued use of state agreements by Western Australia to develop the accumulation potential of mineral exploitation, and as a vehicle to compete with other States in attracting foreign capital to assist in such development.

The particular experience in Western Australia during this period included a mix of governance that included public entity entrepreneurship and partnerships with private capital, proactive social policy in certain sectors (with mixed success), continuing use of state agreements for staple development, in addition to new forms of state agreements for metropolitan commercial development (aimed less at attracting foreign capital than fostering local equity and diversification). While sharing some features of the general trends in terms of microeconomic reform, amongst others, the differences in the Western Australian case demonstrate how neoliberalism was articulated in different forms at different scales, according to cultural and political preferences, economic circumstances and historical precedent (Argent and O’Neill, 2005).
In particular, as a resource economy, Western Australia manifested the political and economic tensions of capitalism generally with extensive applications of both ‘roll back’ and ‘roll out’ neoliberalism (Young and Matthews, 2007). That is, in addition to a reduction in the level of intervention in some areas, such as regional development policy, it was also in involved a reshaping of other forms of intervention, such as the development of public entities to engage in commercial enterprise (Beer et al., 2005). The public enterprise experiments during the 1980s, were not in form of state intervention associated with traditional Keynesianism. Rather than seek to put controls on the free market, they seemed more directed at bringing the government into the realm of market activity and competition as additional entrepreneur. Harman (1983, p. 250) suggests there were three influences present in the formation of public enterprises during this time: (i) incentive to find additional and significant sources of revenue; (ii) a desire to expand and reshape the economy by using public enterprise to supply new sources of finance or market access; and, (iii) the desire to bring business practice into the management of government itself. In terms of regional development, rather than the proactive planning of regional areas as had occurred in conjunction with the iron ore agreements and Ord River state agreements to develop the north, regional authorities such as the South West Development Authority were created to promote and facilitate development based predominantly on principles of competition, rather than state intervention policies to ensure equitable spatial distribution of resources and facilities. Tomaney (2014) notes that the rise of regional institutions during the era of neoliberalist policy reflected in part the belief that nationally managed Keynesianism was insufficiently adept at overseeing large-scale and diverse regional change. In the post-Keynesian era, regional and local institutions assumed ‘an increasingly formative role in shaping economic activity’ as part of a general shift from macro-economic regulation to a more decentralized regime of ‘micro-socio-institutional regulation’ (Martin, 2000, p.91; see also Crouch et al, 2009).

A major theoretical and empirical problem in regulation theory is to determine how smaller sites of regulation are related to larger sites and how such relation is mediated through structural forms and modes of regulation. Hay (2006), after
considering the regulation theoretical concepts of crisis and stasis, observes that
the proliferation of new patterns of local governance in the post-Fordist era is
unlikely to be explicable as a series of parallel local crises in Fordist local-state
local economy relationships. He thus rejects the idea of purely self-contained
internally derived crisis at the level of the local state existing only at that level
(Hay, 2006). Rather any crisis identified at the local level is structurally coupled
to the evolution of other structures such as a regime of accumulation on a broader
scale (Peck and Tickell, 1995b). Further, provided the emergence of new modes
of local governance are explained in terms of a response to a crisis of some
system which impinges on the local (the global economy or the nation state being
the most obvious) it might not be necessary to imply that there is a crisis at the
level of the local state at all (Hay, 2005). The restructuring of the local may result
from the imposition of a new state project or accumulation strategy, regardless of
the existence of a crisis at the level of the local.

In the case of Western Australia, the transition from one form of governance to
another, and the shift of state and capital responsibility demonstrated in state
agreements that can be identified in the periods of 1952-1960, 1960 -1979, and
1979 to 1992, respectively, were in part a response to perceived failure or crisis in
the local State economy. However, the particular mix of both Ricardian and
Schumpeterian competitive strategies evident in the 1980s to early 1990s,
particularly in the area of regional planning and development, also reflect a
response to the perceived crisis in Fordism at broader spatial scales and the
resulting structural changes in the regime of accumulation and MSR under the
influence of neoliberalist strategy in various forms.

The importance of the State of Western Australia as part of a federal system
should not be underestimated when considering the role of the state in regional
development. The State’s ownership of the mineral wealth in its own territory,
and control over the manner in which this wealth is exploited, places it in
complex relationship with capital, particularly in a federal system (see Boreham
et al., 1989; Galligan, 1982; Stevenson, 1977). In the case of mineral resource
development, the Western Australian government’s objectives have tended to be
far more aligned with that of foreign capital than with the Commonwealth
government or other States leading it to view its relationship with such capital as
far more important (Brown, 1981; Stevenson, 1977). This conflict is very clearly demonstrated in the protracted struggle between the Commonwealth and State governments that preceded the ratification of the *North West Gas Development (Woodside) Agreement Act 1979*.

Competition between the Australian States for the location of huge investment projects was clearly a factor in state support for capital including cheap power, provision of infrastructure, a low royalty structure, and various other concessions and inducements (such as land, labour or credit), particularly for those States depending on resource development as a vehicle for State-building and economic diversification (Head, 1981). In the case of Western Australia, this state support was frequently guaranteed through the use of state agreements. The precise forms of supportive intervention and infrastructure provided by the local state have varied widely from one project to another, depending on such factors as the geographical location of the enterprise, the availability of inputs (power, raw materials, labour etc.), strength of international demand, likely competition with other producers, and inter-regional competition for locating new investments (Head, 1981).

Court claimed that the purpose of infrastructure provision by the state ‘was not only to ensure the commercial viability of new projects, but also to show international capital that the State had enough faith in resource ventures to bear some of the risks’ (Court, 1976, p.13). Head (1981) notes this ‘entrepreneurial’ approach is more likely to be seen as necessary in the resource-rich outlying States (where projects are often located in the hinterland, with a much higher cost structure), than in the densely populated States which are typically well provided with power transport and other services. These conditions exemplify the conflict between the States aligned with mining capital, and the central government acting to balance the financial and manufacturing factions of capital with mining interests (Stevensen, 1977).

While the extensive provision by the state of infrastructure for the north west gas project could be considered part of the function of a staples state, there was a retreat in the 1980s from the active planning of development of the north of the State. In part, this may have been due to a period of reduced prices of iron ore and
other commodities, but it seems evident that the Burke government, while not abandoning its functions as a staples state, also pursued its own version of neoliberalism in rolling back some forms of intervention and rolling out its own version of state intervention primarily in the form of competitive public enterprise engaging in partnerships with the private sector. In this sense it reflected the shift away from more hierarchical forms of government to more porous forms of governance, identified with the trend of post-Fordism, albeit more closely aligned with a form of corporatism rather than neoliberalism (Beer et al., 2005).

5.5 Conclusion

In regulationist terms, neoliberalism was first embraced in the 1970s as a vehicle for the rationalisation and restructuring of the outmoded components of the Fordist mode of social regulation (MSR) which were no longer perceived by capital as desirable or necessary for capital accumulation (Broomhill, 2001). According to Broomhill (2001), the impact of pressures on State governments in Australia from the increased flexibility and mobility of restructured global capital created a bidding competition between sub-national governments and between local workforces. This phenomenon was approvingly described within the discourse of mainstream economics in Australia as ‘competitive federalism’, whereby States compete vigorously through adoption of various policies to attract available sources of investment funds (Groenewold and Haggar, 2001).

Whereas, from 1952 to 1961, the form of state in Western Australia expressed through the mix of state agreements may be conceptualised as a hybrid of a Keynesian Welfare State (KWS) and a staples state, the period 1962 to 1978 saw a retreat from direct state expenditure within the express terms of state agreements – although expenditure and assistance to capital outside of these terms were consistent with a staples state, in addition to exhibiting elements of a development state. In contrast, the dramatic increase of express public expenditure reflected in the North West Gas Development (Woodside) Agreement Act 1979, and commitments in other state agreements between 1979 and 1992, suggested a return to elements of Keynesian style intervention. However, the 1980s activities of the state taken as a whole, particularly under the Burke
government, were perhaps closer to a hybrid of some form of Schumpeterian workfare regime – with not only neoliberal but also, arguably, corporatist and statist elements, perhaps with also an innovative version of a new development state in its attempts to utilise public corporations and agencies to facilitate capital investment and diversification of economic activity within Western Australia, in addition to displaying the hallmarks of a staples state. The use of state agreements to improve its competitive position vis à vis other States and attract foreign capital, in addition to entrepreneurial attempts to increase the level of local equity, is also perhaps reflective of the long standing historical desire to ‘catch up’ to the ‘Eastern States’ and shed its ‘Cinderella State’ legacy. During the period of 1979 to 1992 under consideration here, it may account further for Western Australia’s somewhat unique and patchwork adoption of neoliberal policies compared to those of the Federal government, other Australian States and more industrialised ‘core’ regions during the same period.
Table 5.2: Case Study 3 Key obligations of the state and the joint venturers under the *North West Gas Development (Woodside) Agreement Act 1979*.  

<table>
<thead>
<tr>
<th>Company obligations</th>
<th>State obligations/concessions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Complete studies to ensure that the project is technically and economically viable</td>
<td>• Apply to the Loan Council for special borrowings required in connection with the proposal</td>
</tr>
<tr>
<td>• If notice to proceed is given, submit proposals including plans and specifications, the location, area, lay-out, design, quantities, materials, time programme and phasing for the provision of:</td>
<td>• To enact legislation to provide for a port authority</td>
</tr>
<tr>
<td>- the treatment plant</td>
<td>• Port authority to over cost of any facility to handle general cargo</td>
</tr>
<tr>
<td>- roads</td>
<td>• To provide any school, hospital and police facilities that may be required as a result of the joint venturer’s activities</td>
</tr>
<tr>
<td>- port facilities</td>
<td>• To provide and maintain public roads</td>
</tr>
<tr>
<td>- water supply</td>
<td>• Any upgrade of the airport required shall be implemented by the local government (with access to special borrowings)</td>
</tr>
<tr>
<td>- housing and town requirements</td>
<td>• State Energy Commission to provide power to housing of workforce (with access to special borrowings)</td>
</tr>
<tr>
<td>- power supply</td>
<td>• State shall construct and maintain all works required for the supply of water to the joint venturers (with access to special borrowings)</td>
</tr>
<tr>
<td>- tenure and leases required from State</td>
<td>• Grant all necessary tenure, licences and leases (with any necessary modifications to the <em>Land Act 1993</em>, and to resume land from title holders where necessary for the project</td>
</tr>
<tr>
<td>- airport and heliport</td>
<td>• To provide undertakings that local and state government land zoning powers will not impact on the activities of the company for the duration of the Agreement</td>
</tr>
<tr>
<td>- other works and services desired by the joint venturers</td>
<td>• To agree that all land within the lease, excluding accommodation, will be rated at unimproved value for the duration of the Agreement</td>
</tr>
<tr>
<td>- environmental management programme</td>
<td>• To undertake not to resume land or other property used by the company for the purposes of the Agreement without the company’s consent</td>
</tr>
<tr>
<td>- outline of proposed marketing arrangements for LNG</td>
<td>• Exemption from stamp duty</td>
</tr>
<tr>
<td>- proposed offshore platforms and pipelines</td>
<td>• Modifications to the operating provisions of the <em>Machinery Safety Act 1974</em> and the <em>Gas Undertakings Act 1947</em></td>
</tr>
<tr>
<td>• To implement proposals so the treatment plant comes into operation and produces saleable product of natural gas within a period of 5 years from date that notice of intention to proceed is given by the joint venturers</td>
<td>• To grant renewals and extensions associated with the project</td>
</tr>
<tr>
<td>• To provide accommodation in existing townships for the purposes of the constructional and operational phase of the project</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Compiled by author from Parliamentary Counsel’s Office (2018) data*
If we don’t grasp this opportunity of China’s growth and perhaps India following, we won’t get a chance again . . . If we don’t do it this decade, we can’t just leave things . . . There are a whole lot of competitive developing countries coming up and this is our one chance (Premier Colin Barnett, quoted in An audience with the emperor, Sydney Morning Herald, Feb 3, 2013).

6.1 Introduction

The neoliberal reforms of the 1980s and 1990s were generally driven by a radical shift away from post-war policies and regulatory frameworks based loosely around the principles of Keynesian economic management (Cumbers and Mackinnon, 2011; Jessop, 2006; Fagan and Webber, 1994). The Commonwealth government had demonstrated a deep commitment to neoliberal reforms in most areas of economic from the mid-1980s which included: deregulation of banking and finance; floating the currency; privatisation of government enterprises and assets, in addition to labour reforms. To consolidate this ideological commitment, and put pressure on State governments who were yet to fully embrace the neoliberal agenda in some areas, the Commonwealth government introduced the National Competition Policy in the mid-1990s: a microeconomic reform program which aimed to deregulate markets and reduce state subsidisation which applied across and within all Australian States. State legislation that potentially contravened the federal competition policy was reviewed to determine if it could be exempted from this nation-wide competition policy on the grounds of public interest (Margetts, 2001). Amongst the reasons cited for exempting Western Australian state agreement acts from the ambit of the national competition legislation were that they provided prospective economic benefits to the State, including the realisation of the government’s policy to ‘add value to Western
Australia’s mineral wealth, future growth of the Pilbara region, and the promotion of Western Australia as a competitive investment destination’ (Western Australian Treasury, 1999).

Concurrently, the Western Australian government was also to adopt its own version of a neoliberal strategy during the period, predominantly typified by subordinating social policies to economic policy which were particularly evident following the election of the Richard Court Liberal Coalition government in 1993. The introduction of individual workplace agreements to increase flexibility and competition in the labour market, the deregulation of utility providers, and the erosion of certain environmental regulatory controls, are each notable examples of this approach. However, it was also during this period that the adverse social and environmental consequences of ‘roll-back’ neoliberalism came to the fore. In Western Australia the most vociferous protests were to come from rural and regional communities who, arguably, most directly experienced conditions of increasing spatial and social inequity (Brett, 2011). Regional development and planning policy was thus to become an arena where the opposing forces, causes and consequences of uneven economic growth, including the tension between Ricardian and Schumpeterian competition strategies, and post-Fordist ‘experimentalism’ in governance strategies, were most clearly discernible in spatial terms.

This chapter sets out an overview of regional development and planning policies in Western Australia prior to 1993, traces the evolution of state agreements from 1993 to 2012, and considers the relationship of state agreements to the form of Western Australian post-Fordism/('post-')neoliberalism ‘mixed’ governance during this period, primarily through a regulation theoretical approach. This analysis will also incorporate a discussion on the spatial dimensions of the ‘state’, ‘development’ and ‘governance’, drawing upon broader political economic approaches from a geographic perspective.
6.2 An overview of regional development and planning policies prior to 1993

A newly elected Liberal government was to commence broad changes in governance in large part to address the ‘fallout’ from the ‘WA Inc.’ legacy of the Burke Labour government in the 1980s. Notwithstanding the tradition of state paternalism and the rural ‘yeoman ideal’ of Western Australia present since its colonial beginnings, it was not until the late 1960s and early 1970s that formalised regional plans for non-metropolitan regional areas began to be developed for the State (MacRae and Brown, 1992).

During the Fordist period, regional planning strategies were directly aimed at promoting a degree of spatially equitable social and economic development; government spending was justified on the basis that it stimulated economic growth and met a range of social equity objectives (Taylor, 1991). However, through much of this period, formal regional planning remained subordinate to urban planning (Logan et al., 1975). More formalised institutional structures for regional planning did not begin to emerge until the mid 1970s (Stilwell, 1980). These early regional plans generally focused on matters related to land use, economic development, population change, service and infrastructure needs, and environmental conditions, and were usually prepared for larger towns and rapidly developing areas (Haslam McKenzie and Tonts, 2005).

To the extent that regional development was ‘planned’ outside of metropolitan areas prior to the 1970s in Western Australia, this had mostly occurred in connection with large scale development for mineral or agricultural development, much of which occurred through state agreements. Apart from the development of towns in the Pilbara in the 1960s and 1970s pursuant to iron ore state agreements, there were the Northern Developments Pty Ltd. Agreement Act 1957, Northern Developments (Ord River) Pty Ltd. Agreement Act 1960, and the Esperance Lands Agreement Act 1960, all aimed at facilitating large-scale agriculture in the regions. Additionally, there were also ad hoc regional planning initiatives to develop industrial areas, some of which occurred pursuant to state agreements such as the Industrial Lands (Maddington) Agreement Act 1964, the

From the mid-1970s, both the Commonwealth and State governments began to prioritise formal regional planning structures in the development of coordinated strategies to underpin economic and social development (Glasson et al., 2007). Up until the 1980s, international debates and policy experiments, such as clustering or ‘growth centres’, were incorporated into regional policy but adapted to address Australian political concerns about regional inequalities, metropolitan dominance, social justice, and the need to decentralise growth to non-metropolitan areas (Beer et al., 2005). The early 1980s, however, represented a period of substantial political reform in Australia, and ostensibly a general shift away from concerns with spatial equity and the interventionist strategies and that had hitherto formed the basis of regional development policy (Glasson, 2007).

Rather than government intervention based on notions of regional balance and equity, the aim was to allow the market to allocate resources and determine the location of economic activity and population (Tonts, 1999). Public policy in relation to the economic and social development of regions thus became based on economic efficiency criteria, with an aim to shift responsibility to regional communities to play a more active role in partnership with the public and private sectors in enhancing their competitiveness and generating their own economic growth (Beer et al., 2005; Badcock 1997). This supports Jessop’s (2002) observation of a trend toward the downward shift of responsibility for place-based development to regions and towns associated with post-Fordist governance strategies; although, as Beer et al. (2005) note, in Australia this shift of responsibility was not generally accompanied by a downward shift of powers or funding needed to do the job.

By 1993, it was evident that the discourse of ‘neoliberalism’ had influenced the ways in which local and regional economic development was proceeding across Australia, with increasing reference to concepts such as ‘self-help’, ‘entrepreneurialism’, ‘local innovation’ and ‘competition’ (Badcock, 1997). Concurrently, widespread evidence of severe social and economic disadvantage as a result of neoliberal policies began to emerge, resulting in political backlash
and, ultimately, a softening of these policies in the area of regional development and planning (Pritchard and McManus, 2000; Tonts, 2000; Haslam McKenzie, 2000).

Haslam McKenzie and Tonts (2005), suggest that the re-emergence of regional development policy in Western Australia can effectively be traced back to the change in government in 1993, when the newly-elected Liberal-National Coalition passed the *Regional Development Commissions Act 1993*. The new Act resulted in the State being divided into nine formal planning and development regions, and the establishment of regional development commissions with the aim of maximising job creation and growth, and fostering social development (Haslam McKenzie and Tonts, 2005).

However this ‘roll-out’ state intervention in the case of Western Australian regional development and planning policy was less a formal retreat from the neoliberal policy agenda more generally, than a political compromise necessitated by political pressure from the rural vote. Evidence for this position can be found in the range of economic and social policy consistent with a neoliberalist approach in other policy arenas that were developed from 1993 under the new Liberal-National Party coalition government. The more metropolitan-based Liberal Party had needed to form a coalition with the rural-based National Party to win the 1993 election, and so reform to rural and regional policy was based more on political strategy, rather than purely economic reform objectives, as the evolution of state agreements and other policy tools utilised during the period from 1993 to 2012 demonstrates.

### 6.3 Evolution of state agreements from 1993 to 2012

This section sets out the context, objectives and evolution of state agreements in the period from 1993 to 2012. In 1993, the Liberal-National Party coalition came to power under the leadership of Richard Court, son of Sir Charles Court. In the wake of the significant economic losses to the State that had been inflicted by ‘WA Inc.’, the new government immediately appointed a commission to recommend reforms in Western Australia’s governance. The “Report of the Royal Commission into the Commercial Activities of Government and Other Matters”
(Government of Western Australia, 1992), and subsequent reports set out recommendations to improve the State’s systems of financial accountability, introduce procedures governing the destruction or preservation of public records, establish freedom of information legislation, as well as direct and indirect measures aimed at ‘recalibrating’ the relationship between private and public sectors (Government of Western Australia, 1992, 1993, 1995).

In the period from 1993 to 2012, state activity continued to involve both the rolling back and rolling forward of various forms of government intervention. In line with a more ‘pure’ neoliberalist strategy, the rolling back included privatising government instrumentalities and subordinating social policy - such as those relating to labour, indigenous land rights, and the environment - to economic policy aimed at promoting growth, development and competition. Economic policy was also to include the rolling forward of new forms of state intervention, such as the ‘State Heavy Industry Policy’, and further efforts to promote secondary or ‘downstream’ processing of mining operations. The ambition to better capitalise upon the State’s mineral wealth and to become ‘more than a quarry for East Asia’ was renewed (Bolton, 2008, p.190). Indeed, while the state had been prepared to let the market decide locations of economic activity from a general regional policy perspective, when it came to heavy industrial policy and mineral exports, the state was far more proactive and determined to take a lead role in directing the location of key infrastructure. Seemingly, in each case, the overriding consideration was increasing the State’s competitiveness, in both a Schumpeterian and a Ricardian sense.

In the early to mid 1990s, the new State government expressly stated its priority was responsible economic management to ensure that Western Australia continued to be a highly competitive, stable investment environment. The reforms to the energy sector in the 1990s, were an example of an effort to promote a competitive State that was influenced by both Schumpeterian principles linked to neoliberalism, as well as Ricardian principles linked to staples production. Energy sector reforms included the splitting of the State energy utility into separate gas and electricity corporations - ‘Alinta Gas’ and ‘Western Power’ - and the development of open access regimes for the gas and electricity transmission and
distribution markets. In the past, energy prices had been identified as the single largest impediment to secondary processing of minerals in Western Australia. This issue was further addressed by the state through disaggregation of the north west shelf domestic gas contracts and total deregulation of gas sales in the Pilbara region.

Another step in the reform of the Western Australian energy market came with the privatisation of the 1530 km Dampier to Bunbury natural gas pipeline (DBNGP), which transports gas from the north west shelf to Perth and the south west of the State. The DBNGP system, one of the State’s most strategically important energy assets and one of Australia’s largest gas transmission systems, was sold by AlintaGas to Epic Energy Australia for $2,407 billion, making it the largest and most successful privatisation in the State’s history. The State government retained ownership of the DBNGP easement as a gas pipeline corridor, with the intention of expanding it from 30 metres to 100 metres. The expanded easement was to allow the new DBNGP owner an option to expand the pipeline’s capacity and maintain available Crown land for the construction of new pipelines.

Additionally, there were three state agreements specifically focused on the energy sector during this period: the Ord River Hydro Energy Project Agreement Act 1994; the Pilbara Energy Project Agreement Act 1994; and, the Goldfields Gas Pipeline Agreement Act 1994. The Ord River Hydro Energy Project Agreement Act 1994 was entered into for the purpose of providing electricity to the operations carried on pursuant to the Argyle Diamond state agreement, in addition to facilitating access by the [then] State Energy Commission of Western Australia to electricity generated thereby. This project aimed to develop a hydroelectric power station of at least 30 megawatts at Lake Argyll, a 132 kilovolt high voltage transmission line from the power station to the Argyle diamond mine, and a 132 kilovolt transmission line from the power station to Kununurra.

The second state agreement, contained within the Pilbara Energy Project Agreement Act 1994, was for the purpose of providing gas and electricity to the operations carried on pursuant to the Iron Ore Agreements in the Pilbara and facilitating access by industrial consumers to gas and electricity in the region.
This project aimed to develop a gas turbine power station of at least 100 megawatts at Port Hedland, a 355mm diameter buried gas pipeline from an off take point in the vicinity of Karratha to the power station, and either a 220 kilovolt high voltage transmission line from the power station to Newman or a gas pipeline system from an off take point in the vicinity of Newman on the proposed gas transmission pipeline between Dampier and Kalgoorlie, in addition to a gas turbine power station of at least 70 megawatts at Newman.

The third state agreement relating to energy, the *Goldfields Gas Pipeline Agreement Act 1994*, was entered into after the government called for expressions of interest from the private sector to build, own and operate a pipeline and associated facilities to enable the delivery of natural gas into certain regions. Through this public-private ‘partnership’, the state desired to ‘promote economic development in the inland Pilbara and Goldfields regions of Western Australia’ by facilitating the availability of natural gas in these regions under arrangements aimed at reducing energy prices and assuring reliability of energy supplies; the contracting joint venturers, in turn, sought ‘to reduce their respective energy costs and assure the reliability of both energy supplies and energy prices to their operations in the inland Pilbara and the Goldfields regions to the greatest extent reasonably practicable’, and recognised the state’s ‘desire that other parties in those regions should have available to them access to transmission facilities for gas on a non discriminatory basis at fair and reasonable prices’ (*Goldfields Gas Pipeline Agreement Act 1994*: recitals). The joint venturers were Wesminco Oil Pty. Ltd. (Victoria), Normandy Pipelines Pty. Ltd. (South Australia), BHP Minerals Pty. Ltd. (Western Australia), Western Mining Corporation Holdings Limited (Victoria), and Normandy Poseidon Limited (Western Australia).

Each of these three energy state agreements additionally included a recital that:

> the State, for the purpose of promoting employment opportunity and industrial development in Western Australia, has agreed to assist the establishment and operation of the said works upon and subject to the terms of this Agreement.

Further embracing the key neoliberal strategy of privatising government instrumentalities, the government was also to sell off the Rural and Industries
Bank (renamed BankWest in 1994) and the State Government Insurance Office during this period (Bolton, 2008). In the transport sector, the state additionally disposed of the State Shipping Service and the metropolitan transport system to the private sector (Bolton, 2008). However, alongside these efforts to facilitate Schumpeterain free competition, the state remained cognisant of maintaining Western Australia’s comparative advantage in the Ricardian sense of competition. This is demonstrated by its commission of a Background Paper for a State Heavy Industry Policy funded by the Department of Resources Development. This was to lead to the State government identifying a number of existing comparative advantages for the mineral processing industry in Western Australia, including:

- extensive, low cost mineral and petroleum resources
- abundant, competitively priced energy;
- a skilled workforce;
- world class mining services
- a technologically advanced business sector;
- political stability; and
- good industrial relations.

These comparative advantages were considered an ideal opportunity for the State to build on its resource-based industries and add value to the commodities produced. In order to facilitate Western Australia’s continuing development from a resources dominated economy to a mature market with a balanced mix of primary industry, value adding and service industries, the State government determined to support private sector opportunities for downstream processing through:

- energy market reform;
- use of special State Agreement Acts to facilitate the development of value adding projects;
- long term planning for industrial land in strategic locations; and,
- sound management of the State’s economy which provides a strong basis for investment.
In addition to initiatives to reform energy, transport and labour markets, there was also a commitment to address the issues that were considered to hinder further processing, such as greenhouse policies, taxation, and native title issues, in line with the neoliberal strategy of subordinating social policy to economic policy. The need to better coordinate multi-user infrastructure was also to come to the fore during this period.

The Western Australian government’s commitment to microeconomic reform in the energy, labour and transport sectors, coupled with rapid advancements in technology, also served to renew hopes in the potential of establishing more secondary processing industries in the State. During the mid-1990s, a number of state agreements were entered into with BHP Billiton to promote the development of iron ore processing in the State, specifically the Iron Ore Processing (BHP Minerals) Agreement Act 1994 (the “BHP Processing Agreement”); Iron Ore – Direct Reduced Iron (BHP) Agreement Act 1996 (the “BHP DRI Agreement”); and, the Iron Ore Beneficiation (BHP) Agreement Act 1996 (the “BHP Beneficiation Agreement”).

Each of these further processing state agreements included a recital that:

the State, for the purpose of promoting employment opportunity and industrial development and in particular the establishment of further processing facilities in Western Australia, has agreed to assist the establishment of the said facilities upon and subject to the terms of this Agreement.

The commitments under the BHP Processing Agreement were later to be transferred to the BHP DRI Agreement and BHP Beneficiation Agreement. Under these two latter agreements, BHP Billiton built a hot briquetted iron plant and a beneficiation plant in the Pilbara region (Port Hedland). The construction of these two plants discharged all of BHP Billiton’s remaining secondary processing obligations that had been originally included in the earlier iron ore state agreements.

In the 1960s and 1970s, a key aim of these original secondary processing obligations was an integrated iron and steel industry, as evidenced in the recitals to agreements such as the Iron Ore (Hamersley Range) Agreement Act 1963:
The Company agrees to investigate in due course the feasibility of establishing within the State of Western Australia an integrated iron and steel industry.

When Hamersley Iron (Rio Tinto) and the state first entered into the Hamersley Range agreement in 1963, there was an expectation by both parties that the Mt. Tom Price project would develop in stages from iron ore export through secondary processing, and ultimately to iron and steel production, as evidenced by the recitals. Specific secondary processing obligations were therefore written into this state agreement, some of which were not to become due until 20 years after the agreement commenced. Amendments to the Hamersley Range agreement led to the opening up of the Paraburdoo iron ore mine through the *Iron Ore (Paraburdoo) Agreement Act 1968* and further processing obligations arose following negotiation of the *Iron ore (Mt Bruce) Agreement Act in 1972*, for the production of metallised agglomerates (direct-reduced-iron or DRI).

The Hamersley Range agreement and the Mt Bruce agreement were to contain a complicated web of cross referenced obligations, some of which could be triggered only by completion of earlier obligations and others which became due on fixed dates. The situation became further complicated over the years by the deferrals of due dates for proposals which were granted to Hamersley in recognition of the dramatic change in world steel consumption patterns occurring in the 1970s, and the far reaching structural re-organisation of the world steel industry.

Some of the iron ore processing obligations that were eventually managed to be fulfilled include:

- a pellet plant commissioned at Dampier in 1968 – which operated until 1980 when changes in oil price and blast furnace technology combined to make the production of pellets no longer economic; and
- a concentrator commissioned at Mt Tom Price in 1979 with a capacity of 6.5 million tonnes per year. Such a capacity was in excess of Hamersley's obligation under the state agreements and this was recognised in a 1976 amendment to the company's obligations which saw the tonnage of metallised agglomerate required to be produced
under the Paraburdoo agreement reduced from three million tonnes per year to two million tonnes per year.

By 1987 it had become clear that the establishment of secondary processing and manufacturing would prove more difficult than originally envisioned, and this was exacerbated by the collapse of the steel industry in the early 1980s. The recitals to the 1987 Variation Agreement of the *Iron Ore (Mount Bruce) Agreement Act 1972*, provided that ‘in light of changed world circumstances with respect to the secondary and further processing of iron ore, [the parties] have agreed to vary certain of the provisions of the Principal Agreement in relation thereto and to broaden the scope for substitution of alternative investments’. A similar recital was included in the Seventh Supplementary Agreement (1987) to the *Iron Ore (Hamersley Range) Agreement Act 1963* (Paraburdoo Agreement).

Hamersley had not been able to fulfil all of its outstanding obligations within the confined scope of the original 1960s and 1970s secondary processing provisions. Consequently, in 1987 the state and Hamersley entered into negotiations to restructure its further processing obligations in a manner which would allow the company to carry out a wider scope of investments which, either alone or in aggregate, would result in economic benefit to Western Australia approximately equivalent to that envisaged by the original obligations.

The 1987 amendments, removed the further processing obligations from the Hamersley Range Agreement and inserted them into the Paraburdoo and Mount Bruce agreements. The amended versions provided that, in addition to enabling the company to continue to pursue its iron ore processing initiatives, Hamersley would be able to approach the state in due course with ‘alternative’ economically feasible projects in the event that the original iron ore processing obligations were not feasible within the time frame specified in the amendment. The original obligations inserted into the Paraburdoo agreement (as scheduled to the *Iron Ore (Hamersley Range) Agreement Act Amendment Act 1968*) had required the company to undertake two million tonnes per year metallised agglomerate production, and the Mount Bruce Mining Pty Limited to undertake one million tonnes per year steel production.
In 1996, when the *Iron Ore (Yandicoogina) Agreement Bill* was being debated, there was still some confidence in the future of downstream processing of iron ore. BHP was constructing its hot briquette iron plant at Port Hedland, which was expected to be an investment of approximately $1.5 billion at that time. In the second reading debate for the Yandicoogina Bill, there was some criticism that Hamersley (Rio Tinto) had not ‘shown the same enthusiasm for downstream processing as other commercial groups’, which made the ‘processing obligation in the agreement Bill quite important’: (Ripper quoted in PDWA, 1996, p.7680/1). Although at the time Hamersley had invested at least a couple of hundred million dollars into its HIsmelt process and had ‘more faith in the future of HIsmelt as a commercial operation than in the future of DRI’ (Ripper quoted in PDWA, 1996, p.7680/1). In answer to a Parliamentary Question on 25 June 2003, the Minister for State Development stated that Rio Tinto’s involvement in the HISmelt project at Kwinana was accepted as fulfilling its secondary processing obligations under the Paraburdoo Agreement Act as an alternative to metallised agglomerates (PDWA, 2003, p.9304b). This plant was ultimately to be closed down for relocation to India in 2011.

In line with the State government’s strategy to both facilitate secondary processing and otherwise allocate land for industrial areas, Oakajee was identified as a preferred site for heavy industry. The findings of a 1995 Background Paper for a State Heavy Industry Policy had supported a model of multiple heavy industry estates in various locations along the Western Australian coast, serviced, where possible, by a deep water port. However in 1995, the Environmental Protection Authority recommended against Oakajee finding that it was not a suitable site for heavy industry because of the potential for ground water contamination, amongst other concerns (Margetts, 2001). This decision was informed by a number of studies including a risk and noise assessment, an engineering and planning study, flora and fauna assessment, hydrological reports, landscaping, Aboriginal heritage, European site surveys, community opinion surveys, as study on the industry impacts on the rock lobster industry and an Oakajee regional tourism study (Margetts, 2001). Notwithstanding the depth and breadth of this investigation, the Western Australian Environment Minister still
took the position of requesting further studies be undertaken in an effort to allay the EPA’s concerns and reverse their decision (Margetts, 2001).

In 1996, the State government began negotiating for a state agreement with An Feng Kingstream (AFK), a Chinese-financed joint venture, wherein the state was offering to commit itself to establish an industrial estate and a port at Oakajee, and AFK to establish mining and steelworks projects in the Mid West Region of Western Australia. AFK’s original preference, as noted by Margetts (2001), was to locate at Narngulu and to use the existing port at nearby Geraldton rather than have new facilities built at Oakajee. However, as AFK’s project manager stated in an ABC radio interview, the joint venture ‘was aware of the Department of Resource Development’s push to go to Oakajee and establish an industrial estate there’ (Dr. Alan Tingay in Interview with Sarah Green, ABC Geraldton, 6 Nov 1996 cited in Margetts, 2001, p.191). To secure an agreement to locate the project in Oakajee, the state had to offer more inducements to the joint venture than would have been required if the private investors had been permitted to proceed unhindered by government interference to develop its proposal at its preferred site (Margetts, 2001). In June 1997, the Western Australian Parliament passed the Iron and Steel (Mid West) State Agreement Act 1997 which contained the terms of the agreement between AFK and the state.

While this original proposal did not end up proceeding due to commercial reasons, it is significant that the State government was determined to press ahead with it - notwithstanding widespread opposition from the general community, environmental groups and indigenous groups at the time, not to mention the preference of capital to locate the project elsewhere. Subsequently, on 20th March 2009, the Western Australian State government signed an agreement with a new joint venture for the development of a deepwater port at Oakajee, and an integrated rail network to service iron ore miners and other port users in the mid-west region. The joint venture (OPR) was between Murchison Metals and Japan’s Mitsubishi Development. This agreement was not a publicly available state agreement, and was never ratified in Parliament.

At the time of signing of this agreement, Premier Colin Barnett announced:
The development of a deep sea port, associated rail infrastructure and a purpose-built, world-class industrial estate at Oakajee is the single most important project for Western Australia’s economic development over the next 50 years (Barnett quoted in WA Today, 20th March 2009).

However, once again, the project was to run into a number of obstacles including lack of capital after Murchison Metals pulled out, prompting the State government to seek contribution from Chinese state-owned companies and to commit to a large financial contribution itself. The opposition Labour Party, objected to the large amount of public funds committed to the project (between $400 and $700 million dollars), arguing that the building of the port should have remained the responsibility of the private joint venturers. Also the secrecy of the agreement was generally protested, which allegedly lacked adequate local content opportunity by stipulating that manufacturing of fabricated steel structures, rail cars and construction services take place in China.

Then Opposition Spokesman for Regional Development, Mr. Mark McGowan, called on the Premier to release the state development agreement and hold a local content summit to guarantee local jobs for Western Australians in the new boom, stating: “Western Australian companies need to know the exact terms of this secret arrangement ... Mr Barnett must protect the interest of Western Australian workers” (McGowan quoted by Quin in PerthNow media article “Barnett backed Chinese workers at Oakjee, not WA companies claims the State Opposition”, 25 November, 2010, p.1). The Australian Manufacturing Workers Union (AMWU) complained that since the Barnett government came to office, Western Australia’s major oil and gas companies have increasingly had their major plant and equipment manufactured overseas, leaving many Perth companies and small businesses without work (Kutasi, 2011).

The state’s continuing efforts to promote a strong development ‘ethos’ among Western Australians, which were most prominent when state agreement projects were being negotiated, was increasingly tempered during this period by increasing criticism from various ‘sectors’ of society. Upon coming into office at the height of neoliberal influence in the early 1990s, Premier Richard Court’s government had tried a number of measures to quell the rising of ‘anti-development’ elements emerging in Western Australian society. For example,
shortly after its election, the new Court government had introduced three pieces of workplace legislation in 1993. The first provided for a new system of setting minimum wages, wherein the power of WA's industrial tribunal to pass on national minimum rises to state award workers was transferred to the WA Industrial Relations Minister. Secondly, legislation was introduced to establish workplace agreements that overrode awards, and did not have to pass a ‘no disadvantage test’. The existence of such a test would have ensured that pay and conditions for those on a contract were no worse than co-workers on a collective agreement or award. Workplace agreements were a special instrument which, when made and registered between an employer and employee, took their relationship outside the application of the award and beyond the jurisdiction of the WA Industrial Relations Commission. The last group of changes enacted introduced secret ballots for industrial action, and restricted the right of union officials to enter workplaces.

Some commentators credited these changes, in their targeting of ‘trade union militancy’ which ‘hindered productivity and discouraged potential investors’, as one of the causes that facilitated the Western Australian resources boom which was to occur in the next decade or so (Kutasi, 2011). However, as Ellem (2017) has pointed out, the alleged ‘militancy’ of local unionism in the Pilbara, has been the subject of myth-making as much as careful examination (p.31). In response to high levels of industrial conflict, between 1972 and 1979, there had been five rounds of company specific awards aimed at ‘calming things down’ (Ellem, 2017, p.61). Despite multiple challenges, this set of arrangements had continued in place until the 1990s, when one by one, the companies dismantled any form of union-based bargaining (Ellem, 2017). Nevertheless, Western Australia was the first Australian government (federal or State) to attempt such labour law changes to support capital encouraging the federal government to follow suit with its ‘Work Choices policy’. Indeed, Prime Minister John Howard, told the West Australian newspaper in July 1995 that ‘I would like to see, throughout Australia, an industrial relations system that is largely similar to what the coalition government has implemented in Western Australia’.

A similar tough stance was taken by the Court government to quash other potential ‘troublemakers’ by challenging the High Court decision of Mabo in
1992; a case that recognised, for the first time, the concept of native title arising from occupancy by indigenous populations prior to British settlement (Bolton, 2008). Disliking the uncertainty that native title recognition might bring to the allocation of mining rights, particularly at a time when investor confidence needed rebuilding, the State government pushed through legislation attempting to extinguish in advance any potential claims of native title by repudiating its existence (Bolton, 2008). However, the State government was unsuccessful in overriding the Commonwealth native title legislation, notwithstanding an appeal to the High Court over the issue in 1995.

Further, shortly after coming to power, Richard Court also drew some criticism for remodelling the Environmental Protection Authority (EPA) in a way that some thought diminished its authority. This added to concern around his refusal for Western Australia to join the Commonwealth’s new National Environmental Council (Bolton, 2008). The growing environmental movement in Western Australia, which had spread from activist ‘greenies’ of the south west to include much of the urban middle class, resulted in members from the environment issues-focused Greens Party being elected to the Legislative Council in the 1997 State elections. Alcoa’s alumina refinery at Wagerup – operating pursuant to a state agreement - the *Alumina Refinery (Wagerup) Agreement Act and Acts Amendment Act 1978* - became the target of criticism by a growing number of environmental protestors, not only because of its role in the spread of jarrah dieback but also because of complaints from neighbouring towns of emissions borne by the easterly winds (Bolton, 2008).

However, the Greens Party was to focus its efforts particularly on opposing the woodchipping industry, and managed to mobilise support for a campaign to save native forests. The State government reached a compromise in the conflict between the vocal environmental lobby and the staunch resistance from timber workers and their families, by committing to replace timber from old-growth forests with plantation hardwood – a policy which became encapsulated in a series of state agreements including the *Albany Hardwood Plantation Agreement Act 1993*, *Collie Hardwood Plantation Agreement Act 1995*, *Bunbury Tree Farm Project Agreement Act 1995*, *Wood Processing (WESFI) Agreement Act 2000*, and the *Wood Processing (Wesbeam) Agreement Act 2002*. The latter two wood
processing agreements, according to their recitals, were specifically aimed at: (i) utilising the state-established softwood plantations in the vicinity of the Perth metropolitan area and in the south west of the State, taking advantage of the output resulting from their requirement to be periodically thinned pursuant to approved forestry practices; and, (ii) promoting a market for laminated veneer lumber within Australia as a suitable substitute for large dimension structural beams produced from old growth hardwood forest resource.

With the change of State government back to the Labour Party in 2001, there was little impact on overseas investment or on the local business community. However, although neoliberal reforms regarding privatisation and deregulation were not reversed, some of the industrial relations legislation was repealed (Bolton, 2008). Also, increasing attention came to be placed on the issue of local content and maximising returns to communities and local workers of large resource projects under state agreements. The first ever performance report of state agreements was conducted by the Auditor General’s office in 2004 - Developing the State: The Management of State Agreement Acts to evaluate the performance of state agreements in the areas of secondary processing and local content. The report found, amongst other things, that reporting and monitoring of local content by state agreement companies was lacking. By the time that the Railway (Roy Hill Infrastructure Pty Ltd) Agreement Act 2010 was entered into, the standard local content clause had become two pages long, and reporting obligations strengthened. The Department of State Development began publishing local content reports from 2011. The first report noted that:

Western Australia’s manufacturing and service industries have historically enjoyed high levels of natural protection through a combination of physical isolation, transport costs, construction and fabrication technology focused on supplying local projects, and lack of regional competition. Project proponents tended to use local design, procurement and contract managers. Consequently, local industry could assume that a large proportion of the goods and services used in the construction and operation of major projects would be purchased in Western Australia (Western Australian Government, 2011).

However, it was also noted that changing conditions had led to a substantial decrease in the percentage of local content in major resource projects, including
those for which obligations had been imposed under state agreements. Typically, local content clauses contained a qualification that ‘softened’ the company’s obligations to source its operational input locally by including a proviso such as “as far as is reasonably and economically practicable” or, “except where it can be demonstrated that it is impracticable to do so”. Increased international competition was not only impacting the market supplying goods and services to the resource projects, but also was starting to significantly affect areas previously serviced almost entirely by local businesses, such as accommodation, catering, concrete walkways and equipment maintenance. Specifically, the Department identified the following factors as contributing to diminishing levels of local content:

- increasing use of modular construction technology to produce major capital equipment supplied from overseas contractors;
- greater competition from Asian manufacturers;
- availability of large quantities of relatively inexpensive Chinese steel;
- design, procurement and contract management moving offshore;
- rising use of global supply chains and international marketing arrangements;
- closer links between project equity and sourcing, especially for Chinese investment;
- advances in transport and communication technologies providing greater access to Western Australia from overseas;
- the emergence of specialist engineering procurement and contract management companies undertaking out-sourced service provision for project proponents; and
- a very strong Australian dollar.

There also came to be more public pressure to specifically employ indigenous people in projects located on or near land subject to native title, and for resource companies to contribute other social and economic benefits to the local community. However, once again, the obligations included in state agreements were drafted in such a way that there were no compulsory actions that the companies had to undertake. For example, clause 7 in the Iron Ore (FMG...
Chichester Pty Ltd) Agreement Act 2006, provides that the company, if required by the Minister, shall consult with the relevant local government with respect to the need for ‘community and social benefits’ in relation to the developments proposed.

As the resource boom continued to increase State wealth during the first decade of the 2000’s, the issue of returns to the local and regional communities where resource projects were located, and the distribution of benefits generally, became more of an issue. As Chapman et al. (2015) point out, the economic performance of Western Australia during the decade 2001–2011 was highly variable at the local scale. Agricultural districts were diminishing in their political importance, export of their staples now ranked below that of minerals and energy and efforts to foster secondary processing of agricultural products had not resulted in significant income. Further, salinity due to water shortages and impacts of mining activity had adversely affected the viability of farming in many areas (Bolton, 2008). Many Wheatbelt towns were stagnating and some disappearing, while the socio-economic well-being of most resource towns often depended on a single industry, exposing them to the vagaries of the global economy (Chapman et al., 2015). For many of these settlements, resource extraction was the sole justification for settlement and their remoteness often made economic alternatives unviable (Haslam-McKenzie et al., 2009; O’Connor and Kershaw, 1999). Moreover, with most mining companies moving to a fly-in fly-out labour workforce in favour of incurring the costs associated with settling workers into established towns or new settlements, the already small populations of these mining centres dwindled further.

During this period, most Australian States were centralising in population distribution but Perth, in particular, was growing at an exceptionally high rate compared to rural districts in Western Australia (Bolton, 2008). For example, Perth in the decade from 2000 to 2010 had fifty times more people compared to Bunbury or Kalgoorlie, and a hundred times more than that of Esperance or Albany (Bolton, 2008). Mineral royalties in Western Australia amounted to some $3.9 billion in 2011, which represented some 18 per cent of all State government income (Tonts et al., 2013; Government of Western Australia, 2012). The
dissatisfaction with the level of government reinvestment of royalty revenue in resource regions, compared with the spending on new facilities and infrastructure to cater for the burgeoning urban and metropolitan areas, was addressed by the National Party in the lead up to the 2008 State government election, leading to a return of the Liberal-National Coalition for another term.

In looking to broaden its electoral base beyond its traditional agricultural constituency, the National Party began to address the question of redistribution by advocating that 25 per cent of all mining royalties should be reinvested in non-metropolitan areas through a ‘Royalties for Regions’ program, termed by some as populist ‘bush socialism’ (Tonts et al., 2013). The central idea underpinning Royalties for Regions was that not enough of the wealth being generated by resource exports was being returned to those communities in which mining operations were based. In addition to guaranteeing that 25 per cent of all royalties earned from mining would be spent in non-metropolitan regions, the policy also ensured that these funds would be over and above normal State government expenditure on services and infrastructure (Tonts et al., 2013). In the 2011/12 financial year, nearly $1.5 billion was allocated, of which $422 million was for ‘cross regional’ projects, while the remainder went to individual local communities.

In Western Australia, mineral royalty revenue is primarily comprised of ad valorem royalties from iron ore, gold, alumina, and nickel. Following a review of royalties, in 1981 a general three-tiered royalty rate structure was put in place, comprising of (Department of Treasury, 2018):

- a 7.5% rate for minerals subject only to limited processing prior to sale;
- a 5% rate for minerals processed to and sold as concentrates; and
- a 2.5% rate for minerals processed to and sold as a metal.

A compromise rate of 5.625% for iron ore ‘fines’ was introduced in the Mining Act in May 1995, when iron ore production commenced outside of state agreements. This rate was halfway between the existing 3.75% concessional rate set in state agreements in the 1960s (which reflected that ‘fine’ ore was then considered to be inferior and less marketable than ‘lump’ ore) and the 7.5% rate
in the *Mining Act* for ‘crushed and screened’ ores. Following an agreement between the State Government and major iron ore producers, the iron ore ‘fines’ royalty rate of 3.75% in the relevant state agreements was aligned with the 5.625% rate in the *Mining Act* from 1 July 2010. The Western Australian Government announced in the 2011-12 Budget that the concessional royalty rate for iron ore ‘fines’ would be removed over two years. The royalty rate for iron ore ‘fines’ increased from 5.625% to 6.5% from 1 July 2012 and further increased to 7.5% from 1 July 2013 (in both the *Mining Act* and the relevant *State Agreement Acts*), (Department of Treasury, 2018).

The issue of royalty revenue distribution and the Western Australian boom was also to reignite State and Commonwealth tensions. Moving toward more centralist policies, the federal government most controversially attempted to introduce a ‘mining tax’ in 2012 to allow for more broad distribution of the revenues being received from resource projects in Western Australia. From 1 July 2012, the Commonwealth’s Petroleum Resource Rent Tax (PRRT) was extended to include State offshore and onshore petroleum projects and the North West Shelf project (Department of Treasury, 2018). This remains the case despite the Commonwealth Government repealing its Mineral Resource Rent Tax from 1 October 2014. Prior to 1 July 2012, the PRRT only applied to offshore petroleum projects located in Commonwealth waters. Similar to the RRR for Barrow Island, the PRRT applies a rate of 40% on the taxable profits of a petroleum project. State royalties are fully creditable against PRRT liabilities.

However, it’s worth just noting here that the Commonwealth’s revenue stream from this sector halved from $1.9 billion in 2005 to $1.4 billion in 2016 (Hutchens, 2016). According to one study by the Tax Justice Network, Australia is set to overtake Qatar to become the largest exporter of LNG by 2021 with both countries exporting close to 100bn cubic metres; however, the Australian government is expected to receive just $800m in PRRT revenues, while Qatar’s government is expected to receive $26.6bn in royalties for the same volume (Ward, 2016). A letter setting out these estimates, co-signed by the Tax Justice Network and 20 other organisations, led to former Treasurer, Mr. Scott Morrison, agreeing to call a review into the PRRT regime (Kraal, 2017). Over 75 submissions were received from oil and gas companies, non-government
organisations, community groups, resource tax experts, and academics and the final report was published in April 2017. Although shortcomings in the PRRT were noted, very little change was made to arrangements for existing projects and concerns of investor confidence seemed to take precedence over securing a public share of resource revenue (Commonwealth of Australia, 2017).

The national government was also to play a more active and visible role in the area of industrial relations and migrant labour during the 2000s. The federal government announced the introduction of Enterprise Migration Agreements (EMAs) in May 2011, as one component of its response to the recommendations made by the National Resources Sector Employment Taskforce in its 2010 report on the employment needs of the resources sector. EMAs were designed to meet the needs of the resource sector in accessing temporary overseas workers to work on large-scale projects (with capital expenditure of more than $2 billion), where Australian labour could not be found. The first EMA entered into was with Gina Rinehart’s company relating to the Roy Hill iron ore project in the Pilbara, which caused widespread concern about loss of opportunity for Western Australian workers. The EMA provided that about 20 per cent - or 1,715 workers - of the proposed workforce for the 3 year construction phase of the project could be imported on foreign visas for that purpose.

The Railway (Roy Hill Infrastructure Pty Ltd) Agreement Act 2010, was the last ratified state agreement to be entered into during this period from 1993 to 2012. Similar to the Railway and Port (The Pilbara Infrastructure Pty Ltd) Agreement Act 2004, the recitals of the agreement indicate that the state was moving away from the practice of entering into state agreements to regulate all aspects of resource projects and rather focusing on the pressing issue of integrating and expanding existing infrastructure in the Pilbara:

The State for the purposes of promoting development of the iron ore industry and employment opportunity generally in Western Australia and for the purpose of promoting the development of multi-user infrastructure facilities in the Pilbara region of Western Australia has agreed to assist the development of the abovementioned railway, port and associated facilities upon and subject to the terms of this Agreement Railway (Roy Hill Infrastructure Pty Ltd) Agreement Act 2010: Recitals).
The issue of having some control over positioning new infrastructure in strategic locations, and coordination of existing infrastructure, remained a priority for the State government. This was further illustrated by the protracted negotiations relating to the proposed liquefied natural gas (LNG) hub at James Price Point (Albrecht and Ellis, 2014). However, this project was to demonstrate a seemingly new height of public awareness and scrutiny of the alleged benefits and costs of attracting major resource projects to Western Australia, particularly through the government’s use of state agreements. In 2012, the West Australian Premier Colin Barnett vowed to ensure the proposed $30 billion LNG hub would be built at the Kimberley region’s James Price Point, despite all of the joint venture partners other than Woodside - including BHP Billiton, Royal Dutch Shell, Chevron and BP - preferring that the gas be pumped to Woodside's existing north west shelf facilities in the Pilbara. Mr Barnett said that under the State Agreement Acts, the location for Browse LNG project was a matter for the Western Australian government, not the joint venture partners:

The decision as to where the gas goes lies with the West Australian Government because of the Agreements Acts that cover both James Price Point and the North West Shelf project... It's not a private decision, it's a government decision (Barnett, quoted in Spooner, 2012, p.1).

By way of contrast, the then opposition leader Mr. Mark McGowan, described this as excessive intervention by the government that put foreign investment at risk:

We need to allow investors in Western Australia to make decisions based on commercial grounds, subject to appropriate government rules... We don't need Soviet style interventionism by the premier of Western Australia that sends a very bad message to those investors who employ tens and hundreds of thousands of West Australians (McGowan, quoted in Spooner, 2012, p.1).

However, the Premier maintained that processing the gas in the Kimberley would mean much needed economic development, and social improvements for the region including its Aboriginal communities, and further:

We are talking about global companies here ... the State has to play a direct role in making sure we have orderly developments (Barnett, quoted in Spooner, 2012, p.1).
Although the government went through the motions required under relevant legislation of carrying out the due diligence of environmental and social impacts, and to enter into agreements concerning indigenous land rights, the level of public scrutiny meant that such formal procedures did not serve to quell ongoing debate about the substantial issues at stake. Particularly by the time of that the James Price Point project was first proposed, the usual ‘development for WA’ rhetoric promising economic growth and jobs from such projects was not being absorbed as unquestioningly and widely as it had been before. Whether or not this was due to increasing awareness of the poor track record of foreign investment in utilising local companies and creating ongoing employment opportunities, the end result was that the State government had less support in galvanising mainstream Western Australian society in its efforts to marginalise sectors that opposed certain developments, particularly in the resource sector. The state strategy of labelling opposing voices as ‘special interest’ groups that were advocating positions detrimental to the benefit of the State as a whole, was less effective than in previous times. Notwithstanding the sense of urgency reflected in the stance taken by the then Premier Colin Barnett, who strongly supported resource development and warned of Western Australia missing out in the global commodity race (Maumill, 2013).

The James Price Point LNG project was eventually shelved not due to widespread opposition on social and environmental grounds, however, but for economic reasons - the joint venturers were reluctant to proceed after determining risks and costs would be greater than potential profits. It is perhaps worth noting the strong parallels between the two ‘state agreement-style’ resource and infrastructure projects of Oakajee (industrial estate and port) and James Price Point (LNG refinery and industrial port). Notwithstanding numerous references to ‘state agreements’ in the press surrounding these projects, in neither case was a formal state agreement entered into and ratified by Parliament to become a publicly accessible state agreement act. Accordingly the terms negotiated between the state and the companies in each case were not or open to public or parliamentary scrutiny. However, from the discourse constituted by government media releases, Hansard transcripts, published interviews with relevant parties, and public
documents arising from environmental assessments and native title negotiations, many aspects of the projects subject to ongoing negotiation eventually became publicly available in one form or another.

In terms of state expenditure and projected future revenues, these were the two most significant projects that occurred, or rather *nearly* occurred, in the period from 1993 to 2012. At the outset of each proposed development, the State government took a strong hand in directing where the project facilities would be located. Not only were the locations not left up to the ‘free market’ to decide, but the free market was effectively overruled as in each case the private companies in fact had preferred to develop their projects at alternative locations to utilise existing infrastructure. While concerns of the project companies may have been softened by further concessions from the state to make their respective joint ventures more profitable, there was little the government could do to quieten protests from the broader community based on environmental, labour and native title interests that, comparatively, were more vigilant and widespread than ever before.

By the close of 2012, the legitimacy of entering into state agreements for facilitating major resource projects was increasingly being questioned within and without Parliament, the government and bureaucracy. Apart from the government refraining from ratifying formal state agreements acts for the Oakajee and James Price Point projects, it refused a request from the Roy Hill mine developers to enter into a regular ‘iron ore’ state agreement for the project, and limited the terms to issues of infrastructure coordination and third party access. Further, parliamentary debate on their merits and deficits of these instruments occurred during debates on a series of bills that terminated a number of previous state agreement acts, and amended the bulk of Pilbara iron ore agreements to increase royalties in 2010 and 2011. Even though the royalty increase was aimed at removing historical concessions on rates so that they would finally be on par with rates imposed under the general mining law, the state made further concessions in order to get the state agreement companies to agree to such amendments. Members from each of the political parties took the opportunity presented during these bill debates to note the poor performance record of state agreements in establishing forward and backward linkages of projects due, in part, to perceived
lack of compliance by companies and/or lack of enforcement by government of agreement provisions relating to local content and secondary processing obligations.

However, the annual report of the Department of State Development for the reporting period 2012/2013, did not indicate any formal policy decision to move away from the use of state agreements. On the contrary, it reiterated its stated purpose of entering into such agreements:

The Department negotiates, on behalf of the Government of Western Australia, State Agreements for large, complex projects that require regulation and support beyond the usual regulatory framework... Each Agreement Act outlines the rights, obligations, terms and conditions for the development of a project, and establishes a framework for the ongoing operation of the project and the relationship between the proponent and the State (Department of State Development, 2013).

At the end of this reporting period, there remained 64 state agreements acts in force, and another new state agreement had been entered into - the Natural Gas (Canning Basin Joint Venture) Agreement Act 2013 - which ratified an Agreement dated 7 November 2012. In this annual report, the government described the agreement between Buru Energy Ltd. and the state as being for an ‘unconventional’ gas project and pipeline in the Canning Basin. Maloney (2013), noted that if this agreement was intended to be a precedent for the oil and gas industry operating in Western Australia, it represented a challenge to the integrity of the work program bidding system under the Petroleum and Geothermal Energy Resources Act 1967 and the Petroleum (Submerged Lands) Act 1982, as well as an unconventional use of the Government Agreements Act 1979.

In announcing execution of the Agreement, the Minister said:

This Agreement will help secure Western Australia’s energy supplies for the future. It ensures gas discoveries are rapidly brought into production, and that gas is delivered to the State’s domestic gas network, before any is exported.

The Canning Basin is considered by the Energy Information Administration of the US Department of Energy to be among the five biggest shale gas reserves in the world. However, the quid pro quo for the concessions granted by the state to
the joint venturers under the agreement is not entirely obvious according to Maloney (2013). The timing of the ratification of the associated agreement act was unusual, according to Maloney (2013), in that the joint venturers had not proven the existence of sufficient commercial gas reserves to support a Domgas Project, let alone an LNG Project. As the former Premier noted in moving that the *Natural Gas (Canning Basin Joint Venture) Agreement Bill 2013* be read a second time:

The Agreement concerns the establishment by the Joint Venturers of a Domgas Project, subject to them proving up sufficient natural gas from the Agreement’s Title Areas, initially comprising 5 key petroleum permits, and the Joint Venturers being satisfied such a project is technically and economically viable.

In his leading paper on the topic in 1996, *State Agreements*, Premier Barnett (then the Western Australia Minister for Resources Development) had the following to say regarding when it is appropriate to ratify an agreement under a State Agreement Act:

Agreements Acts are designed to be the development vehicle for specific projects. It is not the intention of government that they be used to tie up vast areas of land for long periods without any development being achieved. Nor are they simply to be a tool to secure project finance. Development proposals are, therefore, required to be submitted within a stipulated time period. The State government requires a developer to be firmly committed to a project and ready to proceed with development within a short time period following Agreement ratification. Prior to the negotiation of an Agreement Act, the State must be assured that the project is sufficiently advanced to enable the government and the developer to address the key issues in an Agreement (Barnett, 1996, pp. 318-319).

Arguably, these criteria were not met in the Canning Basin state agreement, as adequate gas supplies were yet to be discovered and the viability of production, either economically or technically, not confirmed. Maloney (2013) also notes that it is unclear whether the joint venturers were expected to be able to satisfy the requirements of a Domgas Project and an LNG Project from conventional sources of natural gas or whether they would be reliant on shale gas discoveries to meet those requirements. Although this agreement is currently before Parliament in the
Natural Gas (Canning Basin Joint Venture) Agreement (Termination) Bill 2017, the termination was initiated by the joint venturers for commercial reasons partly due to the evaluation of the natural gas resource taking longer than expected. Therefore the pending termination does not, in itself, indicate an official change of the government’s position on state agreements in general, or to this one in particular (see PDWA, 2017, p.6266b-6267a). In fact, in speaking to the second reading of the termination bill, the current leader of the opposition stated: “we do not want a termination of this state agreement, but unfortunately we are in a situation in which the two parties have requested it and therefore we will support it ... It was originally quite a significant state agreement” (Collier cited in PDWA, 14 August 2017, p4272b).

Apart from new state agreements, during this period the volume of trade under existing state agreements entered into prior to the 1990s boomed as China overtook Japan to become the largest importer of Western Australian iron ore in the early 2000s (see Figure 6.1). China’s increasing demand for iron ore resulted in the price rising from around US$30 a tonne in 2002-03 to around US$150 a tonne in 2011-12, during which time the volume of sales by Western Australia increased by approximately 12 per cent per annum (DSD, 2017). Rio Tinto and BHP Billiton were the major exporters of iron ore produced pursuant to a number of state agreements (see Appendices), followed by Fortescue Metals Group pursuant to the Iron Ore (FMG Chichester Pty Ltd) Agreement Act 2006. However, from 1995 additional iron ore production commenced outside of state agreements by smaller mining companies (Department of Treasury, 2018).
In summary, there were 19 state agreements entered into between 1993 and 2012 as set out in Table 6.1. In terms of industry sector, these included: 5 forest products (Great Southern, South West, Perth Metro); 7 iron ore and steel (Pilbara, Mid West); 3 Energy (Kimberley, Pilbara, Goldfields-Esperance); 1 mineral sands (South West); 1 gas (Pilbara); 2 infrastructure (Pilbara). In addition, there were two agreements negotiated but not finalised or ratified regarding infrastructure development: (i) port and industrial estate at Oakajee, and (ii) gas exploration and LNG hub at James Price Point, as well as legislation passed to either terminate or modify existing state agreement acts. It was during this period that the political climate would most markedly shift in into one of more widespread scepticism about the ongoing utility or validity of the government entering into state agreements to further its resource and regional development objectives. The key provisions of Case Study 4: The Railway (Roy Hill Infrastructure Pty Ltd) Agreement Act 2010, the last ratified state agreement to be entered into during this period from 1993 to 2012, are set out in Table 6.2.

### Table 6.1: State Agreement Acts from 1993 to 2012

<table>
<thead>
<tr>
<th>Year</th>
<th>Region</th>
<th>Sector</th>
<th>Title</th>
<th>Party</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>Great Southern</td>
<td>Forest Products</td>
<td>Albany Hardwood Plantation Agreement Act</td>
<td>Lib</td>
<td>Current</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Ord River Hydro Energy Project Agreement Act</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1994</td>
<td>Kimberly</td>
<td>Energy</td>
<td>Ord River Hydro Energy Project Agreement Act</td>
<td>Lib</td>
<td>Current</td>
</tr>
<tr>
<td>1994</td>
<td>Pilbara</td>
<td>Iron Ore &amp; Steel</td>
<td>Goldfields Gas Pipeline Agreement Act</td>
<td>Lib</td>
<td>Current</td>
</tr>
<tr>
<td>1995</td>
<td>South West</td>
<td>Forest Products</td>
<td>Collie Hardwood Plantation Agreement Act</td>
<td>Lib</td>
<td>Current</td>
</tr>
<tr>
<td>1995</td>
<td>South West</td>
<td>Forest Products</td>
<td>Bunbury Tree Farm Project Agreement Act</td>
<td>Lib</td>
<td>Current</td>
</tr>
<tr>
<td>1995</td>
<td>South West</td>
<td>Mineral Sands</td>
<td>Mineral Sands (Beenup) Agreement Act</td>
<td>Lib</td>
<td>Current</td>
</tr>
<tr>
<td>1996</td>
<td>Pilbara</td>
<td>Iron Ore &amp; Steel</td>
<td>Iron Ore (Yandicoogina) Agreement Act</td>
<td>Lib</td>
<td>Current</td>
</tr>
<tr>
<td>1996</td>
<td>Pilbara</td>
<td>Iron Ore &amp; Steel</td>
<td>Iron Ore - Direct Reduced Iron (BHP) Agreement Act</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1997</td>
<td>Mid West</td>
<td>Iron Ore &amp; Steel</td>
<td>Iron and Steel (Mid West) Agreement Act</td>
<td>Lib</td>
<td>Repealed 2013</td>
</tr>
<tr>
<td>2000</td>
<td>South West</td>
<td>Forest Products</td>
<td>Wood Processing (WESFI) Agreement Act</td>
<td>Lib</td>
<td>Current</td>
</tr>
<tr>
<td>2002</td>
<td>Pilbara</td>
<td>Iron Ore &amp; Steel</td>
<td>Wood Processing (Wesbeam) Agreement Act</td>
<td>Lab</td>
<td>Current</td>
</tr>
<tr>
<td>2002</td>
<td>Pilbara</td>
<td>Iron Ore &amp; Steel</td>
<td>Iron Ore Processing (Mineralogy Pty Ltd) Agreement Act</td>
<td>Lab</td>
<td>Current</td>
</tr>
<tr>
<td>2003</td>
<td>Pilbara</td>
<td>Gas</td>
<td>Barrow Island Act (Gorgon Gas Processing &amp; Infrastructure Project Agreement)</td>
<td>Lab</td>
<td>Current</td>
</tr>
<tr>
<td>2004</td>
<td>Pilbara</td>
<td>Railway &amp; Port</td>
<td>Railway and Port (The Pilbara Infrastructure Pty Ltd) Agreement Act</td>
<td>Lab</td>
<td>Current</td>
</tr>
<tr>
<td>2006</td>
<td>Pilbara</td>
<td>Iron Ore &amp; Steel</td>
<td>Iron Ore (FMG Chichester) Agreement Act</td>
<td>Lab</td>
<td>Current</td>
</tr>
<tr>
<td>2008</td>
<td>Pilbara Goldfields-Esperance</td>
<td>Nickel</td>
<td>Nickel Refinery (BHP Billiton Nickel West Pty Ltd) (Termination) Agreement Act</td>
<td>Lab</td>
<td>Repealed 2013</td>
</tr>
<tr>
<td>2009</td>
<td>Mid West</td>
<td>Railway &amp; Port</td>
<td>Oakajee Port and Rail State Development Agreement Act</td>
<td>Lib</td>
<td>Not ratified</td>
</tr>
</tbody>
</table>

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6.4 The role of state agreements (1993 to 2012) in economic development

The range of miscellaneous state agreements entered into during the period from 1993 to 2012, compared with other periods discussed in Chapters 3, 4, and 5, perhaps appears more difficult to link together with a common theme. However, governance more generally during this post-Fordist period, particularly in the area of regional policy, was also relatively *ad hoc* or ‘mixed’ compared to prior periods. This perhaps reflects the historical geography of ‘Neoliberalism’, by some accounts the so-called ‘successor’ to Fordism, which effectively hit both a high point and a tipping point in the mid-1990s. Rather than succeed or fail as a ‘free-market regime-like conception bracketed in time and space’, neoliberalism seemed to morph into multifarious forms of ecological dominance, philosophically, politically, and practically (Peck et al., 2013). Actually existing neoliberalisms, it has been argued, not only *have* but *must* parasitically coexist with (or off) other state forms and social formations (Peck, 2011; Jessop, 2010). This has led to great variegations of institutionally cluttered ‘problem spaces’, rather than a coherent successor regime (Peck et al., 2013).

In the case of Western Australia there were some new policies introduced during this period, that more clearly aligned with the neoliberal project, along side some *ad hoc* regional development policies and a continuance of the development and use of state agreements. Environmental, local employment, indigenous, and social concerns would also come to the fore, both within and without the terms of state agreements. From the early 2000s onwards, there was an enormous increase of trade in iron ore with China under existing state agreements entered into in previous decades. Meanwhile, of course, China itself was going through its own
process of selecting and combining neoliberal policies with a unique form of state authoritarianism, on its path to become the world’s largest steel producer (Jessop, 2010). One recurring theme that did emerge in the objectives and terms of state agreements in Western Australia during this time, however, was a growing emphasis on the need to coordinate infrastructure and energy sources, along with a renewed impetus on establishing secondary processing industries.

Beer et al. (2005) suggest that regional development policies and practices in Australia have largely been determined by the interactions between four key determinant processes: ‘(i) the external philosophies of government and society; (ii) international policy transfer; (iii) agency learning and experience; and, (iv) political pressure and conflict’ (p.52). The relative significance of each varies over time and by location. Shifts in Western Australian regional policy during this period seemed to clearly reflect the key ‘external context’ identified in (i) and (ii), in the sense of governments embracing the neoliberalist philosophies and values that were being promoted as part of global restructuring processes evidenced in the ‘roll back’ of state intervention, as well as the political pressure identified in (iv), leading to the ‘roll out’ of new forms of intervention.

This experience of Western Australia demonstrates that the notion of geographical limits and friction in the implementation of policy ideals applies not only to core industrial regions but also resource peripheries. Even if there had been a clearly defined and agreed set of fundamentals of neoliberalism as aspired to by its modern founder, Friedrich Hayek, such abstract principles could not be brought into the world ‘unscathed’ (Hayter and Barnes, 2012). As soon as such aspirations begin coursing through networks, encountering geographical limits and meeting local institutions and material resources in particular places, forces of conflict and compromise they undergo transformation (Hayter and Barnes, 2012). The variegated experience of ‘actually existing’ neoliberalisms provided further support for the position of Polanyi (1944), amongst others, that a pure market could never exist on its own - as has separately been demonstrated and evidenced both logically and empirically time and time again. However, Peck and Tickell (2002) point out powerful ‘family resemblances’ also exist in applications of neoliberalism, necessitating adequate conceptualisations attentive to both local peculiarities and generic features. While not wishing to downplay local and
national differences in the constitution of the neoliberal project, they focus on some of the broader patterns and connections evident in the process of neoliberalisation, as it took shape in the North Atlantic zone (Peck and Tickell, 2002). While some of these patterns are also evident in resource peripheries, Hayter et al. (2003) argue that such regions, notwithstanding individual variations, are collectively different from cores in terms of their geographical limits; and therefore exhibit their own unique patterns of articulation of external policy ‘forces’.

First, the form of industrialisation in resource peripheries frequently takes on a different form from that of core regions. As discussed in Chapter 4, both Canada and Australia experienced a more ‘permeable’ form of Fordism characterised by much higher levels of exports and external control than that found in the Fordism of core manufacturing regions. Western Australia in particular, struggled to established any stable form of local industry or secondary processing, and was perhaps more vulnerable to the ‘cyclonic’ nature of staple production for this reason. When the Commonwealth government first began adopting neoliberal policy to facilitate restructuring of Australia’s manufacturing sectors and increase competition, Western Australia, conversely, was seeking to borrow funds for public expenditure to support infrastructure needs of mining and energy capital; the primary example being its commitments under the North West Gas Development (Woodside) Agreement Act 1979. Although the State government simultaneously adopted certain elements of flexible production, for example through changes to labour laws in the early 1990s, in an effort to increase the profitability of industry.

Second, there are a range of environmental concerns that are unique to resource peripheries. In Western Australia, the evolution of state agreements demonstrates how, over time, these concerns led to an increasingly organised form of environmentalism. This movement first became most prominent in response to threats to forests in the south west caused by the alumina refinery - subject of the Alumina Refinery (Wagerup) Agreement Act 1978 - and forestry operations. In part, this led to state intervention in the form of establishing publicly owned plantations to replace the use of old growth forests with plantation wood. The series of agreements relating to tree plantations for woodchipping represented a
compromise between environmental and employment concerns; these included the *Albany Hardwood Plantation Agreement Act 1993*, *Collie Hardwood Plantation Agreement Act 1995*, *Bunbury Tree Farm Project Agreement Act 1995*, *Wood Processing (WESFI) Agreement Act 2000*, and the *Wood Processing (Wesbeam) Agreement Act 2002*. By the time of the proposed Oakajee and James Price Point developments, ‘environmentalism’ had permeated the middle class with ‘ordinary’ Western Australians galvanising opposition to neoliberalist aims of reducing or eliminating obstacles to economic growth. Nevertheless, simultaneously, outside of state agreements the Western Australian government enacted policy to reduce the power of the Environmental Protection Authority (EPA), originally established in 1971, in the early 1990s after Richard Court’s Liberal-National Party was elected.

Third, the economies of resource peripheries, to varying degrees, are more subject to the cultural concerns of aboriginal populations than those of the industrial cores (Hayter et al., 2003; Ribot, 2000; Posey, 1999). In line with this observation, the evolution of state agreements in Western Australia during this period demonstrates a trajectory of increased organisation of indigenous populations in areas where mining activity is proposed to occur on land subject to native title or otherwise having cultural significance. In amendments to existing agreements and new resource agreements, there was increased attention to indigenous, environmental, and local benefits potentially arising out of the developments, such as the *Iron Ore (FMG Chichester Pty Ltd) Agreement Act 2006*, which differed significantly from the earliest Pilbara iron ore agreements in this regard. This illustrates the particular ‘friction’ of resource economies wherein capital must negotiate with indigenous populations, rather than proceed unhindered in determining the location and scope of its production. Although, in Western Australia, capital has been able to rely on strong state support to overcome and suppress this ‘limit’ as, amongst other examples, state involvement in negotiations with the Kimberly Land Council and indigenous groups regarding the proposed LNG hub at James Price Point demonstrated.

Fourth, the geopolitical situation of resource peripheries have resulted in particular types of ‘political limits’ to neoliberalism and globalism. These include fears regarding the potential exhaustion of natural resources, leading to a greater
sense of ‘public equity’ or entitlement to profit sharing in staple commodities, in contrast to manufactured goods, and a corresponding pressure on the state to protect such resources on behalf of the wider public. The historically strong rural sector in Australia generally, and in Western Australia in particular, was to play a strong role in the political backlash in response to the growing spatial inequity following the neoliberalist shift in regional development and planning policy. The adverse socio-economic impacts led to electoral risks becoming a priority concern for the state, further complicating its relationship with capital. The friction in this context led to the rolling forward certain forms of intervention to counter perceived market failures and social inequities, such as the creation of government-sponsored regional development agencies and distribution of mining profits through initiatives such as the Royalties for Regions policy.

The unique experience of Western Australia in this regard underscores the position of Hayter et al. (2003) in terms of aligning with the geographical limits they identify as particular to resource peripheries. However, upon closer scrutiny, the State’s development trajectory also serves to reflect the more universal shifts in the neoliberal project identified by Peck and Tickell (2002), that were seemingly overlooked by Hayter et al. (2003). To some extent, the Western Australian case may serve to demonstrate that there are certain ‘family resemblances’ in the transfer and implementation of ‘external/globalised’ ideals and strategy that, in fact, have actually impacted both core industrialised regions and resource peripheries with similar effect. While many studies have focussed on challenging the theoretical assumptions based on core experience that have overlooked the peculiarities of resource peripheries, it may well also be the case that, upon closer examination, there are as many (or more) commonalities between resource and core economic regions in terms of actually existing ‘neoliberalisms’.

For example, while Barnes and Hayter (1992), distinguish between the accounts of Harvey and Innis as being useful for understanding contemporary capitalism in core regions and the peculiarities of staples economies, respectively, there is clearly some overlap in application of these theoretical perspectives when considering the Western Australian experience. Both Harvey and Innis see economic events as fundamentally temporal and spatial; there is neither timeless
equilibrium, nor a pinhead economy (Barnes and Hayter, 1992). According to Harvey (1985), crisis-free accumulation would be the uninterrupted circuit of capital from production to sale to production again. The capitalist impulse is to reduce turnover time between the production and sale of a commodity, as each time a given amount of capital completes a production cycle surplus value is generated. Increasing the speed by which that capital completes the circuit will therefore accumulate even greater amounts of surplus value, as the same amount of capital can be used more frequently (Barnes and Hayter, 1992; Sheppard, 1990; Harvey, 1985). However, a major obstacle to the speed of turnover is ‘space’, in particular the time taken to transport goods from their sites of production to points of sale. Accordingly, ‘capitalists’ attempt to ‘annihilate space through time’ by eroding the friction of distance, such as through technological developments in transportation and communications (Barnes and Hayter, 1992; Harvey, 1985).

These observations by Harvey are reminiscent of Innis’s observation of the significant interest of the state in the development of transport corridors, hubs, and ports, primarily as a means of moving raw materials from peripheral regions to the industrial core more quickly. However, the fact that this state activity also facilitates the import of technology, goods and services from elsewhere detracts from conditions favourable for fostering downstream processing and local content. This aligns with Harvey’s account of the capitalist imperative to overcome the obstacles of space and time, seemingly compelling the assistance of the state regardless of whether or not such ‘spatial fixing’ will be beneficial for the economic base of the local or regional economy.

In both resource and core economies, therefore, infrastructure and transport channels, such as ports, railways and roads - a critical priority of the Western Australian government within and without state agreements during the period from 1993 to 2012 (including the proposed ports at Oakajee and James Price Point) - are paramount to ‘speed’ up the flow of capital across space. The creative and destructive forces in the tension between space and time identified by both Harvey and Innis is reflected in the government’s priority in ‘directing’ the location of key infrastructure such as ports and rail in the Oakajee and James Price Point developments, amongst others, regardless of detrimental impacts on
local employment, social/spatial equity and the maturation prospects of a staple economy.

Further support for this view is found in more recent state agreements, such as the Railway (Roy Hill Infrastructure Pty Ltd) Agreement Act 2010, which indicate that the state’s focus has moved away from involvement with the production aspects of staple commodities and secondary processing, toward facilitating and coordinating infrastructure and transport speed more generally. The assistance and flexibility in permitting potential developers to import labour and materials to maximise profits, rather than hold them to obligations to utilise local content, again is more consistent with the imperative to remove all obstacles for capital. These activities of the state, both within and without the terms of state agreements, have played a role in the MSR and accumulation regime of Western Australia during 1993 to 2012 with mixed ‘success’. Furthermore, while Wellstead (2007) identifies the trend from the staples state to a ‘post’ staples state in Canada, as corresponding to a shift from the Ricardian form of competition (linked to a staples state) to a form of Schumpeterian competition (linked to post-Fordist states as classified by Jessop (2003)), there is some cross-over in the theoretical underpinnings of each ‘regime’ and their application. Plumptre (1937), the first scholar to unite perspectives from Innis and Schumpeter in the same work, explains why innovations in new staple countries deserve special attention as causes of periods of development.

First, innovations in this context involve the discovery or novel exploitation of natural resources that would likely produce significantly more profitability than an invention in a mature manufacturing economy. Second, new production of natural resources will involve a more geographic, as well as an occupational, redistribution of population and issues with migration. Such patterns will have effects on capital requirements (regional infrastructure), the political balance of power, and on the social and economic life of large portions of the community. In Schumpeter’s terms, these innovations would be ‘productive revolutions’ which Plumptre considered would be as important and extensive as an industrial revolution in an ‘old’ country (1937, p.494 citing Schumpeter, 1934, p.62). Third, in new countries there is more stress on innovations as causal or conditioning factor in development because, unlike closed systems where the money and
capital factor requires attention to elasticity of supply, velocities of circulation, banking systems and creation of credit, in open staple economies if money was needed for development it would need to be borrowed from abroad (Plumptre 1937, p.494).

The experience of Western Australia serves to support not only these observations by Schumpeter on the impact of innovations in resource economies on development, but also each of the ten elements of ‘staple theory’ referred to by Plumptre (1937; see Chapter Two). Even his tenth element, ‘imperialism’, has application to current Western Australia, albeit in a broader sense. The key conditions of imperialism identified by Plumptre in 1937 such as trade dependence on one main country, the influence of the economic fortunes of the importing country on the exporting country, the tendency to seek examples or advice from external sources on policy and technology matters, and immigration issues continue to be relevant - albeit through alternative connections that have replaced the primacy of Great Britain. Western Australia’s iron ore exports, in particular, have largely become linked to the fluctuations of the economic growth of China - ever since it took over from Japan to become the largest importer of such commodities in 2005. Indeed, imperialism was one of the four dimensions or geographical limits identified in the more recent work on resource economies by Hayter and Barnes (1992), along with industrialism, environmentalism, and ‘aboriginalism’, that apply to contemporary resource peripheries.

However, as imperialism in the broader sense encompasses economic, political, cultural and sentimental dimensions, once again it is not a feature exclusive to staple economies. The globalising trend of ‘neoliberalism’ may also be conceptualised in the narrow sense as an ‘external source’ of policy and technology, and more broadly as a multifarious form of political and economic ‘imperialism’ that impacts both cores and peripheries. Such impacts are not predetermined but co-constituted depending on the different responses, as this case study of Western Australia clearly demonstrates. Measures taken by Premier (Richard) Court’s government soon after the 1993 election aligns with policy trends in core regions to lower costs and increase profit for the private sector. For example, legislation effectively reducing the power and regulatory protection of labour, the environment and indigenous land rights.
Restructuring of the mining industry during this period, was to see cost saving innovations introduced such as the fly-in, fly-out (FIFO) model supported directly and indirectly by both State and federal governments. FIFO is a practice that allows companies to fly labour into ‘resource location/host communities’ to complete shifts at nearby mines and then fly them back out to ‘labour source communities’ in other areas of the State. Apart from direct cost savings from not having to provide long-term housing or other facilities for employees (including new towns or ‘places’), additional tax benefits have incentivised this model of employment practice. The government response to increasing voter concerns on the issue of spatial equity was to ‘roll out’ the unique Royalties for Regions scheme, whereby the government distributes some of its own existing ‘cut’ of the resource revenue stream across the State, without imposing further costs on mining companies. Finally, while the proactive stance of former Premier Colin Barnett’s government to direct the location of infrastructure, such as ports and railways, through the negotiation of state agreements may have frustrated particular companies negotiating the state agreements for projects at Oakajee and James Price Point, overall it seemed to align with the preference of ‘free’ market advocates to reduce the obstacles of ‘space and time’ to expedite the ‘flow of capital’.

Certainly during this period, as Figures 6.2, 6.3 and 6.4 illustrate, Western Australia was successful in ‘grasping the opportunity of China’s growth’, as Premier Barnett had hoped would continue (Sydney Morning Herald, Feb 3, 2013). Figure 6.2 shows the increase in China’s demand for steel, and corresponding increase in iron ore imports. Figure 6.3 shows that Australia dominated its competitors in iron ore exports. Figure 6.4 shows that this domination by Australia was due to Western Australia’s production and export of the commodity.

The ad hoc mix of policies which partially adopt neoliberal policy supports recent theorising in economic geography on the uneven development of neoliberalism across geographical space and the temporal evolution of neoliberal ideology and practice by Peck (2011), Jessop (2010), Harvey (2005), and others. Rather than a threshold or a linear path towards a purely free market, neoliberalization denotes the form of state/economy relations’ (Peck, 2011, p.11).
Figure 6.2: Growth in China’s steel production/demand for iron ore 1994 to 2014  

Figure 6.3: China’s imports of iron ore by country 2014  

Figure 6.4: Western Australia’s share of iron ore imports 1964 to 2014  

The methodological challenge—of finding neoliberalism in its various moments of actualization, failure, normalization, and adaptation—is an intrinsically geographical one, according to Peck (2011), however the outcome is not a ‘map’. As the paths of both Western Australia and China demonstrate, neoliberalism has
not diffused in an invariant form, but instead has developed in a geometric fashion in a series of traverses across shifting landscapes (Peck, 2011; Arrighi, 2007). Through the increasing global interpenetration of its contextually specific ‘local’ forms, and partial applications, it is a matter of determining the relational location of specific events, actors, and claims on the broader terrain of socioregulatory restructuring (Peck et al., 2013; Jessop, 2010; Harvey, 2009).

This geographical and institutional approach to understanding trends of development under neoliberalism summarised by Peck (2011) and Harvey (2005) below, is reminiscent of the approach taken by Innis to understanding waves of development in staple economies:

The uneven geographical development of neoliberalism, and its partial application from one state and social formation to another, testifies to the tentativeness of neoliberal solutions and the complex ways in which political forces, historical traditions, and existing institutional arrangements all shaped why and how the process of neoliberalization actually occurred (Harvey, 2005, p.13).

In this sense, the form of neoliberalism evident in Western Australia is not ‘deviant’ from any norm, nor necessarily more ‘hybrid’ than the experience of core countries; as it cannot be conceptualised as a developmental stage or measured quantitatively. The absence of a clearly defined or fixed regime perhaps accounts for the resilience of the neoliberalist project even after the 2007-2009 financial crisis, which potentially threatened to match or exceed the scale of the previous Fordist ‘crisis’. In Western Australia, the ongoing mining boom and development under state agreements softened the aftermath of the 2009 global crisis on the State economy as a whole. However, the positive and negative impacts of the increasingly ‘two-speed economy’ were spatially uneven.

6.5 Conclusion

The trajectory of state agreements in Western Australia, in the period from 1993 to 2012, in particular, reflects not only key elements of early staple theory, geographical limits of contemporary resource peripheries identified by modern staple theorists, but also broader trends in economic theorising based on the
experience of core countries. Because the rise of neoliberalism coincided with the breakdown of Fordism and the apparently terminal collapse of Keynesian social regulation, it was in some accounts, as Tickell and Peck (1999) pointed out, afforded the status of a regime of accumulation in waiting. However, as Jessop (2002) was to clarify, a neoliberal regime shift was only one of many possibilities. Emerging regimes could take neoliberal, neocorporatist or neostatist forms depending on local circumstances (Jessop, 2002). Further, while regulation theorists are often portrayed as arguing that Fordism transitioned to a new ‘post-Fordist’ regime of accumulation, more typically regulation accounts have viewed both the processes of accumulation and of political and social regulation as being in a state of flux and experimentation since the breakdown of Keynesianism (Broomhill, 2001).

During the period from 1993 to 2012 in Australia, there were clear differences in the processes of regulation and the role of the local state from region to region (Broomhill, 2001). Policy approaches of Australian State governments in the 1990s, while increasingly influenced by neoliberalism, continued to manifest a number of elements of a more interventionist economic strategy towards promoting growth (Broomhill, 2001). In Western Australia, the influence of neoliberalism was most evident in the privatisation of state entities, wider deregulation, and subordination of social and environmental policy, particularly in the regional development policy context. At the same time however, state intervention continued in the form of state agreements, albeit subject to more open criticism of this approach from within and without Parliament. For the first time, state reluctance in making the terms of certain agreements subject to public and parliamentary scrutiny became evident, such as the later Oakajee and James Price Point agreements.

In terms of conceptualising the activities of the state during this period, arguably for the first time there was a clearer departure from any Keynesian Welfare State policies. To the extent that the state intervened in economic development, it was more clearly in line with supporting both Ricardian and Schumpeterian forms of competition. This was evidenced particularly in the arena of regional development policy. The projects that were targeted with public expenditure,
within and without state agreements, were mostly concerned with ensuring strategic location of transport infrastructure in order to speed up the circuit of capital. In terms of express financial support from the state, this only occurred in the two potential state agreement projects that were never ratified and made public, Oakajee and James Price Point. At the same time, there was a clear retreat from support of social policies, and indeed active suppression of opposition from labour, environmental and indigenous groups. Although, within the basket of ‘mixed governance’ tools, policies such as the Royalties for Regions initiative managed to effect some improvements in spatial equity, this was more driven by strategic political objectives to obtain the rural vote, rather than motivated by social or spatial equity objectives that typified the Keynesian era of governance.

From a regulationist perspective, a coherent post-Fordist state structure was yet to emerge or stabilise by the mid-1990s in many regions (Peck and Tickell, 1994), including Western Australia. On the contrary, there was increasing evidence that neoliberalism was not only failing to produce the economic improvements it promised, but was resulting in severe social and economic disadvantage across a number of regions. By the late 1990s, a ‘post-neoliberal movement’ began to emerge in response to its perverse consequences and uneven spatial impacts. The 2007–09 financial crisis, was another critical turning point. However, still now there is no consistent trend toward ‘post’-neoliberalism that can be evidenced; the actuality is rather more institutionally cluttered and experimental (Peck et al., 2013). The most consistent thread underlying development efforts during this period between 1993 to 2012 in Western Australia was the continued reliance on staple commodities, and state-led efforts to coordinate the location and provision of infrastructure and energy to facilitate their export.
Table 6.2: Case Study 4 Key obligations of the state and the Roy Hill Infrastructure Pty Ltd. in the Railway (Roy Hill Infrastructure Pty Ltd) Agreement Act 2010

<table>
<thead>
<tr>
<th>Company obligations</th>
<th>State obligations/concessions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• To carry out geological, geophysical, geotechnical, engineering and environmental studies to enable it to submit detailed proposals</td>
<td>• Grant consent to enter Crown land with plant and equipment to carry out works</td>
</tr>
<tr>
<td>• To consult with the state on the location of the railway and associated infrastructure, including temporary accommodation facilities for the railway workforce</td>
<td>• Modification to the Aboriginal Heritage Act 1972 provisions as it applies to this project</td>
</tr>
<tr>
<td>• Consult with title holders in respect of land affected</td>
<td>• Follow procedures regarding approval of the company’s proposal – subject to the terms of the Environmental Protection Act 1985</td>
</tr>
<tr>
<td>• To consult with the state regarding area of port to lease, and location of railway to port and access roads</td>
<td>• Grant the company a miscellaneous license and special railway licence for the proposed railway corridor, notwithstanding the provisions of the Mining Act 1978</td>
</tr>
<tr>
<td>• To consult with the relevant local government(s) with respect to the need for community and social benefits in relation to developments proposed and preparation of a ‘community development plan’</td>
<td>• Undertakings that local and state government land zoning powers will not impact on the activities of the company for the duration of the state agreement</td>
</tr>
<tr>
<td>• To submit a detailed proposal on the location, area, layout, design, materials and time program for the commencement and completion of the construction or provision of: the railway, fencing, railway workforce accommodation, water supply, energy supply, access roads, any other works desired by the company</td>
<td>• Provision that all land within the lease, excluding accommodation, will be rated at unimproved value for the duration of the state agreement</td>
</tr>
<tr>
<td>• Use local labour and materials “except where it can demonstrate that it is not reasonable and economically practicable to do so”</td>
<td>• Undertakings not to resume land or other property used by the company for the purposes of the state agreement without the company’s consent</td>
</tr>
<tr>
<td>• Construct the railway and keep it in an operable state, and grant third party access per direction from the state</td>
<td>• Specific authority for the state to resume land on behalf of the company</td>
</tr>
<tr>
<td></td>
<td>• ‘No discrimination’ clauses prohibiting State agencies treating the company (often foreign owned) less favourably than other companies.</td>
</tr>
</tbody>
</table>

*Source: Compiled by author from Parliamentary Counsel’s Office (2018) data*
CONCLUSION

Keynes subscribed to a belief in the legitimacy of state intervention because such intervention removes the weaknesses of pure market mechanisms; Polanyi perceived the dangers of treating the most important ingredients of society – that is money, labour and the environment – as mere commodities; and Innis warned against the highly volatile nature of international markets presented to countries with overspecialised economies (Boyer and Drache, 2005, p.9).

The history and geography of Western Australian economic governance reflects a significant degree of the interpenetration of the state and the economy in modern capitalist societies, and how the forms of state intervention have changed over the years in response to numerous factors. However, in examining the particular institution of state agreements, across the regional scale of Western Australia, and associated state activity and discourse, it is clear that analysis of economic development cannot be reduced solely to a functionalist analysis of the state nor to the external factor of transnational capital. Rather, particularly as the series of iron ore state agreements in the Pilbara exemplifies, there has been a unique combination of geography, technology and institutional features that have both shaped, and been shaped by, the relationship between state and capital across a particular time and space.

The re-emergence of the issue of uneven development in the early 2000s became a source of popular and political debate within Australia, ignited in part by another mineral boom of Western Australia (Connolly and Orsmond, 2011). Central to this discourse was evidence of a growing economic and social divide between regions with a strong mining sector, and those that remained dependent on manufacturing and services (Plummer and Tonts, 2013). The strong economic growth of Western Australia in Australia’s increasingly ‘patchwork’ economy, particularly in the period between 2004 to 2012, was attributed in part to ‘stronger net benefits from an increasing level of involvement with the global economy than its counterparts in the rest of Australia’ (DSD, 2012a, p.2). According to the State government, positive linkages between Western Australia and international
economic trends were illustrated by the inward flow of mineral and energy based investment and the outflow of commodities (DSD, 2012a).

A significant percentage of this ‘flow’ stemmed from the development of the iron ore industry in the Pilbara region (DSD, 2012b). The largest single cause of this stimulus was identified as China’s continued expansion, which took over from Japan as the largest recipient of iron ore exports in 2005 (DSD, 2012a). Although the impact of the Chinese market is clearly significant (see Figures 6.2, 6.3 and 6.4), there is a myriad of conditions and institutions that have impacted the historical and geographical trajectory of economic development in Western Australia. This thesis has considered the impact of the institution of state agreements, and the underlying relationship between state and capital reflected in these unique instruments, on the history of the Western Australian economy and its capacity to respond to current trends. By the end of 2012, approximately 85 per cent of all mineral and petroleum production in Western Australia was produced under the terms of these unique policy instruments (DMP, 2013). In 2018, approximately 87 per cent of iron ore continues to be produced under state agreements, and many commodities such as diamonds, alumina and bauxite are still 100 per cent produced under state agreements (see Appendix 4; DMIRS, 2018).

The widespread use of state agreements in Western Australia to facilitate development of major resource–based projects reached its pinnacle in the wave of iron ore agreements that commenced the development of the iron ore industry and a series of ‘mining towns’ in the Pilbara. The key period for this series of agreements was between 1962 and 1978. The majority of current agreements commenced during this period (see Figure 7.1). The list of current state agreements is set out in Appendix 1. Appendix 2 traces their spatio-temporal evolution over each of the relevant periods, and against a recent Western Australian economic profile. Appendix 3 sets out the volume of resources still produced under state agreements, with updated statistics on output and royalties.
The majority of current state agreements relate to the mineral and petroleum resource industry but, as discussed herein, since 1952 they have been implemented by successive Western Australian governments to facilitate various outcomes in other areas such as agriculture, food production, industrial lands, cement works, property development and chemicals. The key sectors in which state agreements currently operate are iron ore, LNG, oil, forest products, alumina, salt, nickel, diamonds, gold, energy, coal, uranium, copper, mineral sands, and infrastructure, as set out in Figure 7.2.

State agreements are binding on both the state and the company for their duration. The term of the agreement can be tied to the duration of the mining lease, typically anywhere up to 60 years, or it can be for a fixed term. Many agreements have not been entered into for a specific term, but have been designed to operate through the life of the project (DSD, 2011). The duration of state agreements as estimated in 2004 by the Auditor-General is set out in Figure 7.3. The volume and
pattern is substantially the same in 2012, notwithstanding the addition of some, and termination of others as discussed in Chapter 6, and set out in Table 6.1.

Figure 7.3: Estimated lifespan of current agreements (in years)

All state agreements contain a provision that they cannot be subsequently amended without the consent of the parties. While parliamentary sovereignty cannot be fettered if the parliament chose to unilaterally amend or repudiate the ratifying legislation and provisions of the corresponding state agreement, if it were to do so, it would likely be considered to a breach of good faith undermining the security and certainty of the of state agreements, which is the defining character of the institution. The effect of ratification by parliament, although this has never been challenged judicially, is that the provisions of a state agreement may override the existing statutory laws of the state to the extent of any inconsistency, for example the *Mining Act 1978* and the *Land Administration Act 1997*. All current agreements are now subject to the provisions of the *Environmental Protection Act 1985*, although prior to the 1970s they tended to override any applicable environment protection legislation.

From time to time, agreements have been renegotiated, mainly in respect to the level of royalties charged – for example, in 1997, the *Cement Works (Cockburn Cement Limited) Agreement 1971* was amended to require, for the first time, the company to pay royalties for shell sand from Cockburn Sound, and to tighten environmental controls due to public criticism of the adverse impact of its mining
on seagrass in the area. In 2011, a series of the Pilbara iron ore agreements were amended to remove historical concessions on royalty rates resulting in the *Iron Ore Agreements Legislation (Amendment, Termination and Repeals) Act 2011*. This reflects a trend to bring state agreement provisions more in line with the general law, particularly with respect to royalty rates, labour and environmental regulations.

The development of regional centres, population expansion, legislative changes and economic factors that have occurred in the interval since state agreements were first used to facilitate project development, have all impacted on the stated objectives of the state entering into these agreements (Barnett, 1996). The government of Western Australia recently has summarised the state’s broad objectives in entering these agreements (DSD, 2011), which are to:

(i) Facilitate the efficient and effective development of the State’s natural resources;
(ii) Manage development by ensuring it is consistent with State policies on issues such as land use, conservation, competition, infrastructure sharing, secondary processing development and maximising local content; and
(iii) Ensure that development provides economic and social benefits for the Western Australian community.

While state agreements are a form of legal regulation in the narrow sense they also, as demonstrated in this thesis, played a key role in: (i) implementing the broader governance strategy associated with Keynesian economic policy; (ii) facilitating the growth of staples exports; (iii) establishing a unique form of state corporatism through the development of various projects with public equity; (iv) compensating for, or providing a counter balance to, the broader governance strategy associated with neoliberal economic policy; and (v) co-constituting and constructing a discourse of development for the State of Western Australia, initially with their focus on employment and industrialisation, moving through optimistic versions of staples theory, and later embracing more vague notions of the benefit of large growth and the importance of infrastructure in removing the
impediments to the circuit of capital. Accordingly, these instruments not only directly contributed to the regime of accumulation associated with both Fordism and post-Fordist regimes in regulation theory, by directly attracting foreign capital and stimulating significant industrial clusters, but also formed part of the corresponding MSR through influencing social and cultural norms – primarily by encouraging acceptance of an optimistic vision of ‘catching up’ to the eastern States in terms of employment opportunity and economic growth.

In examining the role of the institution of state agreements as part of the broader MSR and its coupling to the accumulation process, this thesis has divided the analysis into four separate periods: (i) 1952 to 1961; (ii) 1962 to 1978; (iii) 1979 to 1992; and, (iv) 1993 to 2012. This division is based on shifts in the terms of state agreements relating to public-private responsibility for infrastructure, industry sectors, the governance context, and objectives of development. As noted by Jessop and Sum (2006), the primary purpose of any periodisation is to interpret an otherwise undifferentiated ‘flow’ of historical time by classifying events and/or processes in terms of their internal affinities and external differences in order to identify successive periods of relative invariance and the transitions between them. Accordingly, epistemologically, periods do not exist in themselves prior to their identification. The empirical feasibility of indentifying continuity or discontinuity depends on the objects being periodised and the levels of abstraction and complexity at which they are being studied. Transitions, however, never involve a total rupture, path dependent conservation-dissolution effects can occur (Jessop and Sum, 2006), as demonstrated by both the continuities and anomalies of the four ‘periods’ of state agreements identified between 1952 and 2012.

Similarly, while the Western Australian development trajectory, does not align completely with the stylised history of core industrialised regions in regulationist accounts, this research has demonstrated some parallels that may be drawn which support the view that state agreements have played a pivotal role in the MSR and accompanying accumulation processes since 1952. The evolution of state agreements demonstrates how at certain times and in certain sectors, they worked very well to contribute to accumulation and economic growth, whereas others
were only able to deliver for a relatively short period of time and not fully realise
the vision embodied in their stated objectives. In each case, the final ratified
agreement and commitment by the state was tempered by debates and
compromises, within and without parliament, on the allocation of resources. The
persistent discourse of successive Western Australian governments promoting
‘development’ to catch up to the eastern States, was influential in establishing
widely held norms and values aligned to support state activity aimed at
facilitating growth. The beliefs bolstered seemed to suggest that all society
would benefit. Over the decades, these values were to wane and transform to
include broader conceptualisations of development that included indigenous,
environmental, labour, and local community dimensions, that hitherto had been
excluded from the vision. This evolution came to be reflected in the additions and
modifications to the standard terms of state agreements that were to occur as and
when the state found it could no longer suppress the views of ‘minority’ sectors.

The series of state agreements entered into between 1952 and 1961, four of which
are still in operation (see Table 3.1), contained provisions that aligned with the
Keynesian form of governance, for example in the provision of infrastructure
spending by the state, including establishment of housing for workers, and the
emphasis on employment creation. The Fordist-Keynesian configuration of
capitalist development was grounded upon a historically specific set of regulatory
arrangements and political compromises that provisionally stabilised the conflicts
and contradictions that are endemic to capitalism (Harvey, 2005; Brenner and
Theodore, 2002; Lipietz, 1982). Despite the state’s efforts in the 1930s and
1940s, Western Australia had been largely by-passed by manufacturing
development and post-war continued to be characterised economically by a large
pastoral and agricultural sector (Thompson, 1983). The initial series of state
agreements entered into in the 1950s were key in establishing an industrial cluster
at Kwinana, which continues to contribute to the economy today (see Table 3.2).

While the industrial development that occurred under state agreements in the
1950s in Western Australia was amenable to a regulation theoretical analysis,
despite some variations from the stylised history based on the experience of core
industrialised regions, the primary emphasis on resource development of state
agreements in the 1960s and 1970s provides more of a challenge to a pure regulation theoretical analysis. The Keynesian period of governance lasted until the early 1970s, in typical cases, however commencing with the first Pilbara iron ore agreement in 1962, state action in Western Australia did not appear to align with this form of governance. The immense distances and lack of existing infrastructure in the Pilbara region led to the state requiring private capital to take responsibility for the bulk of infrastructure costs, in contrast to its express obligations in state agreements prior to 1962. The main outcome of state agreements during this period was the regional development of the peripheral Pilbara region of the State based on iron ore mining. In order to examine this particular development trajectory and associated social formations, it is instructive to employ perspectives from staple theory, that specially address the discrepancy between the centre and the margin in spatial patterns of economic growth. Indeed, the focus of the state in its development objectives to support accumulation during this period seemed to be based on a hybrid form of optimistic staples theory and modern development theory. Nevertheless, the great majority of the current [60 or so] state agreements still in effect were entered into during this ‘period’.

Regulation theorists are critical of theories of development that purport to identify and predict fixed stages of growth, and the narrow focus of orthodox economics on production functions, economising behaviour and pure market forces (Jessop 2006). Notwithstanding the positive and negative versions of staple theory, Innis himself also did not intend or utilise staple theory as a theory of economic growth; rather it was an historical thesis or economic interpretation of economic history of a particular region at a particular time (Barnes and Hayter, 2006). Barnes et al. (2001) contend that Innis was constitutionally unable to theorise in the abstract. His conception of space and time was informed by a particular case – an investigation of staples production in Canada grounded in empirical detail (Barnes et al., 2001). Innis’s contention, based on his ‘dirt research’, is that the peculiar space-time relations produced within staples production can be temporarily controlled by non-economic institutions, permitting stability and prosperity but it never lasts. Sooner or later the space and time relations of staple production rupture, creating economic disruption.
This notion of stability interchanged with crises in accumulation is similar to the basic contention of regulation theory about the inherent contradictory tendencies of capitalism. However, whereas regulation theory focuses on the MSR and its relationship to accumulation in seeking to explain periods of stability whereby capitalism manages to ‘postpone’ the crisis, staple theory focuses on the process by which staples create new space-time configurations, and the forces by which they dissolve (Barnes and Hayter, 2006). And whereas regulation theory, at least historically, has focused on the shared experiences of core-industrialised nations at the national scale, Innis was concerned with devising a theory in the margin to explain the margin, and to warn of the cyclonic dependency of a staples region (Barnes et al., 2001). For a time in the 1960s and 1970s, it seemed that Western Australia had managed to lock itself into an independent growth trend (Lipscombe, 1979). The combination of the strong global demand for steel - industry’s basic building block – coinciding with the discovery of iron ore deposits in the north of the State, resulted in an unprecedented upsurge in the State economy based on iron, which seemed for a while to also carry development of nickel and other minerals with it. However, the 1973 Arab oil embargo and ensuing recession was to become a reminder that in reality the State economy was still interdependent with the ebb and flow of the fortunes of industrialised countries (Lipscombe, 1979). The next 30 years saw a decline in the prices of iron ore and nickel. Towns that had been established based on the boom of a resource waned or, in some cases - as Wittenoom or Shay Gap - disappeared altogether. Also, even while certain resource regions were growing, towns and regions based on agriculture were in a state of decline, reflecting the boom and bust cycles of staple economies.

The state’s role in assisting accumulation and managing conflict in Western Australia during the 1960s and 1970s was evident both within state agreements themselves and in broader socio-political context. For example, apart from overt financial assistance expressed in state agreements with respect to concessions and royalty rates, and exemptions from environmental and labour legislation, the state assisted the companies in a variety of ways by encouraging and co-ordinating migration to meet labour demand, by using its influence to assist with marketing - particularly in Japan, by undertaking spending on the upgrading of facilities in the
Pilbara, and by managing and excluding indigenous and cultural heritage concerns for specific development projects (Thompson, 1983; Layman, 1981). An extensive road works programme was carried through and urban services – such as town planning, water and power supplies, harbour works, schools and hospitals – were extended and improved in existing towns (Brown, 1981; Layman, 1981).

The changing conditions in the late 1970s, however, were to lead to the state more visibly assuming responsibility again for infrastructure provision to an unprecedented degree, as exemplified by its express obligations in the North West Gas Development (Woodside) Agreement Act 1979. In many industrialised regions, the neoliberal reforms of the 1980s and 1990s were generally driven by a radical shift away from post-war policies and regulatory frameworks based loosely around the principles of Keynesian economic management (Jessop, 2006; Cumbers and Mackinnon, 2011; Fagan and Webber, 1994). While, during the same period, the Western Australian government did in part adopt such neoliberal policies, such as introducing individual workplace agreements, for example, to increase flexibility and competition in the labour market, it also moved against this general trend, perhaps fulfilling its functions as a staples state in the process, to provide substantial funding for infrastructure to help improve the profitability of the private sector in investing in resource development. Apart from the use of state agreements to facilitate staples development, the other main driver leading to a departure from neoliberalist strategy adopted in this period was the use of state agreements to facilitate a form of ‘corporatism’ or even ‘statism’. This approach is evidenced in the series of agreements and other activities engaged in by the state, primarily under the leadership of Premier Burke, which came to be known as ‘WA Inc.’ and involved direct involvement by the state through public investment and equity holdings in various enterprises, such as the Argyle diamond mine, for example.

During the 1990s, sub-national governments in most industrialised countries came under pressure from many conflicting sources to formulate coherent policy responses to challenges raised by globalisation. Even in cases where sub-national governments adopted a fundamentally neoliberal approach to policymaking in general, their ‘basket’ of policies often included elements that, contrary to the tenets of neoliberalism, involved using non-market co-ordination to address
particular market inadequacies and failures (Broomhill, 2001). These seemingly contradictory policy trends represent, in part, different responses by different local states to widespread restructuring linked to processes of globalisation and neoliberalism. The continued use of state agreements by successive governments of Western Australia during this time represents one such form of non-market coordination, particularly in its efforts to locate infrastructure and facilitate secondary processing to ‘progress’ development based on staple exports to a more diversified and industrialised economy.

There has been some moderate success in some parts of the State with secondary processing – for example: the mining of asbestos at Wittenoom in the 1950s entailed its milling in the 1960s (until its closure in 1966); the mining of the iron ore deposit at Koolyanobbing allowed limited BHP steelworks in Kwinana due to proximity to the source of raw materials (until closure of the Kwinana blast furnace in 1982); the mining of ilmenite produced Laporte’s £4 million titanium oxide plant in Bunbury (until closure in 1990); and, Aloca’s bauxite mining in Jarrahdale fed its £10 million alumina refinery at Kwinana (until closure of Jarrahdale mining operations in 1998). However, despite some initial attempts at further iron ore processing in the Pilbara by both Rio Tinto and BHP, these were not to prove sustainable in the long term.

According to the staples thesis, development and economic growth in resource peripheries occurs through investment in backward and forward linkages, a diversification process that either supports or results from the extraction, production and/or export of staples (Gunton, 2003; Altman, 2003; Hayter and Barnes, 2001; Innis, 1930). However, Innis (1930) and others emphasised, there is nothing automatic about such diversification and growth (Barnes et al., 2001), and the Western Australian experience supports this position. If it occurs, it is the consequence of a particular intertwining of the distinctive forces of geography, institutions and technology (Hayter and Barnes, 2005; Gunton, 2003; Hanink, 2003). As Innis (1930) demonstrated with respect to Canada (Barnes et al., 2001), and as the evolution of state agreements in the 1960s and 1970s also demonstrate, the very spatiotemporal constitution of staples accumulation is characterised by a fickle nature, vast distances separating production from control and from consumers, unstable prices and investment patterns, and market demand
viable only with obvious support from nonmarket institutions. As a counterfactual hypothetical, it is reasonable to conclude that without the significant level of foreign capital attracted to develop iron ore deposits through state agreements, the extent of regional development in the Pilbara, including the establishment of new towns, would not have occurred or at least been significantly delayed and more piecemeal.

In showing that there is nothing natural about the market or its consequences, the staple approach shares the basic institutional premise of the regulation approach (Barnes et al., 2001). Like Polanyi and the regulationsists, Innis recognised that all market economies were embedded in non-market institutions. Markets emerged from a web of historical and cultural contingencies, and not from generalised law-like movements of supply and demand (Barnes and Hayter, 2005; Lee, 2002). As Innis (1933) was at pains to point out, institutions, culture and social norms all play a role in shaping the nature of staples dependency. In the context of Western Australia, primary amongst such institutions was the role of the state and state agreements. This assertion is not intended to undermine the basic premise of regulation theorists that the state cannot be seen as a separate agent acting voluntarily to intervene whenever capitalism needs it or the position that the state itself must be studied as an object as well as agent of regulation (Jessop, 2006). Rather it is more aligned with Polanyi's history of trade and markets wherein he argues that institutional conditions sustain the circular interdependence of economic movements and ensure their continued reproduction – without which neither the unity nor the stability of the economic process is possible (Jessop, 2001).

In more recent political economic works, the role of institutions in the promotion (or hindrance) of regional development has attracted increasing attention (Tomaney, 2014). These more recent contributions to the debate on institutions and economic development share in common a concern with the constructive role of the state, including the local and regional state, in shaping patterns of development (Tomaney, 2014). Further, only relatively recently has research applying regulation theory rediscovered spatial variegation, bringing with it a focus on the micro-macro relationship, and asking how space and scale come to be produced and reproduced in and through regulation and governance (Peck,
2013; Jessop, 2006). Additionally, there is a pattern, further illuminated by discourse theorists, to ‘rescue’ the overall regulation approach from economism and connect it to studies of hegemony and domination (Peck et al., 2013; James, 2009; Jessop, 2006).

Both land (natural resources) and labour (people) are outside of the logic of capital and value production and so ‘governed’ or regulated by different [social or natural] forces, hence ‘fictitious’ commodities in neoclassical accounts, according to Polanyi. Outside of a pure imaginary, capitalism is structurally coupled to other systems with their own operational logics and to the ‘lifeworld’ formed by various social relations, identities, interests and values not otherwise anchored in specific systems (Jessop, 2006). At least some of these extra economic conditions and forces must be integrated into accumulation strategies to make them feasible. Thus accumulation strategies are usually associated with modes of regulation that regularise the extra economic as well as economic conditions required for expanded reproduction. This is why the more successful accumulation strategies are often connected to hegemonic projects that link economic success to the national-popular (or State equivalent) interest that aims to mobilise a broader social constituency behind the growth strategy (Peck, 2013). The discourse around ‘development’ and ‘growth’ in Western Australia over successive periods in the implementation of state agreements supports this argument. This in turn demonstrates how capitalist evolution is linked to embedding institutions, and how the latter may help or hinder the overall reproduction, regularisation and governance of the economy.

From a more spatial perspective, Harvey (1990, 1988) has noted how geographic relations are altered through ‘spatial fixes’ that are periodically created and destroyed. Such ‘remapping’ of geography has occurred periodically throughout history. The Fordist regime of accumulation, for example, led to the creation of mass-production industrial regions or ‘belts’, and was followed by the destruction of such areas following the post-Fordist shift to flexible production practices. This in turn led to the creation and diffusion of new industrial spaces, more globally integrated but, arguably, with sharper local variations (Peck and Tickell, 2002; Hayter and Barnes, 1992; Harvey 1990, 1988).
Innis (1951), like Harvey, identifies temporal and spatial tension as a creative force in economic development, but identifies it as a particular ‘bias toward space and time’ inherent in different staples that eventually reaches a breaking point producing destruction (Hayter and Barnes, 1992). He writes:

> Economic history is not a seamless web but rather a web of which the warp and the woof are space and time, woven in a very uneven fashion and producing distorted patterns (Innis, 1951, p. xvii)

As noted, at a macro-level, Western Australia has, arguably, tended to avoid the sharp booms and busts often associated with resource dependent economies, largely because of the diverse range of commodities produced (Tonts et al., 2013; Department of Treasury and Finance, 2004). It has also tended to avoid much adversity experienced by core industrialised regions that embraced more wholly the tenets of ‘pure’ neoliberalism, by bolstering accumulation through non-market mechanisms such as state agreements, albeit largely based on fostering staple-led development.

While the shift to a neoliberal policy approach may have been successful in facilitating global capital restructuring and in restoring profitability to some sectors of local capital following the collapse of post-war Fordism, it is not evident that it has succeeded in creating new modes of productive accumulation within the majority of regions (Broomhill, 2001). A considerable body of international research has demonstrated the negative effects of the globalisation process on local regional economies and the failures of neoliberalism to deliver either economic or employment growth in response to the challenges posed by global restructuring. For example, British Geographer Mike Geddes argued that, in ‘the context of overall levels of unemployment, neoliberal industrial policy has ... been associated with the collapse of many local economies’ (Geddes, 1994, p.157). The capacity of neoliberalism to solve the problems of local economies was also questioned by Jamie Peck and Adam Tickell who argued that evidence of its failure to produce recovery can be found even in the ‘showcase’ regions of neoliberalism such as Britain’s M4 motorway corridor and the Californian technopoles (Peck and Tickell, 1994, p.295).
Studying resource peripheries can provide new insights into the global economy that cannot be derived from the experience of cores, which can then act to expand the range and soundness of existing theories, as well as provide a catalyst for new forms of economic geography theorising (Hayter and Barnes, 2003). Accordingly, in analysing the role of state agreements in the development trajectory of Western Australia, a combined theoretical framework was been applied that integrated elements of staple theory and state theory into the regulation approach. On the whole, the regulation theoretical framework withstood the challenge of being applied to a semi-peripheral resource economy as it served to illuminate the role of state agreements and other activities of the state in forming part the MSR. Amongst the myriad of local and external factors constituting the MSR, this included the hegemonic discourse of the state at various stages of Western Australian development, which served to garner societal support for new resource projects for many decades.

For a period from 2010 onwards, commencing with the Roy Hill iron ore project and including the Oakajee and James Price Point projects, it seemed that the state’s objectives in state agreements was moving towards a more strategic focus on directing the location and coordination of infrastructure, rather than determining aspects of the production of staples. This is consistent with accounts in broader geographic perspectives on the trend toward facilitating the spatial mobility and unfettered freedom of capital in the (post-) neoliberal era. An exception was the most recent state agreement on the Canning Basin gas project entered into in November 2012 and ratified in 2013. At the time, the content of this agreement suggested an ongoing intention to utilise state agreements more fully in the future development of staples. Enacted under the Barnett government, the now incumbent Premier Mark McGowan historically has been one of the more vocal opponents labelling former Premier Colin Barnett’s use of state agreements as ‘soviet interventionism’ (cited in Spooner 2012, p.1). However, in speaking to the termination bill, neither the government nor the opposition took the opportunity to question the ongoing utility of state agreements and infact both emphasised that it was the private joint venturers, not the government, that were seeking termination of the agreement. Further, in questions without notice, the government was asked if relevant native title holders had been consulted on the
termination of the state agreement, suggesting that these groups too might be adversely affected if the agreement did not proceed; however, in reply, the government noted that native title holders were not parties to the agreement (PDWA, 9 Oct 2018, p6609c). This turn of events perhaps emphasises the ‘embeddedness’ of this particular instrument in the particular political, economic and social conditions of Western Australia and how in different times and places, the same instrument may serve to destabilise the MSR as much as it supports it at other times and places. However, while the causal efficacy of state agreements as an institution unequivocally ‘good for growth’ cannot be demonstrated, there is at the very least a strong implication that their role in the MSR and accumulation of capital in Western Australia from 1952 to 2012 has not been insignificant. The shift in negotiating power in relation to state agreements is also indicative of the growing influence of private investors over government policy and infrastructure locations in the current global political economy.

Notwithstanding genuine intentions and/or rhetoric to the contrary, the primary focus of state agreement projects seems to have remained predominantly focused on staples development, and, arguably, have only had limited impact in transforming the economic base of Western Australia toward manufacturing. This may in part explain how the evolution of state agreements in Western Australia that commenced in the 1950s, during the Fordist-Keynesian configuration of capitalist development, was to span a period that witnessed decisive shifts in economic trajectories and political strategies of the post-Fordist era including the spread of neoliberalism from the 1970s onwards, including the more variegated approaches to governance at national, state, and local scales evident in the 1980s, 1990s and 2000s (Sheppard and Leitner, 2010; Harvey, 2005; Brenner and Theodore, 2002). Each staple product, according to Innis, embodies a complex of geographic, technological institutional factors which uniquely shapes the social organisation of society (Barnes and Hayter, 2006). In the 1960s and 1970s, iron ore extraction pursuant to state agreements resulted in the development of new towns and regional infrastructure in the Pilbara. In the 2000s, the same staple, together with basically the same state agreements and parties, set Western Australia up to be in a competitive position to engage with China’s growing demand for steel production. The location of Western
Australia’s major ports being relatively close to the largest iron ore importers in Asia, also reduced shipping costs relative to its competitors such as Brazil (DSD, 2017).

While staple theory may hold explanatory power in considering the consistent and repeated activity of the state in upholding existing and entering new state agreements, the shift in focus from the specifics of staple production (as occurred with iron ore agreements in the 1960s and 1970s) to the strategic positioning of infrastructure (particularly ports) and railway access issues (as occurred in the 2000s), perhaps bridges or to some extent converges the different strands conceptualisations of the role of the state in industrialised and resource economies. In particular, the tense relationship between the fixity of place and the malleability of space identified by Harvey (2005) seems equally applicable to both cores and resource peripheries. Barnes and Hayter (2012) considered that Harvey’s insights needed to be supplemented by those of Innis relating to the tension between the centre and the margin. In this case, the tension is caused by the opposing forces of centralisation and decentralisation that distinguish the particular geography of accumulation engendered by staple commodities (Barnes and Hayter, 2012).

However, the trajectory of iron ore development, particularly since the 2000s, suggests more complex layers of resource economy theorising apply than the basic core-periphery dynamic identified by Innis in staple theory. As both the core regions (China/Perth) and corresponding peripheral regions (Western Australia/Pibara) have simultaneously been morphing into variants of ‘neoliberalist’ or Schumpeterian ‘states’, constantly restructuring relations and combinations, while also engaged in a basic core-periphery relationship. Conversely, concentrating on the core-periphery dynamic study, assists in cutting through the current plethora of ‘neoliberalisms’ to identify a common thread in a particular relationship between state and capital. If the ‘core’ of neoliberalism includes the ‘challenge of first seizing and then retasking the state’ then the continuity of state agreements in Western Australia beyond the Fordist era provides strong support for this theoretical conclusion. Notwithstanding the trademark antistatist rhetoric, actually existing neoliberalisms, as identified by
Peck (2011, p.22) and others, denote a problem space accompanied by an ‘ethos of market-complementing [state] regulation’. Amongst the mixed basket of policies, the traceable shifts in the scope and content of negotiations between the government and private companies in state agreements supports this view.

Indeed, this geographic perspective on the evolution of state agreements demonstrates, it is argued, how a particular form of state activity or ‘regulation’ in the narrow sense, might relate to the ‘regularisation’ of capitalism in a wider sense. The recognition of the varied and complex historical geographies of actually existing capitalism(s) is not just a matter of identifying contingent exceptions to contemporary notions of ‘neoliberalism’, as Peck (2011) and others point out, rather it is key to understanding the process of neoliberalisation itself. Qualitative and quantitative changes of state activity in Western Australia have been traced through shifts in the objectives, terms and context of state agreements over each of the four time periods between 1952 and 2012 examined in this thesis.

Accordingly, the evolution of state agreements reflects not only the development of a particular regulatory or policy tool, but also the trajectory of express or implied assumptions of the state in economic development policy. This has included prevailing discourse relating to natural resource production, infrastructure coordination, governance, and regional development and planning. Accordingly, these instruments provided a useful entry point for a wider discussion on the historical and geographical pattern of capitalist development in Western Australia, and the shifting roles of the state and capital. Transitions in spatial and temporal dimensions of development over more than 60 years are literally written into their terms. This local experience of a particular relationship between state and capital may, in time, shed light on broader processes of global development applicable to both resource and core economies.
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Liberal and Country League State Council Minutes, (24 February 1958). ‘The Development of Western Australia by Private Enterprise’: *A Blue-Print for the LCL*.


Western Australian Department of State Development (DSD). (2017). *Western Australia Economic Profile March 2017*. Perth: Government of Western Australia


APPENDIX 1: List of Current State Agreement Acts
Department of Jobs, Tourism, Science and Innovation (2018)

Alumina
Alumina Refinery Agreement Act 1961
Alumina Refinery Agreements (Alcoa) Amendment Act 1967
Alumina Refinery (Mitchell Plateau) Agreement Act 1971 [Agreement terminated]
Alumina Refinery (Pinjarra) Agreement Act 1969
Alumina Refinery (Wagerup) Agreement and Acts Amendment Act 1978
Alumina Refinery (Worsley) Agreement Act 1973

Coal
Collie Coal (Griffin) Agreement Act 1979
Collie Coal (Western Collieries) Agreement Act 1979

Copper
Western Mining Corporation Limited (Throssell Range) Agreement Act 1985

Diamonds

Energy
Ord River Hydro Energy Project Agreement Act 1994
Pilbara Energy Project Agreement Act 1994 [Agreement terminated]

Forest products
Albany Hardwood Plantation Agreement Act 1993
Bunbury Treefarm Project Agreement Act 1995
Collie Hardwood Plantation Agreement Act 1995
Dardanup Pine Log Sawmill Agreement Act 1992
Paper Mill Agreement Act 1960 [Agreement expired]
Wood Processing (WESFI) Agreement Act 2000
Wood Processing (Wesbeam) Agreement Act 2002

Gas
Barrow Island Act 2003 (which incorporates the Gorgon Gas Processing and Infrastructure Project Agreement)
Goldfields Gas Pipeline Agreement Act 1994
Natural Gas (Canning Basin Joint Venture) Agreement Act 2013 [pending termination]
North West Gas Development (Woodside) Agreement Act 1979

Gold
Tailings Treatment (Kalgoorlie) Agreement Act 1988 [Agreement expired]

Iron ore and steel
BHP Billiton (Termination of Agreements) Agreement Act 2006
Iron Ore (Channar Joint Venture) Agreement Act 1987
Iron Ore (FMG Chichester Pty Ltd) Agreement Act 2006
Iron Ore (Goldsworthy-Nimingarra) Agreement Act 1972
Iron Ore (Hamersley Range) Agreement Act 1963
Iron Ore (Hope Downs) Agreement Act 1992
Iron Ore (Marillana Creek) Agreement Act 1991
Iron Ore (Mount Bruce) Agreement Act 1972
Iron Ore (Mount Goldsworthy) Agreement Act 1964
Iron Ore (Mount Newman) Agreement Act 1964
Iron Ore (Rhodes Ridge) Agreement Authorisation Act 1972
Iron Ore (Robe River) Agreement Act 1964
Iron Ore (Wittenoom) Agreement Act 1972
Iron Ore (Yandicoogina) Agreement Act 1996
Iron Ore Agreements Legislation (Amendment, Termination and Repeals) Act 2011
Iron Ore Processing (Mineralogy Pty Ltd) Agreement Act 2002

Mineral sands
Mineral Sands (Beenup) Agreement Act 1995
Mineral Sands (Cooljarloo) Mining and Processing Agreement Act 1988
Mineral Sands (Eneabba) Agreement Act 1975

Miscellaneous
Cement Works (Cockburn Cement Limited) Agreement Act 1971
Chevron-Hilton Hotel Agreement Act 1960
Industrial Lands (CSBP and Farmers Limited) Agreement Act 1976
Industrial Lands (Kwinana) Agreement Act 1964
Pigment Factory (Australind) Agreement Act 1986
Railway (Roy Hill Infrastructure Pty Ltd) Agreement Act 2010
Railway and Port (The Pilbara Infrastructure Pty Ltd) Agreement Act 2004
Silicon (Kemerton) Agreement Act 1987
Texas Company (Australasia) Limited (Private) Act 1928
Wundowie Charcoal Iron Industry Sale Agreement Act 1974

Nickel
Nickel (Agnew) Agreement Act 1974
Nickel Refinery (BHP Billiton Nickel West Pty Ltd) (Termination of Agreements) Agreement Act 2008
Poseidon Nickel Agreement Act 1971

Oil
Oil Refinery (Kwinana) Agreement Act 1952
The Commonwealth Oil Refineries, Limited (Private), Act, 1940

Salt
Dampier Solar Salt Industry Agreement Act 1967
Evaporites (Lake MacLeod) Agreement Act 1967
Leslie Solar Salt Industry Agreement Act 1966
Onslow Solar Salt Agreement Act 1992
Shark Bay Solar Salt Industry Agreement Act 1983

Uranium
Uranium (Yeelirrie) Agreement Act 1978
APPENDIX 2: Spatio-Temporal Evolution of State Agreements
Parliamentary Counsel’s Office (2018); Department of Jobs, Tourism, Science and Innovation (2018)

1. 1952 to 1961

Figure A2:1 State agreements by location 1952-1961
Figure A2:2 State agreements by location 1961-1978
3. 1979-1992

**PILBARA**
- North West Gas Development (Woodside) Agreement Act 1979
- Western Mining Corporation (Throssel Range) Agreement Act 1985
- Barrow Island Royalty Variation Agreement Act 1985
- Iron Ore (Chalmers Joint Venture) Agreement Act 1987
- Onslow Solar Salt Agreement Act 1992
- Iron Ore (Hope Downs) Agreement Act 1992

**GASCOYNE**
- Shark Bay Solar Salt Industry Agreement Act 1983

**PERTH-PEEL**
- Tourist Development (Secret Harbour) Agreement Act 1983
- Casino (Burswood Island) Agreement Act 1985
- Morley Shopping Centre Redevelopment Agreement Act 1992

**SOUTH WEST**
- Collie Coal (Western Collieries) Agreement Act 1979
- Collie Coal (Griffin) Agreement Act 1979
- Pigment Factory (Australind) Agreement Act 1986
- Silicon (Kemerton) Agreement Act 1987
- Dardanup Pine Log Sawmill Agreement Act 1992

**GOLDFIELDS-ESPERANCE**
- Tailings Treatment (Kalgoorlie) Agreement Act 1988

**WHEATBELT**
- Mineral Sands (Cooljarloo) Mining and Processing Agreement Act 1988

*Figure A2: 3 State agreements by location 1979-1992*
**Figure A2:** State agreements by location 1992-2012
Figure A2:5 Current State Agreement Acts by Location and W.A. Profile

Source: Parliamentary Counsel’s Office (2018); Department of State Development (2017)
APPENDIX 3: Resources produced under State Agreements as of 2018
Department of Mines, Industry Regulation and Safety (2018)

Table A3:1 Percentage of production by volume

<table>
<thead>
<tr>
<th>Commodity</th>
<th>State Agreements</th>
<th>Mining Act*</th>
<th>Petroleum Act**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iron Ore</td>
<td>87.31%</td>
<td>14.54%</td>
<td>-</td>
</tr>
<tr>
<td>Alumina</td>
<td>100.00%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Bauxite</td>
<td>100.00%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Coal</td>
<td>100.00%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cobalt</td>
<td>17.49%</td>
<td>82.51%</td>
<td>-</td>
</tr>
<tr>
<td>Condensate</td>
<td>98.99%</td>
<td>-</td>
<td>1.01%</td>
</tr>
<tr>
<td>Copper</td>
<td>9.81%</td>
<td>90.19%</td>
<td>-</td>
</tr>
<tr>
<td>Crude Oil</td>
<td>54.48%</td>
<td>-</td>
<td>45.52%</td>
</tr>
<tr>
<td>Diamonds</td>
<td>100.00%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gypsum</td>
<td>48.97%</td>
<td>51.03%</td>
<td>-</td>
</tr>
<tr>
<td>Ilmenite</td>
<td>7.84%</td>
<td>92.16%</td>
<td>-</td>
</tr>
<tr>
<td>Leucoxene</td>
<td>65.39%</td>
<td>34.61%</td>
<td>-</td>
</tr>
<tr>
<td>Limestone/limesand</td>
<td>6.83%</td>
<td>93.17%</td>
<td>-</td>
</tr>
<tr>
<td>LNG</td>
<td>100.00%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>LPG - Butane and Propane</td>
<td>100.00%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Natural Gas</td>
<td>49.99%</td>
<td>-</td>
<td>50.01%</td>
</tr>
<tr>
<td>Nickel</td>
<td>41.00%</td>
<td>59.00%</td>
<td>-</td>
</tr>
<tr>
<td>Platinum group metals</td>
<td>100.00%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Rutile</td>
<td>86.57%</td>
<td>13.43%</td>
<td>-</td>
</tr>
<tr>
<td>Salt</td>
<td>98.87%</td>
<td>1.13%</td>
<td>-</td>
</tr>
<tr>
<td>Silver</td>
<td>0.11%</td>
<td>99.89%</td>
<td>-</td>
</tr>
<tr>
<td>Staurolite</td>
<td>100.00%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Synthetic Rutile</td>
<td>65.07%</td>
<td>34.93%</td>
<td>-</td>
</tr>
<tr>
<td>Zircon</td>
<td>39.06%</td>
<td>60.94%</td>
<td>-</td>
</tr>
</tbody>
</table>

Table A3:2 Percentage of production by value (all commodities)

<table>
<thead>
<tr>
<th>Act</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining Act*</td>
<td>38.05%</td>
</tr>
<tr>
<td>State Agreements</td>
<td>61.84%</td>
</tr>
<tr>
<td>Petroleum Act**</td>
<td>0.11%</td>
</tr>
</tbody>
</table>

* Mining Act 1978

** Petroleum and Geothermal Energy Resources Act 1967; Petroleum (Submerged Lands) Act 1982
### Pilbara Region 2017-18
- Iron Ore: 60,219,016,785
- Gold and Silver: 842,968,513
- Manganese Ore and Salt: 490,414,918
- Copper: 262,516,623
- Construction Materials: 31,933,544
- Other: 534,873,219
- Total: 62,381,723,602

### Kimberley Region 2017-18
- Diamonds and Gem and Semi Precious Stones: 249,759,751
- Gold and Silver: 85,253,628
- Construction Materials: 6,647,058
- Crude Oil and Sandstone: 22,071,658
- Total: 363,732,095

### Gascoyne Region 2017-18
- Salt: 72,217,131
- Gypsum, Limesand Limestone and Spongolite: 10,629,949
- Construction Materials and Gem and Semi Precious Stones: 1,014,270
- Total: 83,861,349

### Perth Metropolitan Region 2017-18
- Alumina and Bauxite: 4,867,184,543
- Construction Materials: 17,299,210
- Silica and Limestone Limestone: 13,379,702
- Total: 4,897,863,455

### Peel Region 2017-18
- Gold, Silver and Copper: 1,556,308,032
- Total: 1,556,308,032

### Great Southern Region 2017-18
- Spongolite, Silica and Limestone Limestone: 8,063,838
- Total: 8,063,838

### Goldfields-Esperance Region 2017-18
- Gold: 7,485,241,070
- Silver: 33,113,787
- Nickel and Cobalt: 2,816,449,461
- Copper and Zinc: 216,973,233
- Spodumene and Tantalum Pentoxide: 561,726,413
- Gypsum and Limestone Limestone: 11,680,317
- Construction Materials and Granite: 10,935,939
- Other: 368,779,464
- Total: 11,504,899,684

### Mid West Region 2017-18
- Gold and Silver: 1,481,409,328
- Iron Ore: 869,357,022
- Copper, Lead and Zinc: 939,273,408
- Mineral Sands: 121,247,467
- Natural Gas: 31,406,394
- Condensate and Crude Oil: 38,667,171
- Gypsum and Talc: 20,005,278
- Limesand Limestone: 1,547,771
- Clays: 1,197,001
- Manganese Ore and Sand: 12,194,663
- Gem and Semi Precious Stones: 123,907
- Total: 3,496,429,410

### Wheatbelt Region 2017-18
- Iron Ore: 603,638,842
- Nickel and Copper: 345,921,916
- Mineral Sands: 138,795,519
- Gold and Silver: 299,823,237
- Condensate and Natural Gas: 1,760,970
- Salt and Silica Sand: 1,206,082
- Gypsum: 6,565,398
- Limesand Limestone: 11,188,037
- Clays: 1,197,001
- Other: 368,779,464
- Total: 1,416,297,091

### Offshore Petroleum 2017-18
- Crude Oil and Condensate: 5,539,042,506
- Liquefied Natural Gas: 19,077,592,020
- Natural Gas and LPG Butane and Propane: 1,932,626,608
- Total: 26,549,261,134

### Figure A3: Value of Minerals and Petroleum by Region by Commodity 2017-2018
**Figure A3.2** Financial year 2017–18 mineral and petroleum summary Total value $114.9 Billion
Source: DMIRS (2018) and Department of Treasury (2018)

**Figure A3.3** Royalty receipts and North West Shelf grants 2017–18 $5.8 Billion
Source: DMIRS (2018) and Department of Treasury (2018)
Figure A3: 4 WA mineral and petroleum exports 2017–18 $109.6 Billion

Figure A3: 5 WA merchandise exports 2017–18 $129.7 Billion

Source: DMIRS (2018) and ABS (2018)

Figure A3: 6 WA merchandise exports by country 2017–18 $129.7 Billion

Figure A3: 7 Australian merchandise exports 2017–18 by state/territory $314.2 Billion

Source: DMIRS (2018) and ABS (2018)

Note: “Other” refers to exports where state of origin is not released by ABS or where merchandise is re-exported.
Figure A3:8 Iron ore exports 2017–18 $60.7 Billion
Source: DMIRS (2018) and ABS (2018)

Figure A3:8 Major commodities by value (Total value $114.9 Billion)
Source: DMIRS (2018)

Table A3:2 Royalty Receipts in Western Australia 2015 to 2018

<table>
<thead>
<tr>
<th>Royalties</th>
<th>2015-16 Actual $ million</th>
<th>2016-17 Actual $ million</th>
<th>2017-18 Estimates $ million</th>
<th>As a % of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iron Ore</td>
<td>3,600.3</td>
<td>4,769.5</td>
<td>4,624.6</td>
<td>88.2%</td>
</tr>
<tr>
<td>Gold</td>
<td>260.1</td>
<td>266.8</td>
<td>263.0</td>
<td>4.9%</td>
</tr>
<tr>
<td>Nickel</td>
<td>45.9</td>
<td>42.9</td>
<td>70.1</td>
<td>1.4%</td>
</tr>
<tr>
<td>Alumina</td>
<td>80.8</td>
<td>83.7</td>
<td>97.9</td>
<td>1.9%</td>
</tr>
<tr>
<td>Diamond</td>
<td>7.4</td>
<td>13.0</td>
<td>16.8</td>
<td>0.3%</td>
</tr>
<tr>
<td>Mineral Sands</td>
<td>16.6</td>
<td>13.4</td>
<td>11.9</td>
<td>0.2%</td>
</tr>
<tr>
<td>Petroleum</td>
<td>4.7</td>
<td>3.6</td>
<td>6.0</td>
<td>0.1%</td>
</tr>
<tr>
<td>Coal</td>
<td>109.9</td>
<td>140.5</td>
<td>152.0</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

Total Royalties: $4,125.6 million
Source: Department of Treasury (2018)