

Pilbara Ports Authority —

Mr T.J. Healy, Chair.

Mr D.A. Templeman, Minister for Local Government representing the Minister for Ports.

Ms C. Wallace, Executive Director, Freight, Ports, Aviation and Reform, Department of Transport.

Mr R. Johnston, Chief Executive Officer.

Mr N. Sarandopoulos, General Manager, Finance and ICT.

Mr C. Thurley, Chief of Staff, Minister for Ports.

Mr G. Hamley, Chief of Staff, Minister for Local Government.

[Witnesses introduced.]

The CHAIR: This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available the following day. Members may raise questions about matters relating to the operations and budget of the off-budget authority. Off-budget authority officers are recognised as ministerial advisers. It is the intention of the Chair to ensure that as many questions as possible are asked and answered and that both questions and answers are short and to the point.

The minister may agree to provide supplementary information to the committee, rather than asking that the question be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information they agree to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the principal clerk by Friday, 31 May 2019. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice through the online questions system.

I give the call to the member for Riverton.

Dr M.D. NAHAN: There is a noticeable decline in the overall asset investment program in 2019–20 relative to previous years. Given the huge throughput of the Port Hedland port, is that just because you have undertaken most of the major investment that you have identified or are other things to come?

Mr D.A. TEMPLEMAN: I am happy for the chief executive officer, Mr Johnston, to respond.

Mr R. Johnston: It is the latter. We have come to the end of a significant tranche of major port improvement—rate projects. The channel marker replacement project was finished a month or so ago for an amount of about \$35 million; the integrated marine operations centre is all but finished, with an opening scheduled in July; and the last tranche of the major dredging campaign, which was budgeted at \$121 million, is all but finished. Thereafter the projects that remain outstanding are the replacement of the deck on berth 3 in Port Hedland. That is what we have budgeted at this point in time.

Dr M.D. NAHAN: What do you expect the throughput of the port to be this year?

Mr R. Johnston: I expect it to be 696 million tonnes across all PPA ports.

Dr M.D. NAHAN: Would they be the largest bulk terminal ports in the world?

Mr D.A. TEMPLEMAN: Mr Johnston. I am very interested in this answer, too.

Mr R. Johnston: Yes. Port Hedland last year retrieved a 518 million tonne throughput. The second biggest bulk export port in the world is Dampier, at 175 million tonnes. The third biggest bulk export port in the world is Newcastle, at 160 million tonnes; and Gladstone, at 130 million tonnes.

Dr M.D. NAHAN: Is there scope for further expansion of throughput through the port?

Mr R. Johnston: Port Hedland has been modelled to take 577 million tonnes using the existing protocols, departure protocols and vessel sizes. Subject to some changes to those, the projected throughput could expand to as much as 684 million tonnes. At Dampier, any growth would be expected to be in the LNG space.

Mrs L.M. HARVEY: I understand that the fees and charges for use of the port are up around 7.5 per cent this year. I am interested to know whether the port is envisaging additional expenses that it will have to cover to justify the increase in fees and charges.

Mr R. Johnston: The rate of return on assets for 2019–20 is projected to be 10.4 per cent, which is below the rate of return expected. The economic rate of return in 2019–20 is 11.6 per cent. A number of increases will be brought about for an improvement in helicopter services, which comes at concomitant cost increases. There is also a revaluation of some of the assets, which tends to impact the rates of return in the negative.

Mrs L.M. HARVEY: Mr Johnston mentioned earlier that a number of big projects had been completed using the port improvement rate. What is the next scope of works for the funds that are accumulating in the PIR now?

I understand there have been some increases in that charge even though I do not believe any large capital works are envisaged in the near future.

Mr R. Johnston: Regarding the PIR collection against the negotiated projects that we have implemented, we reduced the amount on the PIR by half in September because we were projecting that we may over-collect if we did not do that. We will be collecting at that rate through to approximately August this year at which stage the PIR costs will cease. There are no plans to put another PIR in place at this point in time because we do not have any other significant projects of that nature.

Dr M.D. NAHAN: Is the Utah project being fully utilised; and, if so, by whom?

Mr D.A. TEMPLEMAN: Are you referring to the Utah berth?

Dr M.D. NAHAN: Yes.

Mr R. Johnston: At this point, the volume through Utah is lower than what it has been at peak. At peak, we put through 23.6 million tonnes in 2016–17 and in 2017–18 it was 19.9 million tonnes. Our forecast for this year is 18.1 million tonnes.

Dr M.D. NAHAN: Who is the major exporter through Utah; is it still Atlas?

Mr R. Johnston: Equally at this time, the volumes are Atlas and MRL Corporation, in an amount of about 650 000 tonnes each and every month. Consolidated Minerals Ltd exports approximately 90 000 to 100 000 tonnes a month of manganese. The monthly throughput at the moment is running at about 1.4 million or 1.5 million tonnes.

Mrs L.M. HARVEY: With respect to the status of the Spoilbank marina project, I understand there is an allocation of \$89.5 million, although not from this budget, for the Spoilbank marina. I am interested to know where the port sits with the management plan around that project?

[9.20 pm]

Mr D.A. TEMPLEMAN: I am happy to respond, and if there is any further comment, I will invite the CEO to respond. By way of background, in 2012, cabinet approved funding of \$152 million for the construction of Port Hedland Spoilbank marina. That was a combination of funding from royalties for regions, consolidated revenue and a commitment from the Town of Port Hedland.

This approval has been superseded by the Expenditure Review Committee decision of 15 October 2018. The cabinet approved the minister's request to re-scope the Port Hedland Spoilbank marina, with a reduced total cost of \$94 million comprising a proposed state commitment of \$70 million, inclusive of \$65 million from royalties for regions and \$5 million from LandCorp, and a contribution of \$24 million from the Town of Port Hedland. Obviously, the revised marina proposal will deliver a number of significant benefits and include a variety of marine infrastructure, including a two-lane boat ramp, a 20–boat pen marina, breakwaters et cetera. It will have some projected significant economic benefits.

In terms of the current status of the project, the Pilbara Ports Authority expressed concern about the potential impact of the marina on port operations. In September 2018, an independently facilitated risk assessment concluded that the proposed marina concept plan provided a significantly lower risk to users and potentially valuable risk mitigation cost savings to commercial users than the existing Richardson Street boat ramp. The ownership and management model for the marina has not yet been determined by government. There is significant community and media attention on the marina project and concerns about the long-term health effects caused by iron ore dust in the area, so to advance the marina, a significant financial commitment is required by the Town of Port Hedland. That is the current status. The project essentially sits with the minister responsible for LandCorp, the Minister for Transport and the Department of Primary Industries and Regional Development. I have done a magnificent job of covering that!

Mrs L.M. HARVEY: Obviously, under marine rules, power must give way to sail. What kind of management regime will be put in place to ensure that bulk iron ore ships will not be inconvenienced or, indeed, put at risk the lives of people in small sail craft?

Mr D.A. TEMPLEMAN: I can answer that query; it is a good line of inquiry. As part of the revised marina proposal, a separate access channel diversion to exit into deeper water adjacent to the main shipping channel, which constitutes option 2, is proposed. That addresses the concern that the member has highlighted.

Mrs L.M. HARVEY: Will it be the responsibility of the Pilbara Ports Authority and its users in the long term to dredge and maintain that additional deeper channel or will that be funded through other means?

Mr D.A. TEMPLEMAN: As matters in the revised marina proposal are still to be finalised, that matter has not been finalised at this time.

Mrs L.M. HARVEY: At this stage, is there no certainty about who will be responsible for the ongoing dredging and maintenance of an additional channel to facilitate the Spoilbank marina?

Mr D.A. TEMPLEMAN: In answer to the member's question, that particular matter is still to be resolved. As additional information to the query that the member has posed, there is a funding provision in the total project for maintenance, but the finalised management overview is still to be concluded.

Dr M.D. NAHAN: In the minister's statement on the Spoilbank marina, he indicated that due to dust and other issues, it was incumbent on the Town of Port Hedland to make a major investment. What is the nature of that investment and what will happen if it does not do that; will the project go ahead?

Mr D.A. TEMPLEMAN: I think there is broad community support for the project, but a contribution of \$24 million from the Town of Port Hedland has been confirmed.

Dr M.D. NAHAN: So it has confirmed it.

Mr D.A. TEMPLEMAN: Yes, it has been confirmed.

Mrs L.M. HARVEY: I heard the minister say that the Town of Port Hedland has managed to secure \$24 million for the project.

Mr D.A. TEMPLEMAN: That is its commitment.

Mrs L.M. HARVEY: I am a Port Hedland girl and I have heard a little bit about that project, so I am surprised that the Town of Port Hedland is in a position to commit that quantum of funding. However, I will take what the minister has said at face value.

Mr D.A. TEMPLEMAN: That is my understanding.

Mrs L.M. HARVEY: It has given that commitment.

Mr D.A. TEMPLEMAN: It is a reduction in the amount that was committed by the Town of Port Hedland in the previous government's proposal, but at this time, I am advised that a commitment of \$24 million from the Town of Port Hedland has been confirmed.

Dr M.D. NAHAN: I would like to go back to the Utah berth facility. Atlas Iron used to have a priority over the throughput of that facility; that is my memory. Does Atlas still have a longer term right to the majority of the throughput through the port or has that been removed?

Mr D.A. TEMPLEMAN: I am happy for the chief executive officer to respond.

Mr R. Johnston: There are no priority shipping rights at Utah; there never have been.

Dr M.D. NAHAN: In the past, Utah was the dominant one because it was the major user. How is throughput allocated through the port—first come, first served?

Mr R. Johnston: At Utah, there are 13 operational stockpiles on stockyard 1 and stockyard 2 has two stockpiles. Stockyard 2 is completely under lease to Atlas. Over the years, stockyard 1 has been allocated on the basis of tenement holdings, mining capacity and demand, and we have met the demand across all users at all times.

Mrs L.M. HARVEY: I have a question about dust mitigation around the port. Does the PPA have responsibility for the management of dust mitigation initiatives by the users that have stockpiles at the port or is that managed by another authority?

Mr D.A. TEMPLEMAN: I am happy for the chief executive officer to respond.

Mr R. Johnston: The individual leasers are all licensed by the Department of Water and Environmental Regulation, so they all have environmental licence conditions that each individual shipper has to meet. The port has an environmental licence to operate the eastside berths and a separate environmental licence to operate Utah. Each of those licences has conditions and monthly reporting requirements against those conditions. The same is true of the other shippers that hold leases in the port area; that is, BHP, Fortescue Metals Group and Roy Hill are the other principal owners of environmental licences. The Port Hedland Industries Council is an incorporated body of which BHP, FMG, PPA and Roy Hill are the principal shareholders, and we share a dust-monitoring network, information technology and so on to ensure best practice.

Dr M.D. NAHAN: At what stage of development is the South West Creek facility? Is it envisaged that it will be expanded? Have rights been allocated over it in the long term?

[9.30 pm]

Mr D.A. TEMPLEMAN: I am happy for the chief executive officer to respond.

Mr R. Johnston: The 2012 ultimate development plan of South West Creek showed four berths; two were allocated to Roy Hill and they have been developed. The other two are allocated to junior shippers and are subject to negotiation. There is no formal agreement for those two berths.

Dr M.D. NAHAN: Has there been an application from the junior miners for the two unallocated berths?

Mr R. Johnston: Yes, we are in discussion with one junior miner in particular, fronting a discussion around what that development could look like.

Dr M.D. NAHAN: Will the facility need substantial investment to expand the two other berths, which are not yet built?

Mr R. Johnston: Yes, a very substantial dredging would be required for an area that is exposed at tidal lows to a depth of 18 to 20 metres at the berth pockets and to a turning base in depth of at least 14.8 metres, and there would be the usual quayside and conveyer belt arrangements et cetera.

Dr M.D. NAHAN: So discussions with the smaller firms is such that the port would require them to make the substantial investment in dredging and the berths and other facilities?

Mr R. Johnston: Yes, that is correct.

Dr M.D. NAHAN: The Utah facility was formed to facilitate exports for the junior miners. South West Creek was considered for that. Is there increasing demand from junior miners to utilise facilities, and does the minister think that Pilbara Ports Authority has adequate existing capacity to meet their demands for port facilities?

Mr R. Johnston: At this point in time, in the short term I believe that Pilbara Ports Authority, with the Utah berth, has adequate capacity for a couple of years. It depends though what trades the member is talking about; if he is talking bulk trade, clearly there is capacity for up to 10 million tonnes a year throughput at Utah. If he is talking about other trades, such as lithium concentrate and some other things that are being talked about, we will run out of capacity in coming years.

Dr M.D. NAHAN: In recent decades, Pilbara port has been developed, to a large extent, by the major miners because they have the financial capacity and appropriateness to make major investments. The smaller miners, even the lithium miners, have less capacity and a more uncertain throughput and are less able to afford major investments. Does the minister think Pilbara Ports Authority needs to invest in additional berthing capacity?

Mr D.A. TEMPLEMAN: The chief executive officer, I am sure, can respond.

Mr R. Johnston: There are other options in Port Hedland, such as the development of Lumsden Point, which is nowhere near as expensive as the development of South West Creek. By way of example, the port has already completed a dredging program there down to minus eight metres. The additional depth required for larger general cargo ships and ships that manage lithium concentrate and the like is not terribly onerous. Quite a number of projects are being talked about in Dampier at this point in time. We are looking at potential options for further berth development there, but we have nothing firm at this stage. We have a facility in Ashburton on which we will be doing some significant landside development over the next year or two to look at what that creates by way of options in that port.

The CHAIR: That concludes the examination of the Pilbara Ports Authority.