

**Pilbara Ports Authority —**

Ms S.E. Winton, Chair.

Ms R. Saffioti, Minister for Transport.

Mr R. Johnston, Chief Executive Officer.

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

Mr R. Farrell, Principal Policy Adviser.

[Witnesses introduced.]

**The CHAIR:** Member for Scarborough.

**Mrs L.M. HARVEY:** I refer to “Government Trading Enterprises Efficiency Measures” on page 5 of budget paper No 3. There is a reference there to —

- the Pilbara Ports Authority, where the dividend payout ratio has been increased to 90% of NPAT for 2016–17 only, declining to 75% thereafter ...

I now refer to a different page. The dividend for the 2016–17 budget was to be \$97.2 million, but the budget was showing \$13.1 million coming out as a dividend for the current financial year.

**Ms R. SAFFIOTI:** Sorry, what is the member referring to?

**Mrs L.M. HARVEY:** Firstly, page 5 of budget paper No 3, and then page 299.

**Ms R. SAFFIOTI:** Of budget paper No 3?

**Mrs L.M. HARVEY:** Yes. There is reference on page 5 to —

... where the dividend payout ratio has been increased to 90% of NPAT for 2016–17 only, declining to 75% thereafter ...

That is actually an increase from 65 per cent. Referring to page 299, \$13.1 million was taken out as a dividend in 2016–17; however, last year’s budget predicted that this would be \$97.2 million. What was the reason for that?

**Ms R. SAFFIOTI:** There was a requirement for an interim dividend, so it was a bring forward of a dividend payment. We changed that requirement. As a result, the dividends are applicable to the relevant year. It has changed the cash flow of this transition from 2016–17 to 2017–18. An interim dividend was previously required, but that is no longer the case. That is why the 2016–17 figure has reduced to what was budgeted.

**Mrs L.M. HARVEY:** Is the minister saying it was anticipated that an internal dividend would be required?

**Ms R. SAFFIOTI:** No. The previous government made a policy decision to have interim dividends. I cannot remember what year that was. I think the decision was made about two or three years ago. There was a requirement for an interim dividend. In a sense, it was a pull forward of expected cash flows. We wanted to correct that pull forward so that the dividends were applicable to the year they relate to. That has pushed revenue out of one year into another, but that is just because of the changeover period. It will be normalised back to how it was before the previous government’s decision.

**Mrs L.M. HARVEY:** The difference between what was expected last year and this increase in the dividend being pulled from the port is \$90 million over the next four years. Is this expected to impact on the port’s capacity to reinvest?

**Ms R. SAFFIOTI:** I am not sure what the member is talking about.

**Mrs L.M. HARVEY:** An increase in the dividend has been taken out.

**Ms R. SAFFIOTI:** Of course—the 90 per cent.

**Mrs L.M. HARVEY:** It is \$90 million.

**Ms R. SAFFIOTI:** We made a deliberate decision. As a result of our budget repair strategy, in a sense we have asked everyone in the community to pay. That includes some of our government trading enterprises. The Pilbara Ports Authority has been a very successful GTE. As part of that, we have asked for a higher dividend. We also increased charges at the port. We did those two things. Basically, it is really trying to make sure that we get the flows from publicly owned assets. They contribute as much as mums and dads and the public sector. The entire community is contributing. Increasing the dividend payout ratio was one of those strategies.

**Mrs L.M. HARVEY:** We do not have the annual report for the Pilbara Ports Authority as yet. I understand the cash and cash equivalent reserves at the end of 2016 were \$282.6 million. Is it possible to get the figure for the cash and cash equivalent reserves as at 30 June 2017?

**Ms R. SAFFIOTI:** That will be part of the annual report process. They will be audited by the Auditor General. I do not expect to be able to give those out before the annual reports are finalised. By way of supplementary, no; but if the member puts it on notice, we will probably be able to get it to her.

**Mrs L.M. HARVEY:** Is there no-one from the port authority who might be able to provide that figure?

**Ms R. SAFFIOTI:** We are going through the annual reporting process. My decision is that we will provide that by way of a question on notice, should the member put it on notice.

**Mrs L.M. HARVEY:** Thank you. I will put that question on notice.

I refer to “Increase in Pilbara Ports Authority Port Dues” on page 7 of budget paper No 3. There is a 17 per cent increase in dues in 2017–18, which is expected to bring in \$95 million over the forward estimates. What does the minister anticipate the impact of the increased charges will be for the users of the port? There are many users of that port—BHP, Rio Tinto, Roy Hill, Fortescue Metals Group and Consolidated Minerals.

[4.50 pm]

**Ms R. SAFFIOTI:** One of the key points of the budget is that everyone needs to be part of the budget repair mechanism. We have increased these dues by 17 per cent to reflect the fact that since 2014–15 they have not been paid. Those who are paying the most significant amount are the big mining companies—BHP, Rio, FMG and Roy Hill. The impact of these increased dues, which, as the member said, amount to \$95 million over the forward estimates, will primarily be paid for by the major mining companies.

**Mrs L.M. HARVEY:** Is it possible to get a breakdown of the additional costs it is anticipated that each of those companies will incur?

**Ms R. SAFFIOTI:** It depends on the throughput and I do not think I can provide that type of information. I can maybe provide the percentage breakdown between the major iron ore companies and minor iron ore companies in the contribution of the \$95 million.

**Mrs L.M. HARVEY:** Thank you; over the forward estimates would be terrific.

[*Supplementary Information No B34.*]

**Mrs L.M. HARVEY:** I refer the port improvement rate on page 651 of budget paper No 2. What is the anticipated revenue for the port improvement rate for each year of the forward estimates?

**Ms R. SAFFIOTI:** Does the member want the actual rate?

**Mrs L.M. HARVEY:** No, the anticipated revenue.

**Ms R. SAFFIOTI:** I think it is about \$97 million over the forward estimates.

**Mrs L.M. HARVEY:** Is it possible to get a breakdown for each year in the forward estimates?

**Ms R. SAFFIOTI:** It is based on volume and I think it is a notional amount. But we have \$97 million over the forward estimates, which I think is a pretty good figure.

**Mrs L.M. HARVEY:** I understand that the port improvement rate was created as a temporary levy linked to specific works. When is it envisaged that the scheme will wind up?

**Ms R. SAFFIOTI:** It depends when the revenue meets all the forecast expenditure. There is currently some forecast expenditure, but there may be additional needs. We will probably be able to report next year exactly when we expect it to wind up as we continue going through budget processes and see whether any other key users want any specific infrastructure projects by which that rate would be applicable.

**Mrs L.M. HARVEY:** I note there is an allocation of the port improvement rate to three programs totalling \$238 million over the forward estimates. Are there any surplus funds in the port improvement rate account?

**Ms R. SAFFIOTI:** I think the whole purpose of the establishment of the rate was to forecast expenditure, particularly on specific projects that key users required, and then the revenue. The revenue stops when the expenditure is no longer required. It is an automatic cut-off in a sense.

**Mrs L.M. HARVEY:** Are there any new projects allocated that may be subject to the port improvement rate?

**Ms R. SAFFIOTI:** Not currently, but we never know in the world of ports. There is always someone knocking at the door with a new idea.

**Mrs L.M. HARVEY:** Can the minister confirm that 100 per cent of the port improvement rate is being spent on port improvements?

**Ms R. SAFFIOTI:** Yes. It is audited by a private financial accounting firm.

**Mrs L.M. HARVEY:** Has the port analysed the impact that a port tonnage cap might have on the forward estimates?

**Ms R. SAFFIOTI:** No.

**Mrs L.M. HARVEY:** Has the government made a decision yet about whether it will privatise Utah Point?

**Ms R. SAFFIOTI:** No, we have not made a decision.

**Mrs L.M. HARVEY:** With respect to those estimates, I go back to the dividend on page 299 of budget paper No 3. Given that the dividend the government expects to receive totalling \$95 million over the years is based on an estimate of tonnage and throughput through the port, what is the estimated increase in throughput that the dividend is based on?

**Ms R. SAFFIOTI:** I understand that the forecast revenue would be based on current tonnages and increased charges over time. The customers continually revise their forecasts of tonnage to the Pilbara Ports Authority and it continually revises its forecast as a result.

**The CHAIR:** That completes the examination of the Pilbara Ports Authority.