

**STANDING COMMITTEE ON ESTIMATES AND  
FINANCIAL OPERATIONS**

**2013–14 AGENCY ANNUAL REPORT HEARINGS**

**TRANSCRIPT OF EVIDENCE  
TAKEN AT PERTH  
FRIDAY, 7 NOVEMBER 2014**

**SESSION FOUR  
PILBARA PORTS AUTHORITY**

**Members**

**Hon Ken Travers (Chair)  
Hon Peter Katsambanis (Deputy Chair)  
Hon Martin Aldridge  
Hon Alanna Clohesy  
Hon Rick Mazza**

---

**Hearing commenced at 2.48 pm**

**Mr ROGER JOHNSTON**

**Chief Executive Officer, examined:**

**Mr NICHOLAS SARANDOPOULOS**

**General Manager, Finance and ICT, examined:**

**The CHAIR:** On behalf of the Legislative Council Standing Committee on Estimates and Financial Operations, I would like to welcome you to today's hearing. Can each of the witnesses confirm that they have read, understood and signed a document headed "Information for Witnesses"?

**The Witnesses:** I can.

**The CHAIR:** Witnesses need to be aware of the severe penalties that apply to persons providing false or misleading testimony to a parliamentary committee. It is essential that all your testimony before the committee is complete and truthful to the best of your knowledge. This hearing is being recording by Hansard and a transcript of your evidence will be provided to you. The hearing is being held in public, although there is discretion available to the committee to hear evidence in private, either of its own motion or at the witnesses' request. If for some reason you wish to make a confidential statement during today's proceedings, you should request that the evidence be taken in closed session before answering the question. As I indicated earlier, we would then at some point go into a private session. Government agencies and departments have an important role and duty in assisting Parliament to review agency outcomes on behalf of the people of Western Australia. The committee values your assistance with this.

Thank you for your attendance at short notice. The first question I want to clarify with you relates to the funding for the port enhancement project—the additional levy across the board. Can you explain to us how that is now dealt with in terms of the finances? It is treated as a profit and then paid across as a dividend to the government and refunded as a capital appropriation; is that a correct analysis of it?

**Mr Johnston:** That is correct; that is my understanding. We introduced the port improvement fund after quite extensive consultation and working through the principles behind it on 1 September 2013, so we have had only nine months of collection in the financial year just passed. We have not as yet made our first dividend payment, but my understanding is exactly as you said: it will get paid across and then refunded back to meet the costs of the projects.

**The CHAIR:** Will there be separate accounting in your annual reports in the future so that people can track the amount of additional revenue that is included through the port improvement fund? Reading your asset investment program for this year it would appear that 65 per cent of that funding is paid across as a dividend and the rest is retained as earnings, then the two combined will somehow be incorporated back into expenditure on the port. But will there be a formal reconciliation in your annual accounts somewhere that shows a complete reconciliation of all the money collected and how it is being used and spent?

**Mr Johnston:** If I could just backtrack: I joined the port in January 2012. Nick joined the port in only August this year, so I guess I carry a bit of the history. The port improvement rate investment process is a bit lumpy in terms of cash collection and expenditure over a five-year period and there may be overs and unders during that period. The intention behind putting in the port improvement rate was to not necessarily put the full reconciliation in the annual report but to get the auditors to verify that the reconciliation was there and that the funds were used for the purpose intended,

because that to us is the critical issue, to make sure that it is verified that those funds were collected and used for that specific purpose.

**The CHAIR:** I guess the issue for us as members as Parliament, and I think it would be useful, is for it to be formally reported in your annual report or the statement of corporate intent—it could be in either, really—about how much money is being collected under that improvement fund. I accept with you that it is lumpy. Do you get to keep the interest on it? Once you have paid it across as a dividend, if it then does not come back to you, who gets to keep the interest on it?

**Mr Sarandopoulos:** Just a couple of matters in relation to the PIR. It is subject to external audit on a yearly basis. The terms of reference of that audit are as per the guidelines for the PIR, so that is an external auditor, a large big-four auditor. On the reconciliation in terms of interest, the interest forms part of the contribution, so where we levy the funds and actually receive the funds that are required for the capital projects, we would not seek to continue the PIR if the funds had already been collected, inclusive of interest.

**The CHAIR:** So you do get to keep the interest on it?

**Mr Sarandopoulos:** Yes, correct, but as I am saying, from a capital perspective, when we come to spending the money on the capital projects, we are including interest in the calculation.

**The CHAIR:** Have you identified what you are going to spend the money on yet?

**Mr Johnston:** Initially we looked at a range of projects and we came back down to three critical projects that we think are important for setting the port up in the long term. The first of those projects, which is approved and underway, is the navigational aids. There are 38 paired navigational aids along the Port Hedland channel and they are in some cases as old as 1974. So our program was to standardise all of those aids. They were not up to modern-day standards, so we went back and had 38 tops manufactured to a standard. Those have now been ordered, replaced and installed. The big issue of cost is involved with the actual poles themselves. Those poles were driven in back in the 70s and whilst we can check the integrity of the poles above the seabed, we cannot actually check the integrity below, but they are end of life. The program anticipates replacing those piles over a number of years—10 or 15 a year until that is complete. That to us is critical for the navigation of that particular channel. That is project number one. I do not know the exact number off the top of my head but it is about a \$50 million spend.

The second project is the marine operation centre. We have a tower that was built in 1970 or thereabouts. It is at the end of life. It was never anticipated to manage the full range of staff we currently have operating a 24/7 tower. The port will push through about 440-odd million tonnes this year. Obviously when it was built that sort of level or volume was not anticipated. Also that tower has concrete cancer, so we have already taken on one lot of maintenance a couple of years ago and we will have to do that again. With that particular marine operation centre, again we cut the project so that it was specific to the port users. It does not include administrative staff, my office, for argument's sake, or anything else. It was purely the people required from a maritime safety and operations perspective to manage the channel 24/7. This integrated marine operations centre—we call it integrated because it is all of our maritime guys put together—we propose at the P50 level of confidence we think is about \$55 million, but the P90 level of confidence in terms of cost to build is about \$70 million, so that has gone forward to the EERC. It is a seven-storey tower building to match the existing one. It relies very heavily on providing the operators with line of sight because we are dealing with a very narrow confined space and a lot of shipping going through there.

The third project is one that we are busy evaluating and we are starting the consultation process with the proponents the port users right now. Currently the channel is very narrow and it is unidirectional—it is one way; you are either going in or out—so we convoy vessels in and out, and we have learnt to do that quite adeptly. The departures are from Hunt Point, which is the beginning of the harbour mouth. Hunt Point is only 183 metres wide and a big vessel is 60 metres plus tugs, so

it is very, very tight. When you go out, you swing right and then a very hard left and a further S-bend. It is 22 nautical miles. The next vessel departs half an hour after that and the next one half an hour after that and so on. We can have up to four vessels convoying out of the channel. The only current escape bay is about half an hour from that departure point further to the channel. That is what confines us from shortening up the departure windows and putting more vessels onto a tide. The third of these programs we are looking at is to dredge escape bays at convenient places along that channel, which would allow us then significant improvements in productivity and departure times and so on. To get that right we need to do full hydrographic surveys, which we are busy with now, the proposals and working it through to see what the underlying costs associated with it are. At this stage an estimate—we do not have an accurate estimate—is about \$120 million. Those are the three only proposed programs and works under the current PIR.

[3.00 pm]

**The CHAIR:** So that would require the improvement program to run for quite a few more years than it is currently?

**Mr Johnston:** Approximately five and a half years, by estimation.

**The CHAIR:** Which again depends on the volume that goes through and all the rest of it.

**Mr Johnston:** Yes.

**The CHAIR:** Some of those programs, though, strike me would be things where there should already be in your account some allocation in terms of depreciation over the years, so in terms of replacement costs of the control tower and some of the navigational aids, there should have been provision being made for the replacement of those over the life of them, if they stretch back to the 70s. Is there any contribution from the government or the port authority to those projects based on what they have currently got in their depreciation accounts for those assets?

**Mr Sarandopoulos:** Mr Chair, I will answer that one. Not in the accounts; there is no provision made specifically for capital projects such as these, and hence the reason to fund them through PIR concept, and with the proponents of the port. I mean, obviously, we are talking about assets that were constructed in the 1960s and 1970s; it is a considerable time ago. There has not been a take-up provisioning—and having recently joined the port, there has not been a provision taken up progressively over the last 10 to 15 years for capital works of this nature.

**The CHAIR:** So is that saying that going forward we will look at doing, though, on a more ongoing permanent basis to actually start making provision for replacement of some of these sort of assets?

**Mr Sarandopoulos:** Yes, that is certainly the intent; the intent is to, one, complete these projects; and, then, from there on in, the depreciation that is being incurred on these projects would be equal, if we could provide that on a yearly basis for replenishment of those assets at a later stage. So generally what would occur is to provision on that basis, and that has not occurred historically.

**The CHAIR:** I might just turn to Utah Point. Your annual report shows that you have a 51 per cent increase—on page 23—from 12.4 million tonnes to 18.7 million tonnes. What is the ultimate capacity of the Utah Point facility?

**Mr Johnston:** Mr Chairman, the facility was designed and built to take 18 million tonnes, with two stockyards in support—a six million tonne per annum stockyard that the product is trucked in, and stockyard 2 which was originally designed, or planned, as a 12 million tonne stockyard fed by slurry pipeline. That has changed over the construct of the last couple of years, and both stockyards are built for trucking. We have increased the throughput of that; when I came into the port in 2012, we were able to load out about 2 500 tonne per hour, and with the demand, we have upped motors on conveyor belts and so on, and we are now out-loading, after the recent upgrades in August, at just over 5 000 tonne per hour. The peak that we have now been able to achieve was achieved back in May, and the second biggest month is the one we have just had. May was 2.2 million tonne

throughput for the month, which translates to about 24 million or 25 million tonnes a year, and the month that we have just had, October, is just a bit over two million tonnes; so that is an annualised run rate of 24 million tonnes. So the speeds at which we are loading—we put a 100 000-tonne vessel on berth and we are loading her in 24 hours, and then, of course, you are picking your tides to load it and then get it out and put it back. So back in May we did 23 vessels, from memory, in a month, in a 31-day month, and I think we are approaching capacity.

The berth itself, for example, to enhance its capacity, has got a Cavotech mooring system, so it does not rely on dolphins way out —

**The CHAIR:** Right.

**Mr Johnston:** Yes, exactly; so we are in actual fact able to use the full length of the berth for vessels, which allows us to increase that, as well as the time on an off-berth. We can pop a vessel on and off in the space of minutes. So I think the quickest time we have ever had a turnaround on that berth is like nine minutes. So it is designed to run with high levels of technology and as fast as you can possibly get for its size and scope. The depth of the berth pocket is 14.8 metres, and it cannot be dredged any deeper because going right underneath it is a tunnel underneath the harbour that connects BHP's two sides. So, you would not be able to, technically, dredge it anymore, and so I am saying that all the theories about dredging deeper or putting in longer ships and all the rest, I think we have got a handle on that. We are running at 24 million or 25 million tonnes.

The other constraining factor is it is all now fed by road, and we are running quad road trains. The biggest we have done was I think in August, 698 quad road trains in 24 hours. A year ago, we did 448, so you can show the ramp up in trucking. It means 110-tonne delivery every two minutes, 24/7, 365 days a year. The road is just broken and damaged, and we are constantly going back and fixing it, and so on, so there are constraints with how much more you can actually get down that road.

**The CHAIR:** No, no; it has always been one of the things that I was not sure how you are selling it, anyone in the private second could increase the capacity of it because it strikes me that it is limited in terms of what it is currently able to do.

You were provided a question on notice that indicated the expenditure for Utah Point was 74.2 excluding tax. Does that 74.2 include all interest costs as well, or would that also—is it more an EBIT figure?

**Mr Sarandopoulos:** That does include interest costs.

**The CHAIR:** So it would be fair to say the net benefit—so that is a straight profit to the government of 64 million, that we have been making out of it last year, and from the sounds of it there is another seven million tonnes a year potentially able to go through it, as long as the mining companies are producing. How much of that 74 is a contribution to the overheads of the port authority and corporate overheads within the port authority?

**Mr Sarandopoulos:** Mr Chair, that is inclusive of overheads, so the overheads are apportioned back in—the direct overheads.

**The CHAIR:** So how much of that 74 would be corporate overheads?

**Mr Johnston:** Sorry, if I can add there: it is a couple of million dollars. So we were asked separately to have a look at that, but if you want the exact number, we can get back to you.

**The CHAIR:** All right.

*[Supplementary Information No D1.]*

**The CHAIR:** I am interested. So most of that over 70 million is direct operating expenditure, so the interest costs or direct operating expenditure of operating the terminal, staff and maintenance, depreciation and everything else?

**Mr Johnston:** That is correct.

**The CHAIR:** How much of it would be depreciation of that 74?

**Mr Sarandopoulos:** That depreciation number, Mr Chair, is 16.4 million.

**The CHAIR:** Right; because one of the things that was intriguing is that in the announcement about the sale of Utah Point, the operating costs at that stage were identified as 44 million, and now it is rising to 74. If 16 of it was depreciation and two was corporate overheads, so that is 18, the expenditure seems to have increased significantly faster than my rough calculations, because it is sort of almost run parallel from 86 million revenue up to 140, and 44, whereas previously it was 44 in operating expenditure and 74 in revenue. I would have thought normally you would expect, because of things like depreciation, they would be fixed costs immaterial of the volume going through the port. Can you maybe give us some explanation as to why they seem to be running almost in parallel, both revenue—I mean, revenue makes sense that it would just, if you go up by sort of 55 per cent, or 51 per cent growth in revenue, you would see a 51 per cent—sorry, 51 per cent growth in volume, you would see a 51 per cent growth in revenue. But why has expenditure sort of grown by about 51 per cent as well?

**Mr Johnston:** Sorry, Mr Chairman, I do not know the 44 million, what I can tell you is that—

**The CHAIR:** That was the figure that the government quoted at the time they announced the sale as being the expenditure at Utah Point.

[3.10 pm]

**Mr Johnston:** It could possibly be in a previous financial year. I am assuming that it is, because obviously with the significant increase in throughput we have had significant increased maintenance costs—the replacement of belts and things wear et cetera a lot faster than what the prior period would have been. But again, I am not sure what the \$44 million refers to or where that comes from unless it was a previous year.

**The CHAIR:** At the time of the announcement, in 2012, it was said that Utah Point earned \$86.5 million in revenue and had \$44.1 million in expenditure. That was in an announcement by the Premier and the Treasurer on 28 August. I am happy for you to take that on notice, and provide that as a reconciliation D2 as to how that 4.2 and again a similar breakup of how much of that 44 was for depreciation and corporate overheads. Maybe on increase in maintenance costs, if you could give a breakdown of how much is maintenance and replacement of parts in both of those figures.

**Mr Sarandopoulos:** Yes, we will take that on notice.

**The CHAIR:** That would be good; thank you, for that.

[*Supplementary Information No D2.*]

**The CHAIR:** You said that your second biggest month with last month; so since the drop in iron ore prices we have not seen any fluctuation in volumes going through Utah Point.

**Mr Johnston:** Not at this stage, Mr Chairman.

**The CHAIR:** Right. Do you do any forward projections? Are we expecting that is likely, or are you fairly confident that they will continue to maintain the same volumes? You are suggesting now that we are really running around 24 million to 25 million tonnes, is that correct?

**Mr Johnston:** Mr Chairman, when we do our budgets, of course it is well in advance, we would have done the budgets for this financial year and handed them over in December last year, and nobody at that time was flagging any fall off in terms of volumes. We are not seeing any fall off in volumes, although we know that some of the junior miners are saying, “Gee, this is tough.” So we are watching that space. I do not want to speculate because I simply do not know and have not been through one of these iron ore cycles as to whether people are going to actually, you know, drop their volumes and consolidate their mines—I do not know.

**The CHAIR:** The other issue that I was keen to try to get, is that in terms of your annual dividends, is it possible to, sort of, break that down into both the annual dividend that you intend to pay this year based on your 2013–14 year, but going forward through the forward estimates—actually, now under the new act, you pay that in the year in which you incorrect, do not you? Anyway, I guess that it does not change. In terms of the budget papers, I was wondering if it was possible to give, effectively, a breakdown of the dividend that you pay to government in each year of the forward estimates—this year and the forward estimates—how much of the dividend is driven out of Utah Point, how much is driven by the port improvement plan and how much is driven by the remaining operations of the port authority. Is that something that could be broken down?

**Mr Johnston:** Yes, we are busy with those numbers right now, because our SCI/SDP is due in the middle of December. So if we can take that on notice and give you —

**The CHAIR:** And if you can provide it based on what was in your 2014–15 statement of corporate intent. If you have updated figures that would be great, but even if we get them from what was in your 2014–15 that was completed in the 2013–14 financial year—a breakdown, because that is what the current budget is based upon as well.

**Mr Johnston:** Just to clarify, we will provide that based on the throughputs et cetera at Port Hedland alone, because of course under now the Pilbara Port Authority —

**The CHAIR:** This will be purely in terms of the Port Hedland Port Authority; a breakdown of how much of it comes from each of the business units effectively.

*[Supplementary Information No D3.]*

**Hon ALANNA CLOHESY:** I want to talk about the amalgamation process and how that has gone. In particular, I was interested, across the two ports, what the FTE was in each of the ports in the last financial year, what they are in this financial year and what you are projecting in the next financial year?

**Mr Johnston:** I do not have the exact numbers.

**Hon ALANNA CLOHESY:** Could we take that on notice?

**Mr Johnston:** Yes, well, I can give you a sense of it. I am happy to give you the exact numbers on notice. In planning the amalgamation our starting point was that we would not lose any FTEs other than the rationalisation, if you like, of executives and boards, because we did not know what we did not know and we planned it. So as at 1 July, there were no wholesale redundancies and so on. There were some executives that left, and some left just a little bit before who were not replaced—of their own accord, that is. We have just completed our workforce plan and the first tranche of FTEs—we have rationalised that this week across the business. These are just when we look around, where we can fit in people and where we just simply do not have roles anymore. That was a small number of about four or five to start off with. We need to get to finishing our rationalisation of our finance systems. On Nick's front he is running with two finance systems at the moment, and no matter which way you cut it we are stuck with full tranche of people running both those systems. But we believe that there are more numbers that will come out of that in coming months. The other issue that we are looking at is in terms of port development, you know, we have development staff and if developments such as Anketell or so on get put on hold, then we need to go back and have a look at those staff. At the moment, we are working our way through how many people will need to have in that space.

**Hon ALANNA CLOHESY:** Okay, so in terms of the first tranche of rationalisations, as you call them, the four or five people, what roles were they performing?

**Mr Johnston:** It was a range of roles: there was a maintenance manager in Dampier that was surplus; there was an IT project manager that was surplus; there was a receptionist here in Perth that was surplus; there was a document writer in Port Hedland specifically to write policy and process

procedure documents that was surplus. In our communications, again, putting the communications people together, there was a surplus role there, so we took that out as well—that was based here.

**Hon ALANNA CLOHESY:** So they were based across different locations?

**Mr Johnston:** Yes, different locations and from different starting points; some were ex-PHPA employees and some were ex-Dampier. There was no particular target except, you know, their usefulness within the business.

**Hon ALANNA CLOHESY:** In terms of your workforce planning document, when do you expect that to be completed?

**Mr Johnston:** That is complete. It was presented to the board last week.

**Hon ALANNA CLOHESY:** Is it possible to get a copy of that?

**Mr Johnston:** Yes.

*[Supplementary Information No D4.]*

**Hon ALANNA CLOHESY:** I was not sure if I was clear about what you were saying about the amalgamation of the finance systems. Are you saying that as a result of the amalgamation of the finance systems there will be more layoffs as a result of that, that they are in that financial management area?

**Mr Johnston:** Yes, that is our anticipation.

**Mr Sarandopoulos:** The number is unknown at this stage. Obviously, we need to work through that; it is still very early.

**Hon ALANNA CLOHESY:** So they will be in the financial management administration area, those job losses. And will they be mostly from the Port Hedland Port Authority or across the board?

**Mr Sarandopoulos:** That is unknown at this stage, and it is likely to be a very small number—we are not talking tens, we are talking a handful; it is a very small number. The size of the teams is not very large, so when you put it in —

**Hon ALANNA CLOHESY:** Which, actually, when you do lose someone, it really makes a difference.

**Mr Sarandopoulos:** Yes, absolutely, we are very mindful of that. The ongoing operations are absolutely paramount, so we have to make sure that nothing in terms of operation is jeopardised.

[3.20 pm]

**Mr Johnston:** Can I just give a slight clarification. Just bear in mind that on a like-for-like basis you would have to assume that the ports are not growing and that you are not requiring more people to simply manage the day-to-day traffic or whatever it happens to be. In the first four months of this year we are a further 32 per cent ahead of last year at the same period, so we are growing at an enormous rate. By way of example, typically on our landside team in Port Hedland, the team was starting to find that we simply did not have enough landside supervision—our volumes are dramatically up and we had to go back and put a person back in. I am saying there are drivers that are in fact driving some of our staff numbers in the opposite direction, but you can link that.

**Mr Sarandopoulos:** Yes, so on a per revenue basis it is actually an efficiency, again, from a KPI measure.

**Hon ALANNA CLOHESY:** In terms of the commitment made to the employees, it is not though. In terms of the, kind of, occupational health and safety that you are undertaking, I have not been able to find any in the annual report and I know this is just a Port Hedland one. Are there any occupational health and safety major projects or issues of key concern?

---



**Mr Johnston:** I guess in terms of ongoing projects, in terms of safe operations of the port, in Port Hedland in particular we have had some concern for a number of years and we have engaged quite heavily on recreational boating safety. There are ongoing radio and media campaigns around safe operations of recreational craft crossing in front of big vessels or tying up to our buoys. Recently we had somebody put a drone up in the air that crossed over our helicopter flight paths and so on and so forth. In that space you have an ongoing program of works, I guess, to try to keep an awareness campaign, and we monitor that very, very carefully. Within the port itself, in Port Hedland, we are certified to a ASNZ 4801. We are going to be using it. We are doing the work now in Dampier and other sites to make sure that we have the same process and procedures everywhere. That is being undertaken as we speak and we hope to get that audited to that standard right across the board. I am just trying to think. We have a number of those things going on. In terms of incident management we have now doubled back from and put in proper incident management across the whole business up to one standard, so we have already done that across the business. If you have a fire drill in Dampier or you happened to be visiting Port Hedland or you happened to be visiting Perth, it is now exactly the same system, the same process, the same warden with the same hat and so on and so forth. In Dampier we are trying for the first time, on about 24 November this year, an incident drill exercise for a leak of anhydrous ammonia. On the pipeline there we want to test our systems and processes and see that they work, and that is right across industry; we are leading with a leading edge—so Yara fertilisers will be involved, Woodside will be involved, industry participants in the King Bay industrial park. So, we are running a drill of that nature. Stock standard every year we run an oil spill. That gets more to the environment, but we run those. Across the business our marine general manager is looking at our incident management capability. In Port Hedland we have 39 people trained to the Australian interagency incident management system standard and 22 in Dampier. Across the state, when we looked at it, there was only one certified incident controller and that was Allan Gray in Fremantle, so we have now gone back and started training incident management controllers and that will be rolled out. We have not worked the programs yet, but that is going to be a big training exercise that will roll out probably sometime in the early part of next year.

**Hon ALANNA CLOHESY:** What about occupational health and safety issues specific to Dampier? I know there is a lot of focus on Port Hedland, but are there any key occupational health and safety issues specific to Dampier that need addressing?

**Mr Johnston:** The anhydrous ammonia drill, of course, is specific to Dampier, but apart from getting them to 4801, I am not aware of any specific —

**Hon ALANNA CLOHESY:** Nothing around the Qube laydown area?

**Mr Johnston:** No, not that I am aware of.

**Hon ALANNA CLOHESY:** So no issues have been raised with the authority about the occupational health and safety issues there?

**Mr Johnston:** No.

**Hon ALANNA CLOHESY:** Maybe that is a heads up.

**Mr Johnston:** Yes, okay thank you.

**Hon ALANNA CLOHESY:** In terms of access to the ports, what authority does that the Pilbara port Authority in terms of restricting access to the ports from people who are not employees of the authority?

**Mr Johnston:** On the landside we have security gates and it is swipe card access. With the MSIC access in any case you have to get renewed every two years, so it is regularly updated. On the waterside we have waterside restricted zones and of course we monitor those and report anybody who is going into those water restricted zones to the water police and they then deal with those matters.

---

**Hon ALANNA CLOHESY:** In terms of right-of-entry access to both support and to ships, are unions provided with right-of-access entry to both major ports?

**Mr Johnston:** I believe so. It is a standard pre-notification right-of-entry access, but of course they still have to have the MSIC and so on.

**Hon ALANNA CLOHESY:** Where they have those cards, have they been denied access?

**Mr Johnston:** Not to my knowledge. It has not been raised as a matter with me.

**The CHAIR:** So it would not be policy at the port to do that then?

**Mr Johnston:** No, that is what I am saying: I am not quite understanding what the question is.

**The CHAIR:** I think that answers the question. There were some suggestion they had been denied by the port, whereas I can understand that for the stevedores or whoever for them to have their right of access arrangements with, but the port itself would not deny right of access and would not try to prevent someone if they carry the appropriate cards.

**Mr Johnston:** As far as I am aware there is a right-of-entry access process; there is a notification process and that is standardised now across the port.

**Hon ALANNA CLOHESY:** In what way is it standardised across the port? Was it done differently at Hedland and Dampier?

**Mr Johnston:** I think it was done differently at Dampier where there was no notification process. As far as I am aware that has just been standardised across the ports, but I can check that get back to you.

**Hon ALANNA CLOHESY:** The notification process, does that take into account the arrival times of ships and employees knowing that they are actually going to be at a particular port at a particular time in order to make arrangements to meet with their representatives? Does it take that into account?

**Mr Johnston:** I do not know.

**Hon ALANNA CLOHESY:** Do you could check it? Maybe also as part of that whether there have been any restrictions to right of access to either ports since the amalgamation and why that has occurred.

*[Supplementary Information No D5.]*

[3.30 pm]

**The CHAIR:** That is all part of D5.

In terms of your finances, there was a note in the budget papers about the revenue that the government expects to get from the Port Hedland Port Authority. The dividends jump up to \$89 million this year, it drops a little bit next year, it is reasonably constant over the forward estimates but profit continues to climb from anywhere between \$6 million and \$9 million a year. Can you explain why what you pay to the government in income tax expenses would be continuing to climb but the dividend is not? Is there a logical explanation for the disconnect between the two?

**Mr Sarandopoulos:** I would expect that the two would be a linear and highly correlated relationship.

**The CHAIR:** That is what I would have thought too.

**Mr Sarandopoulos:** Once again, I was not involved in that part of the process so I cannot comment on that. I was not involved in putting those numbers together. I could certainly take that on notice and review those numbers and respond back.

**The CHAIR:** I do accept that they are not always directly related but it is almost consistent; it goes \$41 million to \$49 million to \$55 million to \$63 million on income tax expense, according to the

---

budget papers, and then dividends are \$89 million, \$74 million, \$82 million and \$84 million. They are almost consistently going across. I assume there is something that happens next year that causes your dividend to drop to \$74 million but the income tax seems to be fairly linear. Could you give us an explanation of what is driving that disconnect between the two?

**Mr Sarandopoulos:** Yes. Certainly that dividend is stipulated on a percentage basis.

**The CHAIR:** It is 65 per cent of your profits.

*[Supplementary Information No D6.]*

**The CHAIR:** In questions on notice, I asked what the Harriet Point agreement is and you confirmed that this is a confidential agreement. I am not initially asking for specifics but just in broad terms, can you explain to us what the Harriet Point agreement is?

**Mr Johnston:** Could I ask that that get discussed in a confidential forum?

**The CHAIR:** I am happy to go into a private discussion but I am a little bit intrigued as to why we cannot have in the public forum at least an explanation as to what is the purpose of it and who potentially is affected by it or whether it is even an operating agreement. Without getting into the details of what it specifically does, it seems odd that we would have an agreement that we cannot even talk about what its general purpose is in a public forum.

**Mr Johnston:** The confidentiality clauses in that agreement are constructed in such a way that I cannot have a discussion with you in a public forum.

**The CHAIR:** Even about the existence of the agreement?

**Mr Johnston:** The reason that we can now admit that an agreement exists is because in 2012 I got the provisions changed sufficiently to be able to allow that, but we had to work very, very hard to get agreement to change those provisions.

**The CHAIR:** Is there anyone outside of the government, either internally within government or whoever the other party to the Harriet Point agreement is, who would be aware of the Harriet Point agreement provisions because they potentially may have worked for the other parties to the agreement in previous capacities and therefore would have knowledge of the agreement?

**Mr Johnston:** I would say that is probably the case.

**The CHAIR:** Does that not then mean that there may be some operators who have some knowledge of the agreement whereas other operators would not have any knowledge of the agreement? Does that not create some issues within your management of your stakeholders at the port that there is a document that you cannot even talk about? Obviously, the other party knows about it and potentially other parties too because key people in those organisations would have knowledge of it but there are other players who would have no understanding of what it even seeks to do.

**Mr Johnston:** I guess it is fair to say that the whole area around that is a very difficult issue to manage. That is the truth.

**The CHAIR:** If that is the case, we will move into private session. That means everyone in the public gallery who is not sworn in as a witness will need to leave.

Just before we go into private session, I might just ask one other question relating to the Lumsden Point general cargo area. When do we envisage that capacity will be reached at your existing general cargo that you will require the Lumsden Point development?

**Mr Johnston:** I think our current projections on that are 2017–18. It is imminent.

**The CHAIR:** But you have not been given the approval for the capital expenditure on that. I know you are going through detailed planning and getting environmental approvals.

---

**Mr Johnston:** No, we have not. There are contributions of about \$150 million towards the dredging of the channelling. To complete the project would cost a further \$250-odd million. That then gives you two general cargo wharves, 140 hectares of land-backed port and so on and so forth.

**The CHAIR:** Which could potentially be part of the common-user facility that the Department of Commerce is working on.

**Mr Johnston:** No. There is provision of footprint for that but they need the dredging channelling to start off with in the first place otherwise if one was built absent the other, it would add considerably to that cost.

**The CHAIR:** You have the \$150 million for the dredging but it is the \$250 million for the physical wharf construction that you have not —

**Mr Johnston:** The land side and wharf.

**The CHAIR:** And then the common-user facility would be able to use that channel and put their own land-backed facilities in place.

**Mr Johnston:** In fact, there is a portion of land that is currently there that we have allocated. That would be seed land, if you like to call it that, to start the common-user facility.

**[The committee took evidence in private session]**

[3.59 pm]

**The CHAIR:** I remind you that your transcript will become a matter for the public record. Please note that until such time as the transcript of your public evidence is finalised it should not be quoted or distributed. This does not prevent you from discussing your public evidence generally once you leave this room. Obviously, as I mentioned earlier, the private will remain private until the Parliament or—it may never be made public—until the committee decides otherwise the evidence remains private.

The committee will forward any additional questions it has to you via the minister in writing in the next couple of days together with the transcript of evidence, which includes the questions you have taken on notice. Responses to these questions will be requested within 10 working days of receipt of the questions. Should you be unable to meet this due date please advise the committee in writing as soon as possible before the due date. The advice is to include specific reasons as to why the due date cannot be met. If members have any unasked questions, I ask them to email them to the committee as soon as possible after the hearing. On behalf of the committee, thank you very much for your attendance today.

**Hearing concluded at 4.01 pm**

---