

**STANDING COMMITTEE ON  
ESTIMATES AND FINANCIAL OPERATIONS**

***BUDGET STATEMENTS***

**TRANSCRIPT OF EVIDENCE  
TAKEN AT PERTH  
THURSDAY, 3 SEPTEMBER 2009**

**SESSION SEVEN**

**Members**

**Hon Giz Watson (Chair)  
Hon Philip Gardiner (Deputy Chair)  
Hon Liz Behjat  
Hon Ken Travers  
Hon Ljiljanna Ravlich**

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**Hearing commenced at 2.29 pm**

**O'BRIEN, HON SIMON, MLC**  
**Minister for Transport,**  
**13<sup>th</sup> Floor, Dumas House, 2 Havelock Street,**  
**West Perth 6005, sworn and examined:**

**KING, MR IAN**  
**Chairman, Geraldton Port Authority, sworn and examined:**

**KLEIN, MR PETER**  
**Chief Executive, Geraldton Port Authority, sworn and examined:**

**The CHAIR:** On behalf of the committee, I welcome you to this meeting. Before we begin, I am required to administer an oath or an affirmation.

[Witnesses took the oath or affirmation.]

**The CHAIR:** You will have signed a document entitled "Information for Witnesses". Have you read and understood that document?

**The Witnesses:** Yes.

**The CHAIR:** These proceedings are being recorded by Hansard. A transcript of your evidence will be provided to you. To assist the committee and Hansard, please quote the full title of any document you may refer to during this afternoon's proceedings and be aware of the microphones and try to talk directly into them. I remind you that your transcript will become a matter for the public record. 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. If the committee grants your request, members of the public and any media in attendance will be excluded from the hearing. Please note that until such time as the transcript of your public evidence is finalised, it should not be made public. I advise that premature publication or disclosure of the uncorrected transcript may constitute a contempt of Parliament and may mean that the material published or disclosed is not subject to parliamentary privilege. Government agencies and departments have an important role and duty in assisting Parliament to scrutinise the budget papers on behalf of the people of Western Australia, and the committee values your assistance.

Members, it would assist Hansard if, when referring to the budget statement volumes or the consolidated fund estimates, you could please give the page number, item, program and amount in preface to your questions. Do members have any questions?

**Hon KEN TRAVERS:** Are you currently in negotiations for new customers to export product through the port, in particular iron ore product?

**Mr Klein:** Yes, we are. We have previously been negotiating with at least two current customers on expansion, and they are at different stages of development at this stage.

**Hon KEN TRAVERS:** Would Gindalbie and Extension Hill be the two customers?

**Mr Klein:** Yes.

**Hon KEN TRAVERS:** What volumes are they seeking to export through the port?

**Hon SIMON O'BRIEN:** I think we need to discuss these issues. I want to consult with the CEO before we go any further to see if there are any items of commercial confidentiality that might lead us to ask for the committee's indulgence.

It might be best, Madam Chair, if we were to seek the committee's indulgence to go behind closed doors to discuss matters that might be of commercial sensitivity that might not be known to competitors, and what have you. I request that, if possible. I do not know if you want to do that now for the rest of the hearing or perhaps defer a response to those questions before you clear the packed public gallery behind us.

**Hon KEN TRAVERS:** Maybe we can leave it to the end, in case there are any other questions that come along.

**The CHAIR:** Let us defer that question.

**Hon SIMON O'BRIEN:** I am quite happy to answer the questions.

**The CHAIR:** I suggest that we conclude this session at quarter past three, and at five past three we will seek to make a decision about going into private session.

**Hon KEN TRAVERS:** Without talking about the individual companies, what sort of investment would the port authority need to facilitate the volumes that are being proposed by those companies? Is the port currently able to handle the loads they are proposing or would it need some capital investment to manage them?

**Mr Klein:** The way that we would structure the arrangement —

**Hon SIMON O'BRIEN:** I have one other point. Again, we want to be of assistance to the committee, but we need to be a little circumspect and indicate that identifying the product and transport mode might identify a proponent. I do not want to be coy, but I am sensitive not to upset anyone's commercial interests.

**Mr Klein:** Needless to say, further investment is required. At this stage, with the parties that we have been negotiating with and are in discussion with, that investment would be to their account rather than to the state's account. Consequently, the actual level of investment in dollar terms is something that we do not have firsthand knowledge of; however, we are talking about significant investments. In the cases I have in mind, it is in excess of \$100 million each.

**Hon KEN TRAVERS:** When you say "to their account", does that mean they would pay for it and there would no requirement for the port authority to make any investment in the port to accommodate any new customers?

**Mr Klein:** Not "any new customers".

**Hon KEN TRAVERS:** The ones that you are currently in negotiations with?

**Mr Klein:** That is largely true.

**Hon KEN TRAVERS:** Largely?

**Mr Klein:** The scope of works might require that some of our facilities need to be modified, but essentially the new investment in the infrastructure at the port that would be necessary to accommodate the trade would be designed, funded and constructed by the proponents.

**Hon KEN TRAVERS:** The port would not contemplate constructing any of it and then recouping it through charges back to the users?

**Mr Klein:** Obviously, that is an option, but not the option we have taken in this event, principally because the users are quite significant and the opportunity for third party access to the facilities that would be constructed to accommodate their operation would mostly be consumed by their operations.

**Hon KEN TRAVERS:** What sort of time frame is involved for those sorts of developments? I am not asking for specifics about companies. I am just talking about general time frames.

**Mr Klein:** The starting point is project approval. The parties we are currently dealing with are at different stages of project approval: environmental approvals and then financing. I think it is fair to

say that of the two parties that we have made reference to already, one has the environmental approvals but not the financing in place, whereas the other has the financing and not the environmental approvals. The flag has not dropped yet.

[2.40 pm]

**Hon KEN TRAVERS:** In terms of the cap on iron ore exports through the port of Geraldton, is that posing any problems in terms of negotiations?

**Mr Klein:** No, it is not causing any problems. It is influencing those discussions.

**Hon KEN TRAVERS:** In what way?

**Mr Klein:** The trade that is being proposed by the two parties that we are referring to would cause the cap to be exceeded.

**Hon KEN TRAVERS:** By what sort of volume?

**Mr Klein:** We are looking at 18 million tonnes approximately for both of those projects. Our iron ore trade cap will be 12 million tonnes at the earlier of 31 December 2014 and the first iron ore shipment from Oakajee.

**Hon KEN TRAVERS:** It is whichever of those comes first?

**Mr Klein:** Yes.

**Hon KEN TRAVERS:** What is your current tonnage of iron ore going through the port?

**Mr Klein:** The total throughput in 2008-09 was 4.2 million tonnes.

**Hon KEN TRAVERS:** In very rough terms, you have got about eight million tonnes to stay under that cap for these two. They want 18 million tonnes combined, so there is 10 million tonnes that you cannot, because of the cap —

**Mr Klein:** Yes, that is right. It is complicated by —

**Hon SIMON O'BRIEN:** That is after 2014. You can exceed the cap before the earlier of the two dates.

**Hon KEN TRAVERS:** But I would imagine that that would then have an impact on your ability to negotiate for the proponents to put in the capital investment. I think you talked about \$100 million. I suspect someone is going to be reluctant to put in a \$100 million investment if they have to repay it between now and December 2014. Is that a fair analysis of some of the complexities of the negotiations?

**Mr Klein:** Yes.

**Hon LJILJANNA RAVLICH:** Is that not anti-competitive, minister?

**Hon SIMON O'BRIEN:** You are not asking for a legal opinion, are you?

**Hon LJILJANNA RAVLICH:** You can give me a legal opinion and another legal opinion, because it seems to me that it breaches, one, the philosophy of your government, which is pro-competition; but, apart from that, there is the anti-competition watchdog. I would think that imposing a cap which limits the throughput of a port is anti-competitive.

**Hon SIMON O'BRIEN:** Madam Chair, I would love to be able to help, but it is not the prerogative of the Minister for Transport to offer opinion on competition policy. I am constrained. We will note that the honourable member does not support the Oakajee Port and move on from there.

**Hon KEN TRAVERS:** Considering the minister's comments earlier about things being left unsaid, I do not think that is what the member said at all!

**The CHAIR:** I think Hansard will record that with a wry smile!

**Hon KEN TRAVERS:** In light of that comment, can the minister explain to us what is the link between that cap and the Oakajee Port, and why that cap is necessary for the Oakajee Port to go ahead?

**Hon SIMON O'BRIEN:** The cap is intended to show support, not only in apparent support, but in hard, practical support, to the establishment of the Oakajee Port operation. In effect it is an incentive for Oakajee, which was conceived by the government, specifically through the department with the chief carriage for Oakajee; that is, the Department of State Development. During the course of internal consultation about it, I put forward the view that the cap should not apply until Oakajee was up and running. In saying that, I meant from the time the agreement was signed, back in March, until, say, 2014, or whatever the earlier date might be. That would mean that iron ore juniors would have the capacity through this port—that is, Geraldton—to ramp up their production on the condition that any surplus would go to Oakajee after 2014. I think that would get the best balance that was able to be struck, bearing in mind the importance of the Oakajee project and the need to get it up, but also to protect the interests of junior exporters in the meantime. For what little it might be worth to the committee, from my observation of this port authority, it is very much aware and working within those parameters to get the balance just right. That may well involve achieving a peak between now and 2014 that exceeds the cap but then brings the total down again to be under the cap by that critical date of about 2014. Just bear in mind now that they are on a bit over four million tonnes of iron ore per annum exports, so there is a fair way to go. There is a fair bit of notional ramping up to be done. In the balancing act that the port authority is doing with its prospective clients, I think it is going to exploit the period until the cap applies to the maximum that it possibly can, but it is aware that it cannot go over it.

**Hon KEN TRAVERS:** Maybe I can ask the port authority. In terms of the investment we are talking about, can the cap be exploited in that time frame? To go beyond the cap means that you will have to invest in greater capacity at the existing port, does it not? That capacity will then lie idle once the cap comes into place. So how does that work?

**Mr Klein:** We are still unclear about how we are going to move forward. We are still dealing with two companies. We have not yet completed the negotiation with either of those two companies. We have not yet sought formal approval from the minister for any agreement that we might strike. We do not yet know what the outcome is going to be, as to how much investment the companies will be prepared to make and over what term we will be able to commit our capacity to either of those companies. We are continuing to work with them. The companies are aware of the limitations and the issues that we are grappling with. We are very supportive of the Oakajee project and appreciate the objectives here, as do the two companies that we are dealing with. We both have expansion plans for Oakajee. It is also in their interest that Oakajee gets up. It is reasonable to suggest that the challenge that we face is the one that you have outlined for us—that is, how can we best strike a deal that serves the purposes of both those companies, and also our objective, to ensure that Oakajee is achieved.

**Hon KEN TRAVERS:** I have a couple of questions that flow from that. If you have two competing companies that will both take you over the 12 million, how will you determine which one will get what? Will it be first in best dressed, or, with the capacity that you have, which is around eight million, will you be splitting it 50-50? How will you decide which company will get that eight million?

**Hon SIMON O'BRIEN:** Perhaps we could respond to this one confidentially.

**Hon KEN TRAVERS:** I would have thought that this is something that should be in the public domain. A cap has been placed upon this port, and the government will have to make the important determination of choosing between these two proponents. Do you not think the public has a right to know how the government will decide which proponent will ultimately be allowed in under the cap and which one will miss out?

[2.50 pm]

**Hon SIMON O'BRIEN:** The only reticence I have about discussing this in open session, Chair, is that it would lead to the identification of not only prospective proponents, but also some of their capacities.

**Hon KEN TRAVERS:** Is there any likelihood that, because of the cap, the companies will be reluctant to make the investment themselves and seek to have the port authority make the investment on the basis they cannot get a return on the investment, so will say, "We wanted 10 million tonnes per annum and we cannot put it through there, so we will put through eight million tonnes, but you as the authority can make that investment and we will pay you a user charge, and when Oakajee opens up we will open up a 12 million tonne per annum plant up there, and you guys can sell the capacity back at the Geraldton port to whoever you want"? I would not have thought these sorts of operations would want half their operations going out through the existing Geraldton port and half going out through Oakajee.

**Hon SIMON O'BRIEN:** You are right. That would be very understandable. Intuitively, you would think that if there were a start-up operation going on through Geraldton, when the time came for a larger ramped-up operation to go through Oakajee and it was the same company, it would want to move rather than be split between the two. Maybe not; I do not know. The chairman or the CEO might be able to comment.

**Mr King:** The reverse of that proposal would be, of course, that at the end of the day when the proponent had to move to Oakajee, the state government may well decide to buy the stranded assets that have been funded by the proponent and they are asked to walk from. The alternative you propose—that the state fund the infrastructure up-front in the knowledge that that infrastructure will be used for only a limited period of time—is also a real alternative. As Peter said, we have not yet finalised a proposal to go to the minister, so we have not tested either of the alternatives. It is very clear that both proponents want a start-up period through Geraldton, and they want a start-up period given we know that we can cope with only one of those proponents. But we know that with the rising trade volumes the minister referred to coming back to a capped volume in 2014, it is possible to fit at least one of those proponents into Geraldton under that cap. But it leaves the question unanswered in terms of the infrastructure cost. I feel that the proposal that the state might best consider would be to seek some sort of conclusion to the walk away by the proponent. But that is a guess on my part because we have not put that to government for consideration.

**Hon LJILJANNA RAVLICH:** I refer to page 1 of the 2007-08 annual report, which states that the GPA, along with DPI, is negotiating a development agreement with the successful proponent, Oakajee Port and Rail, and on page 2 it refers to the GPA being involved in facilitation of a new deep-water port at Oakajee. On page 4 it sets out as one of the GPA's five goals to assist the development and efficient operation of Oakajee port. I am going to ask a series of questions about the involvement of GPA in the Oakajee development. First of all, what is the estimated cost of this assistance that is being provided by the Geraldton Port Authority?

**Hon SIMON O'BRIEN:** Is that the 2007-08 annual report?

**Hon LJILJANNA RAVLICH:** Yes.

**Hon SIMON O'BRIEN:** I am not in a position to view the context in which those remarks were made because there has been very substantial progress in relation to Oakajee since that time. That may have caused some changes. I am not sure that the proposition being advanced in the question is necessarily current.

**Hon LJILJANNA RAVLICH:** All right; what is the role now?

**Hon SIMON O'BRIEN:** The reason I say that is not to be obstructive, but because I am not sure whether there is an answer to the question. I will ask the CEO if he is capable of answering the question.

**The CHAIR:** Let us start with that question.

**Hon LJILJANNA RAVLICH:** What is the role?

**Mr Klein:** We are playing a number of roles at the moment. We have representation on a number of committees that have been established by the Department of State Development to oversee the project, including the implementation group. We have an overarching implementation group: a port implementation group as well as a commercial group that is looking at the government investment and how that will be managed. In addition to that, we have been engaged with DSD staff and Oakajee Port and Rail on some design issues around the port and, more recently, the common-user infrastructure such as the location of security requirements, the design of roads and the alignment of rail that will all impact on the port. In addition to that, we have been earmarked to manage a number of due diligence studies on behalf of the state, such as looking at the impact of the port on the literal drift of sand in the vicinity of the breakwater; undertaking a peer review with respect to some of the swell and wave data to establish the operability of the port; looking at port master planning; as well as undertaking ship simulation, where our pilots get involved with simulation exercises to assess whether the design is adequate to allow the safe handling of vessels in and out. Our level of involvement is quite high and growing.

**Hon LJILJANNA RAVLICH:** Has the development agreement been finalised yet?

**Mr Klein:** The development agreement between the state and Oakajee Port and Rail certainly has. It was signed on 20 March. We have a number of documents that formed an appendix to the request for proposal that the government had previously issued. We are standing by to initiate further negotiation of those agreements.

**Hon LJILJANNA RAVLICH:** Are you a party to the agreement?

**Mr Klein:** We are not a party to the state development agreement. But we are intending that we will be a party to the relevant leases, licences and agreements around the services that we will be providing to users of Oakajee port going forward.

**Hon LJILJANNA RAVLICH:** What are those sorts of services?

**Mr Klein:** There is a steering committee again that sits above the implementation group that we participate on. We have presented—that steering group has endorsed—the paper that outlines the type of services that the Geraldton port will play at Oakajee port and how we will interact with the Oakajee Port and Rail logistics chain. That has been adopted by the steering committee. I am not sure how formal —

**Hon LJILJANNA RAVLICH:** Can that be made public? Can the committee have a copy of that document?

**Mr Klein:** I do not know what the protocol is. If you ask for it, it is all yours.

**The CHAIR:** I assume that will have to be a supplementary provision?

**Mr Klein:** We developed a paper that was endorsed by the Geraldton port board, which I then provided to the Department of State Development. The Department of State Development then took that document and modified it and submitted it for the steering committee's consideration.

**Hon LJILJANNA RAVLICH:** Why did it modify it?

**Mr Klein:** You would need to ask the modifier. I do not know other than to say I do not believe the intent was changed. As a consequence of that we have been advised that, subject to whatever further approval is necessary, it is most likely that the Geraldton Port Authority will be nominated as the authority to operate the Oakajee port. Now if that is the case—and I appreciate that there is probably higher approval still required before that is made official—if that is required, then the land at Oakajee, the Oakajee port land, would revert to the Geraldton Port Authority and then the same —

[3.00 pm]

**Hon LJILJANNA RAVLICH:** Would you be happy with that?

**Mr Klein:** Yes; and in the same way that we manage our landholding at Geraldton port, we would manage the landholding at Oakajee port. In addition to that, we provide harbourmaster services at Geraldton port and we are anticipating that we would also provide those services at Oakajee, which includes, amongst other things, all matters relating to the safe movement of ships in and out of the port as well as oil and emergency marine response capability. We also provide pilotage services, pilot transfers. We provide security services; maintenance of the common-user infrastructure, which under the current planning will be constructed by the state; and in addition to that administration of those services.

**Hon LJILJANNA RAVLICH:** So you would have a service agreement with Oakajee port to provide all of these services and you would then be paid for the services that you deliver; is that the way it would work?

**Mr Klein:** That is correct.

**Hon LJILJANNA RAVLICH:** Could I just ask you what documents does GPA hold relating to the Oakajee development?

**Mr Klein:** The documents that we hold, I guess, start with the request for proposal documentation, which we hold; and, apart from that, the committees that we are on are generating a significant amount of paperwork.

**Hon LJILJANNA RAVLICH:** Can you name those committees for us?

**Mr Klein:** Okay. The Department of State Development has established sort of a management structure, which obviously they are responsible for. We are on a number of those groups. But maybe I could just explain that we have essentially got a steering committee, which comprises representatives of the directors general of the relevant departments and a number of other senior government staff members. Underneath that is an overarching implementation group, and then under that there are a series of working groups, if you like. So there is a port working group, there is a commercial working group, there is a rail working group, there is a sort of services working group, and then up to another community working group. So they are feeding in. So we are on the main coordinating implementation group as well as the port and the commercial group.

**Hon SIMON O'BRIEN:** Madam Chair, could I make a suggestion? The Geraldton Port Authority does have some involvement with the Oakajee project, as do a whole range of other interested parties. It might help the committee actually if you wanted to get to the bottom of these matters that are being raised now. Perhaps a more direct and convenient way to do it might be actually to have a hearing with the relevant steering group working committee, the implementation committee perhaps, through DSD and in that way get access to all of these various participants at the actual central level. I just make that as a constructive observation.

**The CHAIR:** Yes.

**Hon SIMON O'BRIEN:** It is a bit outside the remit of the Geraldton Port Authority at this stage.

**Hon LJILJANNA RAVLICH:** I am particularly interested in the involvement of Geraldton Port Authority. The issue about whether we actually bring in the broad group dealing with all of this is a separate issue, and that is for the committee to determine, but what I am specifically interested in is the involvement of Geraldton Port Authority because it is quite clear that it does have a significant involvement now at the stage that we are at, and it will do in the future in terms of the longer term arrangement. I wonder whether you can provide us with the documentation about that structure. I think there is no secret squirrel there.



**Hon SIMON O'BRIEN:** You are asking for information about the Oakajee project and its structure. That is not property that is owned by the Geraldton Port Authority and, with respect, I think you should be addressing the request to the relevant operation.

**Hon LJILJANNA RAVLICH:** With all due respect —

**Hon KEN TRAVERS:** When we get the minister for that portfolio in, we will tell him you said so!

**Hon SIMON O'BRIEN:** And you are free to do so, indeed in the same way, say, as the port authority has got a range of things to do with other parts of my portfolio, whether it be other ports or with railways or with roads or whatever. Many of those interfaces are actually a question of the documentation; in particular the completeness of documentation is with that other authority. I would be quite happy to share that with the committee but perhaps not through the vehicle of a port authority.

**The CHAIR:** Members, I have just been reminded that we do have the vehicle of state Parliament.

**Hon LJILJANNA RAVLICH:** That is fine, but the point is if your agency holds a document, then it holds the document. The agency holds the document, so it is not that big a deal, I would not have thought. But anyway, if there is some great secret there, member —

**Hon SIMON O'BRIEN:** It is not a matter of secret; it is a matter of who actually has custody of the documents. It is one thing to have a copy of something from somewhere, but to have the ownership of it is another thing.

**Hon KEN TRAVERS:** Can I just ask, in terms of the work that you as a port authority are doing, what is it costing you and who is funding that?

**Mr Klein:** We are currently doing it. Our staff time is currently funded internally. However, the studies that I have indicated, the due diligence studies that we have been earmarked for, are the subject of an application, I understand, that will be made, if it has not already been made, to the Department of Treasury and Finance.

**Hon KEN TRAVERS:** How much are we talking about there? What sort of volumes at some stage?

**Mr Klein:** You are testing my memory now, but it was a significant amount. There were four major projects which I think had a total value of around \$600 000.

**Hon KEN TRAVERS:** In terms of the previous work you have done on Oakajee, have you got an estimate of what that has cost the port authority?

**Mr Klein:** I do not have one to hand, no, although we have got some internal systems in place to capture that type of information as best we can.

**Hon KEN TRAVERS:** Would you be able to take that on notice and provide it to us in terms of the costs? I am wondering how you intend to sort of pay that back in terms of your normal operations. Is it because you expect to become the port authority for Oakajee and then you will be able to recoup it through user charges?

**Mr Klein:** Ultimately I think that the costs we are incurring at the moment are not material. I think that if we started to invest in these due diligence studies, that would bring it to a separate level, but I would be happy to take that on notice and provide information on the cost that the port has incurred to date on Oakajee.

*[Supplementary Information No G1.]*

**The CHAIR:** I give the call to Hon Philip Gardiner who has been waiting very patiently; and very shortly we need to revert to our promise that we would go into closed session.

**Hon PHILIP GARDINER:** A couple of things: you have mentioned Oakajee already and the caps and so on. What are your proposals with regard to the wheat shipment aspect at Geraldton? Is that intended to go to Oakajee or is it still part of the working committees?

**Mr Klein:** CBH has got a very substantial investment in infrastructure at Geraldton port and in fact are in the process of a major maintenance task on the silos, one of their sets of silos. I understand that maintenance investment is in the order of about \$48 million. CBH are not giving us any indication that they have any objective other than to continue to operate through Geraldton port in the foreseeable future. The capacity of the port suits their requirements. Our average wheat shipments are within our port limits, within our capacity, so they are not requiring the additional draught that is offered by Oakajee. So, in combination with that, the compatibility with the port capability, as well as their substantial investment in storage and materials handling infrastructure, I believe that in the foreseeable future grain will continue to operate exclusively through Geraldton.

[3.10 pm]

**Hon PHILIP GARDINER:** What is the maximum draught of Geraldton port currently?

**Mr Klein:** Our maximum draught—our largest draught ever was 12.88 metres. Our channel is affected by swell and tide, and consequently we are offering departure draughts between 11.8 metres and 12.5 metres, subject to weather conditions, on a regular basis.

**Hon PHILIP GARDINER:** And compared with the future for Oakajee, what is anticipated there?

**Mr Klein:** My understanding is that they are looking at more like about 20 metres for Oakajee, but sufficient to accommodate cape-class vessels up to about 180 000 tonnes dead weight.

**Hon PHILIP GARDINER:** The minister for employment and training, I think it is now, or training and employment—the new department—recently had a seminar about the employment of Aboriginals in training and so on for the future. Geraldton has a particular situation with regard to social infrastructure and requirements in that area. Do you have a plan or a program for employing and training Aboriginal staff or executives or trainees or whatever?

**Mr Klein:** At this stage we do not have any specific program in respect to the employment of Aboriginal people. That said, we have a number of Aboriginals on our staff.

**Hon PHILIP GARDINER:** What are the net assets of the Geraldton Port Authority, roughly?

**Mr Klein:** Our net assets are about—the value of our assets is about \$198 million.

**Hon PHILIP GARDINER:** What return, on average, are you aiming to achieve?

**Mr Klein:** The rate of return is estimated on a deprival value, and our target rate of return is six per cent.

**Hon PHILIP GARDINER:** Okay; thank you.

**The CHAIR:** One more question, and then we will move into private session. Otherwise, we will run into time issues again.

**Hon KEN TRAVERS:** Fair enough. I will just follow on from that one then. It is estimated that you are going to have a significant jump in your dividend in the next financial year. Can you explain to us how that is expected to be arrived at? I think the dividend for this financial year is expected to be \$1.5 million and jumping to \$13.5 million next year.

**Mr Klein:** Indeed.

**Hon KEN TRAVERS:** And then continuing through from there onwards at that level for the next few years.

**Hon LJILJANNA RAVLICH:** This will be interesting.

**Hon SIMON O'BRIEN:** Not a misplaced decimal point or anything, is it?

**Mr Klein:** No. In fact, the reason for that is that in 2007-08 we did not have a trade cap and we were forecasting that additional trade would come through the port. We review our charges on an annual basis, and essentially we work to achieve our rate of return. Our expectation would have been that we would not have made such a significant profit, and that where we were able to secure long-term trade, that would trigger a reduction in price to manage the overall return. Our objectives under the act are to facilitate trade and to act commercially and attempt to make a profit.

**Hon KEN TRAVERS:** Right. I just want to clarify: are you saying that you do not expect now, as a result of the cap, to meet that dividend for next year? Is that what I am understanding from all of that?

**Mr Klein:** To meet the \$13 million?

**Hon KEN TRAVERS:** Yes.

**Mr Klein:** That is not as a result of the cap strictly, because mining projects have been delayed through their own capacity to finance and to achieve environmental approval.

**Hon KEN TRAVERS:** But is the cap having an impact on it? Is it one of the factors that will see a reduction in the dividend for next year?

**Mr Klein:** I do not think so. I think it might have an impact next year, but I do not think it is having an impact this financial year.

**Hon KEN TRAVERS:** It is just because you mentioned early on in that comment that the cap was one of the—at the time you made those predictions you did not have the cap in place. I was wondering why you made that comment if it is not relevant to the profits that you are going to make.

**Mr Klein:** I am referring to our strategic development plan and the trade that we had forecast. Are you working off the 2007-08 annual report?

**Hon KEN TRAVERS:** I am working off the budget papers, page 278, which is where the government is predicting the revenue they will receive from you for next year. They are estimating that they are going to get \$13.5 million next year and the year after, and then \$14.5 million the year after that.

**Mr Klein:** Okay. That is lifted from our plans and that is correct. We will not be achieving those amounts as a result at this stage, for this current financial year, principally because of the position of the mining companies. But certainly longer term, those numbers will need to be reviewed in light of the trade cap, which came into effect on 20 March, and we have not yet had the opportunity to report to the state to upgrade those numbers, which we will do as part of our strategic development plan and statement of corporate intent development, which will occur and be submitted in the middle of December this year.

**Hon KEN TRAVERS:** I appreciate that, but what sort of magnitude are we talking about, though, in terms of what you now expect to achieve as opposed to these figures in the budget documents? Are we back to closer to what we are getting this year in terms of dividends, or is it halfway between the two?

**Mr Klein:** We anticipate that there is some opportunity for some trade growth in the course of this current year, and we are expecting maybe a small increment on our performance this year.

**Hon KEN TRAVERS:** A small increment. So would it be fair to say that it is going to be at least \$10 million less than is predicted in this document?

**Mr Klein:** Our net profit this year is \$2.4 million. We are anticipating that that might increase to approximately \$4 million next year.

**Hon KEN TRAVERS:** So, if you are paying 50 per cent, you are talking about a \$2 million dividend, so an \$11 million shortfall on the estimates.

**The CHAIR:** Members, mindful of the time and mindful that we wanted to consider the request to move into private session, I might just ask the witnesses, the minister and the members of the public to retire for a couple of minutes while we make that decision, and we will let you know.

[3.18 pm]

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

**Hearing concluded at 3.33 pm**