

Annual Report 2000/01



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This report...

Describes the functions and operations of the Department of Resources Development, and presents the audited financial statements and performance indicators for the Department for the year ended 30 June 2001. The Department of Resources Development (DRD) was established on 16 February 1993 by order of the Governor pursuant to section 21 of the Public Service Act. This is the last annual report of the Department of Resources Development, following its merger with the Department of Minerals and Energy on 1 July 2001, to form the Department of Mineral and Petroleum Resources.

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Statement of compliance

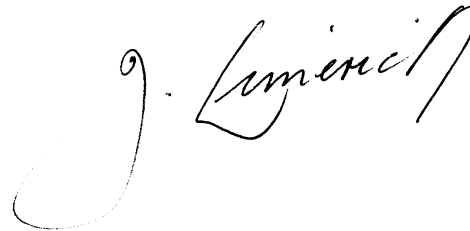
The Honourable Clive Brown MLA
Minister for State Development

Dear Minister

In accordance with Section 62 of the *Financial Administration and Audit Act 1985*, I have pleasure in submitting the annual report of the Department of Resources Development for the period 1 July 2000 to 30 June 2001 for your information and presentation to Parliament.

This report has been prepared in accordance with the provisions of the *Financial Administration and Audit Act 1985*. The information covers the programs and services undertaken by the Department and the outcomes of our activities.

Yours sincerely

A handwritten signature in black ink, appearing to read 'J. Limerick', with a large, stylized initial 'J'.

Jim Limerick
Reporting Officer
Chief Executive Officer
Department of Resources Development

CONTENTS

Statement of compliance	ii	Infrastructure for resource development	12	Graduate development program	22
DRD – At a glance	2	State needs	13	Occupational health and safety	22
Highlights for 2000-2001	2	Local area needs	13	Wellness activities	22
Chief Executive's message	3	The bigger picture	14	Flexible working arrangements	23
Attracting new business	4	Development balance	14	Workers' compensation	23
Investment attraction	4	Mangrove policy	14	Who's who at DRD — Organisational structure	23
Gas for Growth	4	Lime strategy	14	Financial statements	24
Global economy	4	Stygofauna	14	Index	24
WA to the world	4	Aboriginal communities	14	Statement of certification	25
Wood processing	4	Mining royalties	14	Opinion of the Auditor General	26
World first	5	Taxation issues	14	Statement of financial performance	27
Burrup Fertilisers	6	Economic climate	14	Statement of financial position	28
Progressing projects	7	Corporate culture	15	Statement of cash flows	29
DRD's role	7	Renewal program	15	Output schedule of expenses and revenues	30
LNG Train 4	7	Best practice	15	Summary of consolidated fund, appropriations	31
Albany chip mill	7	Cultural survey	15	and revenue estimates	31
Syntroleum GTL	7	Corporate planning	15	Notes to financial statements	32
Ord Stage 2 Irrigation Project	8	Outside focus	15	Appendices	46
Portman Koolyanobbing	8	External affairs	15	List of State Agreement Acts	47
WESFI wood processing	8	Performance indicators	16	List of publications	48
Austeel/Cape Preston	9	Certificate of Performance Indicators	16	Economic indicators	49
BHP/HBI	9	Opinion of the Auditor General,	16	Resource development projects map	53
Tantalum growth	9	Performance Indicators	17		
Nifty copper	9	Audited Key Performance Indicators	21		
Onslow salt	10	Corporate governance	21		
Ravensthorpe nickel	10	<i>Statutory requirements</i>	21		
WMC nickel	10	Advertising and research	21		
Advancing Infrastructure provision	11	Departmental achievements on	21		
Building for the future	11	Government-driven outcomes	22		
Planning for the future	11	<i>Corporate Services</i>	22		
Gas pipeline planning	11	<i>Human Resources</i>	22		
Future industrial areas	12	Staffing levels	22		
		Recruitment and selection	22		

DRD AT A GLANCE

Our vision

DRD will be actively sought out by investors because of our reputation for adding value to their projects.

What we do

We help companies make successful investments in Western Australia's resources sector.

We do this by:

- ▶ Developing policy and planning advice for land and infrastructure to support resources development;
- ▶ Identifying and promoting investment opportunities in the resources sector;
- ▶ Facilitating resource projects and associated land and infrastructure.

Our customers

Our customers are investors in major resource development projects. They include both big and small corporations from within Australia and overseas.

Who we are

DRD staff are skilled in helping our customers understand Government, and the approvals process relating to major resource projects. We are engineers, planners, geologists, scientists, economists, policy makers and other professionals from a variety of different backgrounds, who can provide customers with a wide range of advice and information about major project development.

We are responsible to the Minister for State Development, the Honourable Clive Brown MLA, to ensure Western Australians benefit from the development of the State's resources.

HIGHLIGHTS

In 2000/2001 DRD successfully:

- ▶ Attracted \$9.1 billion worth of potential new business to WA — up 71 per cent on the previous year.
- ▶ Secured five new proposals for processing natural gas
- ▶ Advanced infrastructure provision through new roads, land acquisition and planning
- ▶ Delivered the blueprint to support a new regional wood processing industry in WA
- ▶ Provided timely approvals and support for North West Shelf Venture's \$1.6 billion LNG Train 4 expansion
- ▶ Led planning for future water supply to Esperance/Goldfields Region
- ▶ Enabled the start of development of a \$50 million Albany woodchip operation

CHIEF EXECUTIVE'S MESSAGE

This report marks the end of one era and the beginning of an exciting new one.

It is the last annual report for the Department of Resources Development (DRD) in its current form. DRD will merge with its Government regulatory counterpart, the Department of Minerals and Energy (DME) to form the Department of Mineral and Petroleum Resources from 1 July 2001.

In its final year as an independent entity, DRD had many pleasing results, the details of which you will find throughout this report. The Department attracted nine major new investment project proposals to Western Australia worth over \$9.1 billion. Most of these were gas-processing projects which will feed off WA's vast reserves of natural gas. This represented a rise of more than 70 per cent over the value of project proposals brought to the State during the previous year.

The Department achieved these successes in a difficult climate, operating in the aftermath of the Asian economic crisis, and amid ongoing economic restructuring and uncertainty in our major market.

During the year, DRD also provided timely approvals and support to enable the expansion of Australia's biggest resources development, the North West Shelf gas project.

The joint venture partners started work on a \$1.6-billion expansion to add a fourth processing train to the plant. This will provide a major boost to the State's economy, adding up to 2,000 new jobs during construction, with 70 operating positions upon completion.

Collaborating with industry and government, DRD also assisted in the establishment of multi-user infrastructure near Albany to help the start-up of a new plantation wood processing industry. As a result, the Albany Plantation Export Company started development of its \$50-million woodchip operation.

Investment in major projects like these, generates wealth for the Western Australian community, through royalties, increased exports and job creation. These benefits emphasise the importance of DRD's role of advancing responsible resources development in our State.

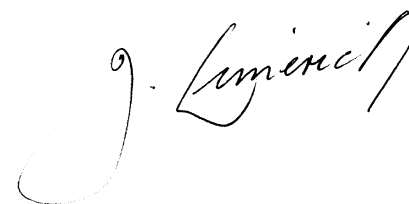
While we had to contend with a contraction in the domestic economy in the first half of 2000/2001, there are signs of recovery in the second half.

In the year ahead, there remains a risk that the global economic downturn might impact on new project investment plans, although a continued weakness in Australia's currency means Western Australia is still a relatively cost-effective location in which to do business.

From 1 July 2001, the important role of helping to advance the responsible development of this State's resources industry will be the responsibility of the Office of Major Projects (OMP).

The Office of Major Projects is a division of the newly-created Department of Mineral and Petroleum Resources (MPR) which is charged with overseeing and advancing Western Australia's \$25-billion-a-year resources industry. Through this merger, I expect improved services and benefits for all stakeholders.

I look forward to the new challenges I face as Director General of MPR and to maximising Western Australia's competitive advantage through our newly-amalgamated, and client-focused organisation.



Jim Limerick
Chief Executive Officer
Department of Resources Development

ATTRACTING NEW BUSINESS

DRD attracts \$9.1b of potential new projects in 2000/01

Business development

During 2000/2001, the Department of Resources Development (DRD), together with industry, attracted nine new major investment project proposals to the State worth an estimated \$9.1 billion.

This represented a 71 per cent rise on the capital value of projects from the previous financial year when five new major project proposals worth an estimated \$5.3 billion, were brought into Western Australia.

Gas processing projects make up the majority of these new projects, with five companies now considering WA as a location for their new plants. The realisation of these projects will establish the Burrup Peninsula, in the North West of Western Australia, as a major new gas-processing hub for the Asia-Pacific region.

Investment attraction

Investment attraction activities focused on bringing new projects into areas where WA has a unique competitive advantage. The three key areas of opportunity for the State are gas, mineral and timber processing.

Against each of these areas, DRD developed business cases, undertook market research to identify potential investors and targeted potential investors with key investment opportunity information.

The Department's proactive approach to investment attraction included regular meetings with senior executives of Australian and overseas companies, and presentations at key industry conferences in Australia and overseas.

Gas for growth

Gas processing was given a high priority by the Department during 2000/2001. WA has in excess of 100 trillion cubic feet of gas in reserve – making the State one of the world's top 10 richest gas provinces. This competitive advantage of plentiful gas supplies, together with the proximity to Asian markets and the low sovereign risk of doing business here, was actively marketed by the Department in an effort to attract investment into gas-based projects in WA.

Focus was placed on four key processes involving gas – methanol, ammonia, gas-to-liquids and gas as an energy source for minerals processing.

During 2000/2001, companies undertook pre-feasibility studies on the establishment of projects in the following areas:

Potential project capitalisation	\$ million
Gas-to-liquids	3,200
Methanol	1,100
Ammonia	600

A number of other gas-based projects in Western Australia were considered by major investors during the financial year, but were not subject to pre-feasibility studies.

Global economy

Investment decisions within the resources sector are made by companies operating within a global context. DRD targeted key international conferences and forums to ensure overseas-based companies were alerted to opportunities for investment in Western Australia. These

visits also allowed DRD to assess the investment environment in other regions competing for similar projects and to forge relationships, both in the public and private sectors, to assist in attracting new resources development to WA.

The key messages at these conferences were that WA is a highly-prospective and attractive location for resource-based processing opportunities, and that the Government is committed to facilitating projects and enhancing trade and investment links.

In order to further facilitate investment attraction to WA, DRD continued to work closely with WA Department of Commerce and Trade, Invest Australia, and Austrade offices in Japan, India, UK, Germany, China, Singapore, Taiwan, USA, the Middle East and Malaysia (see table overleaf).

WA to the world

DRD also provided assistance for offshore visits by the WA Premier Hon Dr Geoff Gallop MLA and State Development Minister Hon Clive Brown MLA, to establish trade links for the State.

In May, Minister Brown was accompanied to Korea by DRD's Chief Executive Officer, Dr Jim Limerick for the tri-annual LNG-13 conference. They also visited Japan to enhance ties with our current trading partners.

In June, Premier Gallop visited Singapore and China to raise awareness of Western Australia's trade opportunities and to support LNG marketing attempts in China by WA suppliers. DRD's new business team provided administrative support and industry advice.

DRD NEW BUSINESS TRIPS 2000/2001

BUSINESS

RESULT

September 2000, London.

- Presented paper at Gas-To-Liquids (GTL) conference
- Discussed minerals processing opportunities with major resources company
- Outlined petrochemical opportunities to major world energy group
- Met media to discuss promotion for WA
- Secured interest for gas processing in WA from two new players
- Included in a line-up of future speakers at a high-profile international industry event
- Invited to visit GTL processing company – Premier and State Development Minister

October 2000, Shenzhen, China

- Exhibit at China High Tech Fair. Invited to return after previous year's success
- Supported WA gas and iron ore marketing
- Received award for excellence for exhibit
- Enhanced industry ties
- Forged new industry relationships
- Supported WA companies in China

April 2001, Hobart Australia

- Presented paper at the Australian Petroleum Production and Exploration Association (APPEA) conference on gas marketing opportunities
- Orchestrated a WA Focus session including business, academics and Government
- Launched DRD's Oil and Gas Review publication
- Collaborated in exhibiting with other WA Government agencies
- Commended for excellence in exhibit
- Maintained WA's profile among oil and gas operators
- Gathered up-to-date information on the state of the industry
- Cemented and made new ties within the industry

April 2001, Dubai, Middle East.

- Presented paper at gas-to-liquids conference
- Visited gas processing plant near Dubai
- Inspected methanol plant and industrial complex at Al Jubail
- Attracted a new gas-to-liquids proposal to Western Australia
- Raised awareness of WA as an alternative site for gas processing
- Gained understanding of latest GTL technology
- Gathered intelligence on industry players and rivals
- Commended by conference attendees for high quality presentation

May 2001, Singapore/Malaysia

- Presented paper at Chemical Market Associates Inc (CMAI) methanol conference
- Visited Jurong Island petrochemical complex
- Inspected Shell's GTL plant at Bintulu
- Toured Terangganu industrial estate Malaysia
- Attracted interest in WA from private infrastructure provider
- Gathered insight into world methanol producers
- Gained understanding of technology developments
- Understood advantages offered at rival locations for infrastructure provision

May 2001, Darwin Australia

- Presented at South East Asian Offshore Oil Conference
- Ensured WA is not overlooked with current activity in Darwin
- Forged ties with industry players
- Raised awareness of WA potential

Wood processing

Western Australia now boasts the largest blue gum resource in the world, with plantations of more than five million tonnes becoming available by 2005. This has resulted in the re-emergence of a number of processing opportunities based on timber.

The potential for an expanded wood processing industry in Western Australia was confirmed in a study commissioned by DRD and managed by a steering committee of industry and Federal and State Governments. The report, Wood Processing Industry Development and Infrastructure Strategy and Action Plan for Western Australia outlined the opportunity for WA to become a competitive pulp producer.

A pulp mill in WA would have the advantage of proximity to both wood supply and Asian markets. A mill could employ up to 250 people and require an investment of around \$1 billion. Pulp supply could also open the door to establishing a new paper-making industry.

In determining the potential for a pulp mill in WA, DRD has worked closely with industry, local government and local stakeholders on the proposal.

Shires in the South- West and Great Southern regions are collaborating in planning with the Department of Mineral and Petroleum Resources to determine possible sites for development.

DRD has started meeting with potential pulp mill investors. Investors are expected to undertake pre-feasibility studies during 2001/2002.

World first

A consortium of Japanese companies has started detailed studies into establishing the world's first, large-scale dimethyl-ether plant at Karratha at a cost of up to \$1.2 billion. The partners, Mitsubishi Gas Chemicals, ITOCHU Corporation, JGC Corporation, and Mitsubishi Heavy Industries, which each have a 25 per cent interest in the project, expect to finalise their studies in 2002.

Currently the dimethyl ether is used as an aerosol propellant but is emerging as a potential new fuel source, substituting for diesel and LPG in some applications.

The proposed plant would produce up to 2.4 million tonnes of DME per year using the methanol dehydration process, which requires methanol as the feedstock. The proposed plant would process natural gas into methanol and DME, using some 170 to 300 terajoules of gas per day.

Through the assistance of DRD, the consortium already has 60 hectares of land allocated on the Burrup Peninsula. DRD is also managing the approvals process in WA.

If the project commences, more than 2,000 people would be employed during the construction phase and 150 people permanently employed when the plant is in operation.

Burrup Fertilisers

In June 2001, Burrup Fertilisers announced plans to develop a \$600-million plant near Karratha, to produce 2,200 tonnes of ammonia per day, for export to India. DRD has been assisting the company as it seeks the necessary approvals for construction to commence early next year. If all goes according to plan, production from the plant is scheduled to start in 2004.

The company, a subsidiary of Indian chemicals group Oswal, has started preliminary project studies based on a 70-hectare site near Hearson Cove. The company has started negotiations with the WA Government for provision of water and port infrastructure.

Burrup Fertilisers' ammonia proposal was officially launched on behalf of the company by State Development Minister Clive Brown, who said the project indicated the company's confidence in WA as a reliable and profitable place to do business.

If it proceeds, the ammonia plant would provide full-time employment for 130 people and 800 workers during the height of construction.

The Burrup Fertilisers' project is one of several being considered for the Burrup Peninsula, all of which are based on natural gas as a primary feedstock for operations. This demonstrates the level of confidence investors have in WA as an attractive destination for gas processing industries.

Key input

The Department had a key role in attracting these major projects to the State, fielding initial inquiries from the investors, introducing them to Government agencies, utilities and service providers, as well as coordinating Government approvals.

PROGRESSING PROJECTS

DRD's role

The Department plays a crucial part in attracting new business to the State, and in securing and advancing responsible development of WA's natural resources. The Department helps investors obtain necessary regulatory clearances, including native title and environmental approvals. It provides a link between the State and companies looking to establish or expand major resources operations.

It also administers 65 State Agreement Acts, which are binding contracts, ratified by Parliament, between the State and project owners. The Acts establish the obligations and responsibilities of both the State and the developer over the life of the project, and are designed to maximise security for the project and minimise risk to the developer.

Ensuring infrastructure planning and provision occurs, and assisting with environmental policy issues impacting on the resources industry, are also functions undertaken by DRD. The Department provides ongoing support for companies with existing projects, helping advance relationships with Government.

The Department also works to improve the business climate for projects by looking at issues such as taxation, Government incentives and fast-tracking Government approvals.

In 2000/2001, numerous significant major developments were undertaken, many of which received service and support from DRD and its team of project managers.

As part of its commitment to advancing responsible development of resources in WA, DRD also tries to ensure developers maximise their use of local suppliers. The Department also provides support to resources marketing initiatives by the private sector.

LNG Train-4

LNG expansion

One of the most significant milestones for WA's resources development during the year was the commitment by the North West Shelf joint venture partners to proceed with their expansion of the project's liquefied natural gas (LNG) processing facility near Karratha.

After concluding a number of new Letters of Intent for LNG deliveries to Japanese markets during the past 12 months, Woodside and its five joint venture partners formally committed funds in April to develop what is known as LNG Train-4. Construction started early in 2001 and is expected to be completed by early 2004.

The \$1.6-billion expansion is expected to provide a major injection into the State's economy, providing as many as 2000 new jobs during construction. Once the project commences LNG deliveries in mid-2004, some 70 additional full-time jobs will be created.

Export boost

LNG Train-4 will have a production capacity of 4.2 million tonnes of LNG per year and will lift the North West Shelf's total production capacity to nearly 12 million tonnes annually. The expansion will boost Western Australian exports by around \$1 billion a year through increased LNG exports mainly to Japan.

Significantly, this expansion represents the first occasion where an LNG Train has been designed in its home country. An estimated 70 per cent of work content on this project will be Australian, a principle strongly supported and encouraged by DRD.

The Department played an integral role in assisting Woodside and the North West Shelf partners in their dealings with Government for this project. The Department

provided support on a local, state and federal level assisting with issues from securing a site for accommodating the construction workforce, to liaising with local government and community groups, and facilitating necessary approvals for early site works to begin.

The North West Shelf's expansion has potential to continue, with a further \$800-million investment given in-principle support by the joint venture partners. This would be used to build a second, large-diameter, sub-sea trunkline to connect the plant and the venture's gas fields, 130 kilometres offshore. DRD is assisting the company with the approvals process.

Albany chip mill

Infrastructure package

The Department of Resources Development played a central role in delivering the State Government's \$5.1-million infrastructure package to support Albany Plantation Export Company's \$50-million plantation hardwood chipping and export project in Albany.

The Department helped ensure timely completion of State and local government infrastructure to enable development of the first woodchip mill in the Great Southern region. DRD's assistance is helping the company ensure its first shipment of woodchips is despatched from the Albany Port by the end of 2001. The project is due for commissioning in November 2001 and is on schedule.

Land issues

DRD, in association with LandCorp, acquired 121 hectares of land for this project, and other timber industry uses. A 10-hectare site was created from this land and sold to Albany Plantation Export Company for the woodchip mill project, with the balance being leased to Albany Plantation Forest Limited for plantation development. The

leased land can be reclaimed by LandCorp if needed for future industrial development.

Working with other authorities, road upgrades were undertaken, power and rail linkages negotiated for the mill site, and infrastructure development undertaken at Albany Port to accommodate the woodchip export facility.

Construction of the woodchip mill began in November 2000 after State Government environmental approvals and City of Albany development clearances were granted. This project will create up to 23 permanent new jobs with an estimated additional 230 indirect jobs in plantation harvesting, log haulage and export operations at Albany Port.

Syntroleum GTL

New technology

The Department has worked on many aspects of US-based Syntroleum's proposed \$1-billion, Sweetwater gas-to-liquids plant on the Burrup Peninsula near Karratha. The project achieved environmental approval in September 2000.

This plant will convert natural gas to liquid hydrocarbon products, including high purity diesel, lubricants, waxes and solvents. It will employ 1,000 people during construction and 100 people when in operation.

The Department assisted Syntroleum with environmental and other approvals, land acquisition matters, and water supply arrangements. The water scheme is part of a multi-user infrastructure package, recommended by DRD, that also encompasses improvements to the Dampier Port and roads, and the development of a services corridor to the Dampier public wharf.

Ord Stage Two Irrigation Project

Securing land

During 2000/2001, DRD coordinated negotiations which secured a commitment by a pastoral landholder to surrender leases covering 140,000 hectares of land, part of

which is required for irrigation and intensive agriculture at the Ord River Irrigation Project, Stage Two, near Kununurra.

Within the Ord Stage Two project, the Department is looking at allocating about 30,500 hectares for agriculture to project partners, Wesfarmers and Marubeni, which are considering growing 3.2 million tonnes per year of sugar cane on the land to produce and mill 400,000 tonnes a year of raw sugar. The proposal would cost around \$500 million.

Also during the year, DRD further progressed the project by coordinating additional studies into water allocation, biodiversity and other issues, to ensure the project meets Commonwealth requirements.

Environmental approval is now expected later in 2001.

Native Title

Progress has also been made in discussions with Miriuwung Gajerrong Aboriginal Community on native title and heritage matters through the Kimberley Land Council and the Northern Land Council.

DRD retained lawyer, Dr Mick Dodson, to lead discussions. As the project also occupies a significant area within the Northern Territory, agreement was reached between the State and Territory Governments on the substance of over-arching legislation to administer the development. Final drafts of the proposed new legislation are now being prepared for submission to the relevant Parliaments subject to the project commencement announcement.

Portman-Koolyanobbing

Iron ore expansion

Portman Limited proposes increasing annual iron ore production at its Koolyanobbing mine from the current 2.5 million tonnes, to eight million tonnes within five years. The increased production will come from the development of deposits at Mt Jackson, Bungalbin and Windarling, 50-100 kilometres north of Koolyanobbing. Mining is planned

to commence in 2002, with build up to eight million tonnes per annum production by 2006.

To enable this expansion, DRD helped the company achieve agreement for dredging at the Port of Esperance and upgrade of linking railways. During 2000, dredging was completed at Esperance Port to enable the loading of Panamax ships to full capacity. A \$42-million upgrade by Westrail to re-sleeper the Kalgoorlie to Esperance rail-line has almost been completed. The opening of a second storage facility at Esperance also occurred, along with the commissioning of an additional 50 ore wagons to boost production capacity to over 2.5 million tonnes per annum.

Environmental clearance

DRD is helping the company acquire the necessary environmental approvals needed for the expansion as the new mining areas are in, or adjacent to, CALM nature reserves.

The Department is also helping secure tenure for a railway from Koolyanobbing to the new mining areas. A rail-line is the preferred option, although the company is still considering options such as truck haulage, with no decision having yet been made.

WESFI wood processing

In 2000/2001, DRD concluded lengthy negotiations with wood processor WESFI which resulted in the passing of a new State Agreement Act enabling the supply of softwood particle board logs for 25 years from State resources to the company's wood processing operations.

The *Wood Processing (WESFI) Agreement Bill 2000* was presented and passed by Parliament in November 2000 after intensive consultation with WESFI, the Departments of CALM, Environmental Protection, Land Administration, and Transport, as well as the Ministry for Planning, Westrail, Water Corporation, Water and Rivers Commission, the Office of Water Regulation and the local authorities of Capel, Dardanup, Belmont and Canning.

It provides for the supply of 330,000 cubic metres of softwood logs to WESFI's wood processing factories at Welshpool and Dardanup and will contribute to the direct and indirect employment of 1,260 people in the South West and metropolitan areas. It is also consistent with the Government's policy to reduce the level of logging in native forests.

Austeel-Cape Preston

At Cape Preston, 85 kilometres south-west of Karratha, the Austeel consortium plans to develop a \$3-billion mine and plant to produce 4.6 million tonnes per year of hot briquetted, direct reduced iron, which would supply an electric arc steel plant proposed for Newcastle, New South Wales. The project includes establishment of new export shipping facilities at Cape Preston.

DRD assisted Austeel with general project scoping involving a range of Government agencies, local government, and other interested parties, progress towards submission of a draft State Agreement, and preparatory discussions leading to release of the environmental impact document.

The Western Australian portion of the project is undergoing environmental assessment, with the aim of construction commencing in 2002.

BHP hot briquetted iron

Background

Since the completion of construction in early 1999, BHP's hot briquetted iron (HBI) plant near Port Hedland has experienced a number of start-up problems as it tries to achieve production targets and product specifications.

Government is supportive of this first major downstream project development from Pilbara iron ore and looks forward to a successful operation eventually producing at capacity of over two million tonnes per annum of hot briquetted iron.

Through the second half of 2000, a detailed review of future business projections for the facility, was undertaken by the company. At this time, the State Government was asked by BHP HBI to consider providing support for the project. Various scenarios were submitted to the State and the implications assessed and reviewed by DRD.

Government assistance

During 2000/2001, a relief package was negotiated between DRD and BHP HBI and presented to Government. The package included stamp duty exemption if a new partner participated in the project. It also included a payment from the Government, equivalent to royalties received by the State on iron ore feedstock processed in the HBI plant. This would apply initially for three years and relates to sustaining an ongoing operation.

Any payments would be recouped if the HBI plant closed. The package was finalised in December 2000 and first payment for the first quarter in 2001 was made in June.

The plant shipped its one millionth tonne of HBI in May 2001.

Tantalum growth opportunities

Capacitor use

World-wide demand for the industrial mineral, tantalum, is surging because of its use as a key ingredient in capacitors in mobile phones, computers, and other electronic goods. It is also used in the aerospace industry and stationary turbines.

Western Australia is rich in tantalum and operators here are increasing output in line with rising world demand.

DRD continued to work with interested operators to develop downstream processing opportunities for tantalum.

Biggest producer

Western Australia's biggest tantalum producer, Sons of Gwalia, is increasing output from its Greenbushes and Wodgina resources. This will lift production capability from

1.6 million pounds per annum of tantalum oxide in 2000/01 to three million pounds per annum by 2003/04.

DRD's Gas Pipeline Working Group (GPWG) has started early studies into future provision of a multi-use gas pipeline corridor from Bunbury to Albany via Greenbushes. If a pipeline is built, Sons of Gwalia will be able to source an alternative, efficient and clean fuel source for its operations.

Tantalum Australia Pty Ltd has recently entered this growing market with tantalum deposits at Dalgaranga, Binneringie and Mt Deans. Tantalum Australia has established a pilot processing plant at Dalgaranga and is developing a tantalum mineral dressing facility. The short-term goal is to develop a significant tantalum resource to meet the needs of its major clients. The longer-term objective is to develop downstream processing of tantalum, either to metal ingot or powder.

Nifty Copper

Road upgrade

In 1998, Straits Resources purchased from WMC Ltd, the Nifty Copper operation on the edge of the Great Sandy Desert, 400 kilometres south-east of Port Hedland. Since then, DRD and Straits Resources have worked together under the State Agreement Act covering that project to implement approvals to allow the operation to grow from 16,500 to 25,000 tonnes per year of copper metal.

The East Pilbara Mineral Producers Group (EPMPG) covers a number of mining operations in the east Pilbara and includes the Nifty Copper Operation and the Woodie Woodie manganese project. DRD has worked closely with the EPMPG and Main Roads WA (MRWA) to coordinate a cost-sharing financing package between the State and the principal mining users to upgrade the Rippon Hills Road. As a result of this coordination, MRWA was able to commence the roadworks and thereby assist the continuation of mining at Nifty and Woodie Woodie, about 60 kilometres north-west of Nifty.

Onslow Salt

First shipments

DRD worked with Onslow Salt throughout establishment of its 2.5 million tonnes per year salt works at Onslow and administers a State Agreement Act which applies to the company's operations.

After early setbacks and the devastating impact of cyclone Vance in 1999, the project began its first harvest on schedule in April this year. A major redevelopment program after Cyclone Vance means the Onslow salt field is now more robust than the original development.

The first shipments of salt are expected to leave Onslow in the third quarter of 2001.

Ravensthorpe Nickel

Major employer

Ravensthorpe Nickel Operations - a subsidiary of resource giant BHP-Billiton - is carrying out feasibility studies for a \$720 million nickel laterite mining operation near Ravensthorpe, 185 kilometres west of Esperance. When operational, the mine will employ about 300 people, many of whom are expected to reside locally in Hopetoun and Ravensthorpe.

The economic impact of this and other projects is expected to see the Shire's population increase from about 1,500 to 2,500 over the next decade. This expected growth has encouraged the Shire to undertake future planning.

Townsite expansion

During 2000/2001, DRD assisted the Shire of Ravensthorpe with preparation of key planning documents, including a comprehensive local planning strategy and outline development plans for Hopetoun and Ravensthorpe. DRD has also led in coordinating the agencies responsible for providing infrastructure needed for any increase in population from future resource projects.

The Department also committed to assist the Ravensthorpe Shire Council appoint a development manager, to be based in Ravensthorpe. The appointee will help anticipate and manage the local effects of Ravensthorpe Nickel Operations.

WMC Nickel

Operations review

During 2000/2001, WMC Ltd, the world's third-largest nickel producer, undertook a major review of its nickel business. From this review, WMC studied the feasibility of expanding operations at its Mount Keith Nickel Operation by 25,000 tonnes per annum, to 47,000 tonnes annually. It also began expanding its Kwinana refinery progressively from 61,000 to 70,000 tonnes per annum.

Townships assessed

The Department assisted WMC in evaluating its long-term involvement in the township of Kambalda, 59 kilometres south of Kalgoorlie, and Leinster, 368 kilometres north of Kalgoorlie, both of which were developed as company towns servicing its mining operations in the region. The two towns were developed under State Agreement Acts administered by DRD and are both important to the ongoing production of nickel concentrate from the WMC mines.

After a four-month review, WMC announced in July 2001 that it planned to continue Leinster as a residential town.

While a decision is still pending on Kambalda, DRD has coordinated WMC's discussions with the Shire of Coolgardie about the future of a range of community facilities and businesses located on land held by the company. The outcome of these discussions is expected to assist Kambalda to consolidate its role in servicing a wider number of mining companies.

ADVANCING INFRASTRUCTURE PROVISION

As part of its commitment to support existing resources projects and attract new projects, DRD continued its role in infrastructure planning and provision. Key work areas are outlined below.

Building for the future

Madigan Road

Madigan Road, a six kilometre sealed connection between the North West Coastal Highway and Dampier Road, was completed in early 2000 and allows heavy traffic to avoid Karratha's town centre. The road will service one of Western Australia's busiest and most sought-after industrial areas at the Burrup Peninsula near Karratha. It will be invaluable as construction of the North West Shelf's LNG Train-4 gathers momentum.

DRD funded the road with MRWA managing the work and construction was carried out by the Shire of Roebourne.

Planning for the future

Goldfields-Esperance water

The Goldfields and Agricultural Water Supply (GAWS) pipeline, completed early last century by C.Y. O'Connor, is still the main source of potable water in the Goldfields region. The GAWS pipeline effectively links Goldfields users into Perth's metropolitan water supply network. While there has been steady growth in demand on GAWS, the bulk of industry's water needs is obtained from highly-saline sources in paleo-channel aquifers.

Developments in the gold and nickel province north of Kalgoorlie in the last decade have seen a substantial increase in the demand for water. The pace of developments in these areas is expected to continue, and water supply looms as the limiting factor.

To investigate the matter, DRD led a process which involved calling for expression of interest from the private

sector, to identify an option or options to meet the long-term domestic and industrial needs of the region.

Submissions included proposals to desalinate seawater from either Esperance or Geraldton, and to pipe it to the Goldfields. Other concepts included treating saline groundwater from the Wheatbelt or extracting water from aquifers in areas such as the Officer Basin, in the eastern-most part of the State.

The information obtained will be used by Government to examine environmental and other issues raised in the submissions, and to develop a water supply implementation strategy aimed at serving the Goldfields-Esperance Region for the next 100 years.

Gas pipeline planning

Corridor widening

Through its Gas Pipeline Working Group, DRD progressed work to widen the Dampier to Bunbury Natural Gas Pipeline (DBNGP) corridor from 30 metres to 100 metres, to allow for the construction of future pipelines. The Gas Pipeline Working Group, is managing the expansion in conjunction with other State Government agencies.

During the year, DRD held negotiations with pastoralists, landholders, native title claimants and other interest groups to obtain agreement to acquire State Corridor Rights over land needed for the corridor expansion. The process is now 90 per cent complete for the section between Dampier and Dongara, and 50 per cent between Dongara and Bullsbrook.

The project is due for completion by mid-2002.

Oakajee lateral

During 2000/2001, environmental approval was obtained to establish a 54-kilometre-long corridor for gas transmission from the main DBNGP near Yuna, to the Oakajee Industrial Estate north of Geraldton. The proposed 50-metre-wide corridor will accommodate several future gas pipelines to service the needs of the industrial estate.

The corridor has been surveyed and valuations obtained for the private property rights to be acquired to establish the corridor. Negotiations have started with land owners for the acquisition of State Corridor Rights.

Goldfields lateral

In October 2000, State Cabinet approved the establishment of a corridor from Geraldton to the North-Eastern Goldfields, to cater for future infrastructure.

The corridor will allow the development of key infrastructure such as gas, power, water, telecommunications, road and rail. The private sector will have the opportunity to obtain licences to use the corridor for specific infrastructure.

DRD engaged consultant, Worley Ltd in February 2001, to conduct a feasibility study into a preferred route. The proposed 580-kilometre-long corridor will follow the Mid-West pipeline near Pindar, then run east to the south of Mount Magnet and Sandstone, ending at the Marshall Pool area north of Leonora.

DRD is now overseeing environmental, geotechnical, Aboriginal heritage, flora, fauna weed and vegetation surveys. Once completed, the corridor will be surveyed with land acquisition expected to start in early 2002.

Bunbury to Albany

DRD oversaw completion of an engineering study in March 2001 which identified an initial alignment for a proposed gas corridor extending from the DBNGP near Bunbury to Albany. Further studies started in June 2001 to refine the alignment and minimise environmental and social impacts.

Metropolitan corridor

DRD commenced a study in October 2000 to determine the impacts of the high pressure gas transmission pipeline corridors through the Perth metropolitan area. The study will also determine the optimum pipeline layout to maximise the capacity of the corridors and is due for completion by the end of August 2001.

Future industrial areas

For more than a decade, successive State Governments have endorsed the establishment of strategic industrial areas for attracting and developing industrial processing plants. These estates are planned to have minimal impact on the environment and community.

DRD, working closely with other government agencies in planning, land administration, environment and heritage, leads a range of investigations and actions needed to establish the strategic industrial areas (SIAs) including site identification, land use analysis, environmental impact analysis, infrastructure analysis and land acquisition.

Work on the SIAs is summarised below.

Boodarie Industrial Estate (near Port Hedland)

During 2000/2001, DRD progressed discussions with the Town of Port Hedland to relinquish parts of a stockyard reserve, for industry. The reserve is located adjacent to Duke Energy's power station, gas supply and road access. DRD and the Department of Land Administration (DOLA) also advanced native title negotiations during the year, drafting an agreement which was forwarded to the Kariyarra claimants for comment.

Burrup-Maitland Industrial Estates (near Karratha)

The new industrial areas on the Burrup Peninsula have become the State's most sought-after land, as the raft of proposed gas processing projects for Western Australia continues to grow. The estates near Karratha are located within easy reach of the North West Shelf Venture gas plant and the vast offshore gas fields.

DRD and DOLA resolved native title issues over the service corridors which link the sites to each other and to the port areas. The Department also completed a vegetation survey over the Burrup Peninsula and other locations near Karratha, to help the Environment Protection Authority and investors assess the regional significance of flora in the area. DRD is continuing negotiations with native title claimants, to increase certainty for future industry in this area.

Oakajee (near Geraldton)

Through LandCorp, DRD funded the purchase of four properties totalling 2,524 hectares, as a buffer at the Oakajee Industrial Estate. The Department also progressed re-zoning of the industrial core, buffer zone and special coastal management area at the estate, through the local shire council.

Further conceptual designs were produced for a new port and the community infrastructure requirements.

Kwinana (near Perth)

During the year, DRD worked with the Ministry for Planning and LandCorp to develop a long-term strategy for the Fremantle to Rockingham industrial areas, focusing particularly on developing the Kwinana Buffer Area as a world-class general industry estate. In late 2000, legislation was passed through Parliament to enable this to take place.

Kemerton (near Bunbury)

Kemerton Industrial Park was established in the early 1980s, 17 kilometres north of Bunbury. An expansion of the industrial estate, to 2,105 hectares for the core, and 5,440 hectares for the buffer, was approved by the State Government in early 2000. During the year, DRD began

funding the purchase of properties, through LandCorp, for the expansion.

DRD has assisted with the preparation of new promotional material to market the estate as a potential location for new investors.

Mungari (near Coolgardie-Kalgoorlie)

The Mungari industrial estate, between Kalgoorlie and Coolgardie, is ready for industry and DRD re-assessed its plans to market the estate to attract new participants.

Albany

In 2000/2001, DRD through LandCorp, acquired 121 hectares of land to be used for timber-related industry at Albany. Part of the site was sold for development of the Albany Plantation Export Company's new woodchip mill (as described earlier).

DRD engaged a consultant to investigate the viability of releasing the balance of the land for plantation development. The land has now been leased by LandCorp to Albany Plantation Forest Limited for tree farming.

The woodchip mill became the catalyst for considerable work on this timber industry precinct during 2000/2001, with road upgrades, port works and creation of power and rail linkages to the site being undertaken to enhance its viability for industrial users.

In association with LandCorp, DRD engaged a consultant to complete environmental and Aboriginal heritage studies over the rural land acquired for the chip mill. The results cleared the area for development.

Infrastructure for resource development

The availability of adequate infrastructure for services such as transport, power and water can be a make-or-break factor influencing investment decisions for major resources projects, especially in the sparsely-populated regions of Western Australia.

Successive Governments have supported the principle of seeing existing infrastructure used, rather than duplicating infrastructure and seeing inefficient investment taking place.

State needs

Infrastructure inventory

DRD completed a study entitled The Western Australian Resources Development Infrastructure Strategy in April 2001 which assessed the State's infrastructure requirements. The Department regards the study as a key planning tool for long-term provision of infrastructure in the State.

The study, by consultants Connell Wagner, showed projected needs for support facilities over the short, medium and long terms and also brings together a review of existing infrastructure.

Goldfields and Mid West

As part of its ongoing planning for future infrastructure needs, DRD commissioned a study to determine potential future resource projects, and their infrastructure requirements in the Goldfields and Mid-West Regions. The Goldfields and Mid-West Regions Strategic Infrastructure Needs Assessment Study looked at establishment of common-user infrastructure, which could be shared among project operators including: a new unsealed road from Kalgoorlie to Laverton, an infrastructure corridor to Leonora, rail extensions throughout the district, and a new water supply.

Southern Cross and Esperance

Development of resources projects can sometimes conflict with other land uses.

To ensure future processing facilities are not developed over what could potentially be valuable in-ground mineral reserves, DRD helps coordinate major studies to ensure planning takes into account all potential uses.

DRD assisted with production of a report entitled, Southern Cross-Esperance Regional Minerals Study, which investigated the mineral prospectivity of the Goldfields and

Esperance region, and discusses how this will impact mineral processing development during the next 10 to 15 years.

The study, released in August 2000, identified the mineral potential of the area constraints on development and made recommendations on options to encourage more extensive mineral exploration and facilitate further development.

Central Pilbara

Following production of the Central Pilbara Infrastructure Planning Study in March 2000, which investigated trends in the iron ore industry and the infrastructure and service implications, DRD coordinated and funded production of a regional database of biological survey work in the region.

DRD also coordinated a regional ground water study funded under the Federal Regional Minerals Program. This study has improved knowledge on the Central Pilbara's ground water resources, allowing the environmental impacts of mineral developments to be better assessed and managed.

Mid-West

The Mid-West Regional Minerals Study, initiated by DRD and funded jointly by the State and Commonwealth Government and industry, was released in August 2000. It identifies key infrastructure required to support development of the resources industry in the Mid-West region.

An implementation group established in May 2001 is overseeing the enacting of some recommendations from the report including a study to assess the potential for Geraldton to become a service centre for the region's mining industry.

Local needs

Ravensthorpe

The Ravensthorpe Nickel Project in the State's South-West may greatly increase populations of Ravensthorpe and Hopetoun. DRD has helped evaluate these impacts and commenced negotiations between the company and State

and Commonwealth Governments, to fund an infrastructure package. This would address transport, community services such as police and hospitals, and housing. DRD continues to work with local authorities to plan for infrastructure needs created by the nickel project. A decision by its owners on whether to proceed with development is expected by mid-2002.

Also during 2000/2001, DRD supported production of key planning documents including a comprehensive local strategy for the Shire of Ravensthorpe. The studies assessed infrastructure needs resulting from population growth due to the Ravensthorpe Nickel Project and other likely future operations.

THE BIGGER PICTURE

Development balance

DRD's commitment to advancing the development of Western Australia's wealth of natural resources is always balanced with the need to ensure this is done responsibly. The State Government requires companies to pay fair compensation to the community through royalties and to treat indigenous communities and the environment respectfully. There is also the need for planning to ensure the long-term viability of the industries, and long-term sustainability of the State's resources.

Mangrove policy

Developers considering projects on WA's Pilbara coastline now have guidelines to help them understand the standard of environmental protection expected in areas containing mangrove communities.

During the year, an environmental guideline was issued by the Environmental Protection Authority (EPA). DRD identified the need for this environmental blueprint and assisted the Environmental Protection Authority in the production of the Guidance Statement for Protection of Tropical Arid Zone Mangroves along the Pilbara Coastline.

Lime strategy

To ensure the long-term future of Western Australia's lime resources, a state-wide strategy was drafted.

DRD chaired the State Lime Supply Strategy Steering Committee, which oversaw the development of the report, Towards a State Lime Supply Strategy. The strategy was drafted and distributed for comment during 2001.

Recommendations arising from the comment period, which concluded in June 2001, will be made to the State Government to enable it to make informed decisions on the long-term provision of lime resources for industrial, construction and agricultural uses.

Stygofauna

During 2000/2001 DRD concluded that stygofauna, which are tiny subterranean organisms living in ground water aquifers, have the potential to be a significant issue for resources projects where de-watering of mines is required. The Department therefore brought the matter to the attention of the Standing Inter-agency Committee of chief executive officers (SIAC) which agreed more information about these species was required. It also believed a decision-making process needed to be put in place to deal with implications for resources development.

SIAC coordinates decision-making across Government on key issues to enable timely approvals for implementation of major resource projects. SIAC comprises the chief executives of DRD, Department of Minerals and Energy (DME), Water and Rivers Commission, Department of Environmental Protection, Department of Land Administration, Ministry for Planning and Department of Conservation and Land Management.

DRD, together with the EPA and DME, engaged consulting geologist Dr Phil Playford to study the available information on stygofauna and recommend to the EPA how mining could proceed without threatening stygofauna communities.

Aboriginal communities

As part of its ongoing commitment to promoting productive relationships with indigenous Australia, DRD revamped its popular publication, Working With Aboriginal Communities, in 2000/2001.

The booklet assists developers who need to communicate with Aboriginal people on matters arising from project development. Demand for the booklet since first publication in 1995 has been strong.

Since the initial writing, the Native Title Act 1994 has been amended and changed the way Aboriginal people and

developers do business. The booklet was therefore updated to reflect these changes and to help enhance relationships between the two parties. The publication is available from the Department and is intended to complement information available on Native Title and Aboriginal Heritage processes.

Mining royalties

Along with the Department of Minerals and Energy and Treasury, DRD continued to review the State's mining royalty system to ensure it remains efficient and equitable, while providing Western Australians with a reasonable return for the use of their non-renewable resources.

A review of base metals royalties began in July 2000, and identified anomalies which will be addressed to reflect the changing nature of the industry.

Taxation issues

DRD continued to monitor implementation of taxation reform measures arising from the Federal Government's introduction of a Goods and Services Tax and the Ralph Review of Business Taxation. In particular, DRD continued to press for the reintroduction of accelerated depreciation provisions, due to the adverse consequences their abolition has had on capital-intensive, long-life projects.

Economic climate

The state of world, national and Western Australian economies has major implications for WA's resources industry, with exporters often enjoying increased earnings when the Australian dollar falls.

DRD analysed economic conditions and assessed their implications for the resources sector, providing advice to the Minister for State Development on key trends. The weak dollar was a dominant factor in 2000/2001 and the implications of this were tracked closely by DRD's policy unit.

CORPORATE CULTURE

Renewal program

To ensure an effective DRD team which focuses on its external customers and achieves best practice in all its activities, the Department continued its change management program, Renewal. The Renewal program focuses on training and staff development.

Recognising DRD's unique role in project facilitation, and as an interface between Government and the resources sector, DRD's staff training was tailored to meet the needs of the organisation and its clients. Throughout the year, most staff attended training on the workings of Government, policy development, State Agreement Acts legislation and teamwork.

Best practice

Guidelines on the best practice for project facilitation were finalised to help staff dealing with major project development. These comprehensive guidelines, coupled with ongoing training for project managers, are designed to ensure consistent, high-quality service to our customers.

Additional management training was undertaken by all Assistant Directors, who participated in management and leadership development analyses, and individual program implementation.

Cultural survey

A staff cultural measurement survey was undertaken during the year. It was formulated to measure general organisational culture as well as specific changes DRD has been trying to achieve. The outcome of the survey, when measured against the Department's stated change imperatives, showed the emergence of a new corporate culture that is in line with strategic planning.

The Outreach program, established in 1999 to build relationships with potential customer representatives, continued with monthly meetings throughout the year. Outreach helps DRD establish networks of contacts in the national and international investment community that assist with intelligence gathering and the delivery of DRD's strategic messages.

Corporate planning

DRD management spent time focusing on strategic corporate planning for the future of the Department and how to better meet the needs of customers.

The Department's core responsibility is to facilitate new projects and assist existing major resources projects in a way which will address economic, social and environmental implications. In aiming to achieve this result, DRD makes its largest contributions in:

- Industry policy
- Integration of Government decision-making
- Infrastructure provision
- Investment attraction

As a result, a strategic plan and a four-year action plan were developed. These plans are used to inform and guide the development of ongoing business plans.

Outside focus

Having received very positive feedback from our clients and stakeholders, the Customer Value Program (established in 1999) continued throughout the year. Continuous feedback on a range of issues and services was sought from industry, local Government, and other Government agencies and customer service was modelled accordingly.

Because of its success, the Customer Value Program was extended to cover the Corporate Services Division, DRD's internal service providers.

External Affairs

External Affairs branch managed the Department's communications to help increase understanding of DRD's role in attracting and assisting new major resource projects in WA. The Branch supported major initiatives, including international visits, and provided media liaison, speech-writing services, internal communications, media monitoring and production of publications and brochures.

DRD continued to receive positive feedback for its quarterly publication, Prospect, and its flagship annual publications covering the oil and gas, and iron ore industries.

In addition External Affairs coordinated the Department's outreach program, of monthly networking sessions with stakeholder groups. These sessions give clients and other agencies opportunities to exchange ideas on current issues affecting development, with DRD senior officers.

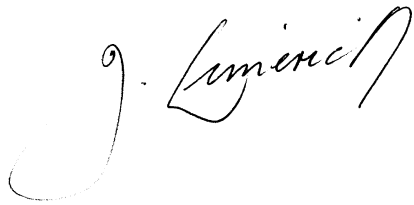
PERFORMANCE INDICATORS 2000/2001

For the year ended 30 June 2001

Statement of certification

The accompanying performance indicators of the Department of Resources Development are based on proper records and fairly represent the performance of the Department for the period 1 July 2000 to 30 June 2001.

The Department has been abolished from 30 June 2001 and this will be the final report of performance indicators.



Jim Limerick
Reporting Officer
Chief Executive Officer

11 October 2001

To the Parliament of Western Australia

DEPARTMENT OF RESOURCES DEVELOPMENT PERFORMANCE INDICATORS FOR THE YEAR ENDED JUNE 30, 2001

Scope

I have audited the final key effectiveness and efficiency performance indicators of the Department of Resources Development for the year ended June 30, 2001 under the provisions of the *Financial Administration and Audit Act 1985*.

The Chief Executive Officer was responsible for developing and maintaining proper records and systems for preparing and presenting performance indicators. Following the abolition of the Department with effect from July 1, 2001, the Treasurer appointed a Reporting Officer under the provisions of section 65A of the Act, who was responsible for preparing and presenting the final key performance indicators. I have conducted an audit of the key performance indicators in order to express an opinion on them to the Parliament as required by the Act. No opinion is expressed on the output measures of quantity, quality, timeliness and cost.

My audit was performed in accordance with section 79 of the Act to form an opinion based on a reasonable level of assurance. The audit procedures included examining, on a test basis, evidence supporting the amounts and other disclosures in the performance indicators, and assessing the relevance and appropriateness of the performance indicators in assisting users to assess the Department's performance. These procedures have been undertaken to form an opinion as to whether, in all material respects, the performance indicators are relevant and appropriate having regard to their purpose and fairly represent the indicated performance.

The audit opinion expressed below has been formed on the above basis.

Audit Opinion

In my opinion, the key effectiveness and efficiency performance indicators of the Department of Resources Development are relevant and appropriate for assisting users to assess the Department's performance and fairly represent the indicated performance for the year ended June 30, 2001.



DDR PEARSON
AUDITOR GENERAL
October 11, 2001

Overview

The mission for the Department of Resources Development is 'to plan, promote and coordinate the responsible development of the State's resources for the benefit of Western Australians'.

The Department's Outcome to achieve this mission is 'the responsible development of the State's resources for the benefit of Western Australians'. This Outcome is supported by three Outputs.

Output One is 'Policy and planning advice on resources development'. DRD provides advice to Government and Government agencies on policy and strategic planning issues affecting resources development in Western Australia.

Output Two is 'Investment attraction services' which involves the provision to potential investors of information and advice about opportunities for new investment in resources development in Western Australia, especially in the downstream processing of resources.

Output Three is 'Resource project facilitation services' which concerns the facilitation of the establishment and ongoing operation of major resource development and associated infrastructure projects in Western Australia.

Although the Output structure for the Department has changed this year, many of the same performance measures, which have been in place for a number of years, are used to demonstrate DRD performance in 2000/01.

Effectiveness indicator

The Outcome Effectiveness Indicator is the annual value of State royalties collected from State Agreement Act projects expressed as a percentage of the total value of State royalties collected.

Since the 1960s, many of the State's resource projects have been covered by State Agreement Acts, which bind both

the Government and the developer to specific responsibilities and provide an additional level of security over the life of a major project. State Agreement Acts, which cover a broad range of commodities, are ratified by an Act of Parliament.

State Agreement Acts are the development vehicle for specific projects. The State Government requires a developer to be firmly committed to a project and ready to proceed within a short time following Agreement ratification.

Prior to the negotiation of a State Agreement Act, the State must be assured that the project is sufficiently advanced to enable the Government and the developer to address key issues such as government approvals.

A developer must demonstrate to the Government that it is firmly committed to a project by showing that the following matter is complete or essentially complete:

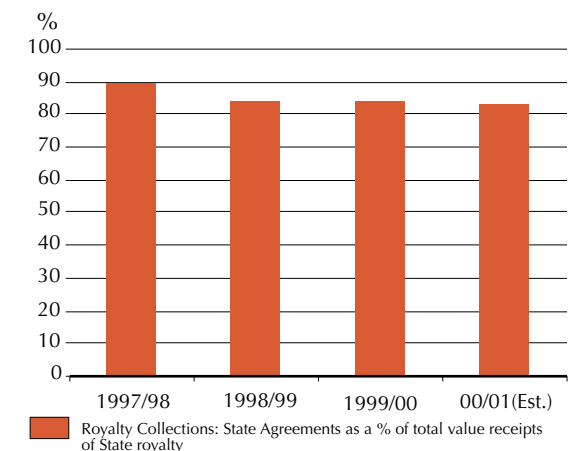
- A feasibility study which clearly defines the project, product markets and identifies all issues that involve the developer and Government e.g. infrastructure provision.
- Community benefits delivered by State Agreements include:
 - Transparency of process, given that State Agreement Acts are placed in the public domain (through their ratification by State Parliament)
 - Integrated Government decision-making
 - Revenue provided directly through royalties and payroll tax
- Revenue provided indirectly through increased employment and increased state output
- Guaranteed responsible (social, economic and environmental) development to the benefit of the community, by the nature of the Agreement, which ensures that acceptable community standards are maintained over the entire life of the project

DRD's State Agreement and future Agreement role includes:

- Negotiation of potential Agreement with investors,
- Receipt and progression of development proposals over the project life,
- On-going administration of the Agreement,
- Review of all development proposals over the life of the project.

Royalty returns from State Agreement Act projects have been chosen as the measure because they are a significant part of the total benefit of major project development, they are closely linked to the DRD outcome, the information can be gathered cost effectively, and the information has a high level of precision. The following graph demonstrates the high level of return from Agreement projects which DRD administers and which represent responsible resources development.

Outcome — Effectiveness



OUTPUT ONE

Under Output One, DRD provides advice to Government and other Government agencies on policy and strategic planning issues affecting resources development in Western Australia.

Key areas of advice include economic and fiscal policy, industry development policy, environmental policy and infrastructure planning. The advice is aimed at creating a policy and planning environment which encourages ongoing resources development in Western Australia.

Effectiveness Indicator

In order to create an environment which encourages ongoing resources development in Western Australia, the Department seeks to establish and maintain constructive working relationships with the Minister and a range of Government agencies and local authorities.

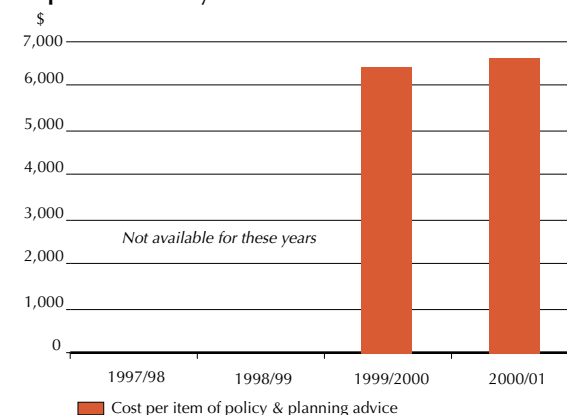
The first measure of effectiveness is a rating by the Minister of satisfaction with the performance of DRD's Policy and Planning Branches. The Minister is provided with a summary of policy and planning output for the year under review to assist him in forming an opinion. Consistent with previous years (refer chart ahead), the Minister has advised that he is 'very satisfied' with the performance of the Policy and Planning Branches.

The second measure is a rating by planning stakeholders (Government agencies and local authorities) of the effectiveness of DRD in encouraging a climate conducive to resources development in Western Australia. An

independent market research company surveyed those Government agencies and local authorities with which DRD had significant dealings during the year.

The following chart shows the results obtained from both surveys:

Output 1 — Efficiency Indicator



The Minister's satisfaction survey continues at a high level of 86 per cent, where it has been for some time now. The average result of 91 per cent for the Stakeholder survey for 2000/01 reflects a continuing high level of agreement that DRD's activities encourage a climate conducive to resources development in Western Australia.

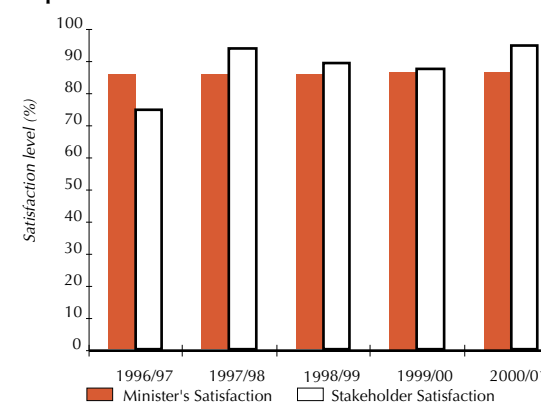
Efficiency indicator

The efficiency indicator is the average cost per substantial item of advice (policy and planning), delivered. Substantial items of policy and planning include Cabinet submissions and Cabinet comments.

Ministerial correspondence is considered significant where it includes a public statement about a Government policy decision. Correspondence which simply notes information, and other general correspondence of a simple administrative nature, are not considered significant.

Performance is shown in the following chart:

Output 1 — Effectiveness Indicator



Although the number of units produced increased during 2000/01, the costs also increased, resulting in a slight upward movement of costs per item produced.

OUTPUT TWO

Under Output Two, DRD provides to potential investors, information and advice about opportunities for new investment in resources development in Western Australia, especially in the downstream processing of resources.

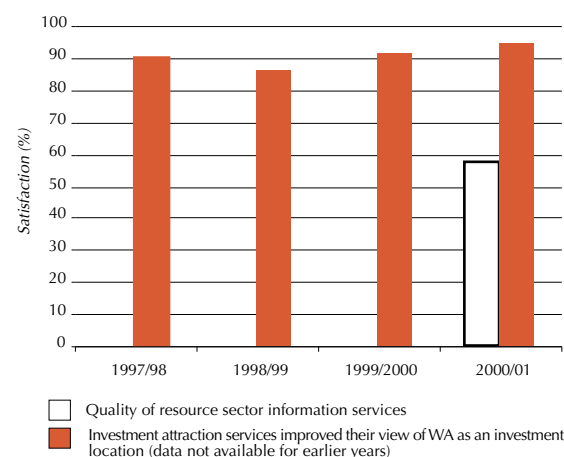
This output encourages private sector investment in resources development, thereby providing economic benefit to Western Australians.

Effectiveness indicator

The two measures for this indicator are:

- The percentage of investors who consider that the resource investment attraction services improved their view of Western Australia as an investment location. This is determined by a survey undertaken by an independent market research company, of potential investors in Western Australia with which DRD had significant dealings during the year. This is the first year that this specific indicator has been used, and therefore there is no previous data available.
- A rating by investors of the quality of resource sector information services provided by DRD. An annual reader survey is conducted of the effectiveness of Prospect magazine, DRD's leading publication on the resources sector. It has a national and international distribution of approximately 6,500.

Output 2 — Effectiveness Indicator



The data shows the ongoing support for the information services provided by DRD. The rating of 95 per cent satisfaction is three points higher than the previous year and another six points higher than 1998/99.

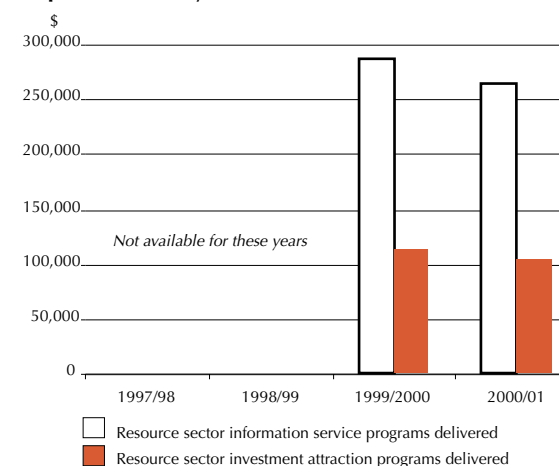
Efficiency indicator

The efficiency indicator is the average cost per resource sector investment attraction program and information service program delivered.

The number of programs delivered are identified by the Director, Business Development and are documented in the DRD Business Plan. There are currently eight investment attraction programs and 10 information service programs.

The cost data collected on these two outputs show a reduction in cost for both measures, when comparing the most recent financial years.

Output 2 - Efficiency Indicator



OUTPUT THREE

Output three is delivered through the facilitation of the establishment and ongoing operation of major resources development and associated infrastructure projects in Western Australia.

Resource development projects include production and processing of minerals and energy, wood processing and the development of major land resources (both agricultural and industrial). Associated infrastructure projects include industrial land, transport, energy and water service facilities, and other services for the resources industry. Facilitation is achieved by managing the interface between the investor and Government to ensure coordinated, timely government decision-making and approvals procedures. This output assists private sector investment in resources development, thereby providing economic benefit for Western Australians.

Effectiveness indicator

The measure for this indicator is the percentage of investors satisfied with the facilitation services provided.

DRD interacts with the developers of major new resource projects and also with the operators of major ongoing projects, particularly those administered under State Agreements. These organisations are surveyed by an independent market research company, which asks them to rate DRD with regards to:

- Effectiveness in facilitating implementation and development of future resource processing sites
- Helpfulness in obtaining major approvals
- Performance in project facilitation
- Effectiveness in being an advocate on behalf of clients
- Effectiveness in negotiations
- Overall performance in project coordination

The overall effectiveness rating of 82 per cent indicates the ongoing favourable client perception of DRD's role in facilitating major resources development in Western Australia. Although the survey result has dropped back from 91 per cent in 1999/2000, it is still considered to be a high level of customer satisfaction.

Efficiency indicator

The efficiency measure for this output is the average cost per infrastructure and resources development project facilitated.

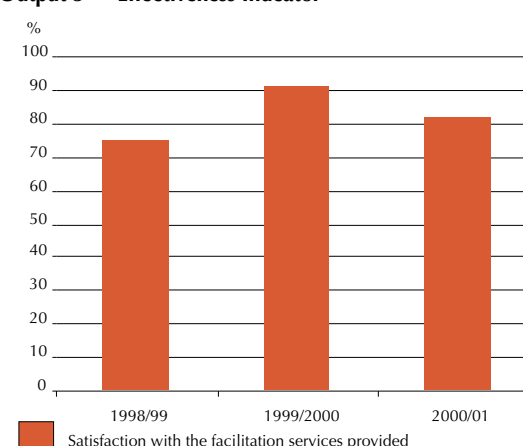
The number of infrastructure projects facilitated are identified by the Director, Projects and Infrastructure and are documented in the Business Plan.

The number of resource sector projects facilitated has two components:

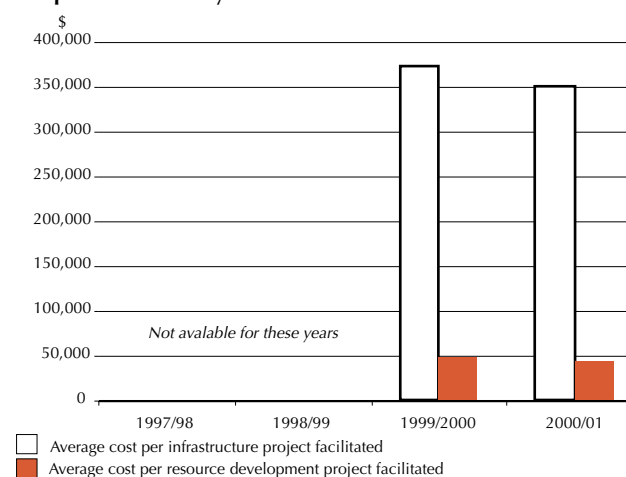
- Operational projects for which there has been some form of client contact during the year, which are identified from DRD's Major Projects Database by the Assistant Director responsible for this area
- Major new projects which DRD is assisting through Government approvals processes, which are identified by the Assistant Director responsible for this area

Costs have been reduced for both of these measures over the two years for which data is available. The reduction is a result of actual expenditure amounts reducing and of the number of projects being addressed throughout the year increasing.

Output 3 — Effectiveness Indicator



Output 3 — Efficiency Indicator



CORPORATE GOVERNANCE

Statutory requirements

Freedom of Information

DRD has a designated Freedom of Information (FOI) Coordinator who handles enquiries involving potentially confidential and sensitive information. DRD has produced a brochure to explain the FOI decision-making process used by DRD and the scope for involvement by industry and the public in this process. Copies of the Department's Information Statement, produced in accordance with the requirements of the Freedom of Information Act 1992, are available through the Library Information Service (Battye Library) or by contacting the FOI Coordinator. This year, five FOI applications were processed by DRD.

Customer focus

DRD has continued the successful programs put in place in 1999/2000 to build a greater customer focus. These include:

- Ongoing regular consultation with our customers regarding service delivery
- Extension of the program which focuses on reaching key external customers
- A customer-value program which seeks to add value to our customers' business
- Aspects of the Best Practice Project Facilitation program
- An Outreach program to build relationships across Government and with potential customer representatives

Key indicators and actions have been put in place to measure the success of these programs.

Advertising and research

In accordance with the Electoral Act 1907, Section 175ZE, Government agencies are required to disclose amounts of

\$1,500 or more which have been spent during the reporting period in relation to advertising agencies and market research organisations. During 2000/01, DRD spent \$62,771 on advertising to promote interest in Western Australia's resources sector or to fill staff vacancies.

Advertising	Total spent (\$62,771)
Marketforce	1,604 2,477
Media Decisions	2,150 3,225 2,354 10,501
Department of Commerce and Trade	4,237
Resource Information Unit	2,727 2,479

In 2000/01, the Department spent \$20,577 on market research, including customer surveys.

Research	Total spent (\$ 20,577)
Market Equity Pty Ltd	4,981 1,546 14,050

Departmental achievements on Government-driven outcomes

The Department has several plans in place to meet the Government's desired outcomes for particular customer groups, including the disabled.

The Department has processes in place to respond to the needs of its customers and the public but, more importantly, it also has a willingness to do so.

Nominations were sought for membership of a reconvened Departmental equal employment opportunity (EEO)

Committee to which 20 per cent of staff were nominated. A Committee comprising 12 members, plus an Executive representative, was convened and all Committee members received comprehensive EEO training.

Ongoing management of EEO activities in the Department was enhanced through:

- Continuation of the Committee and provision of grievance officers and their ongoing development
- Identification of issues addressed in a new EEO Management Plan through extensive staff consultation
- Provision of EEO training to all staff members

Public sector standards and ethical codes

An assessment of compliance was undertaken in May 2001. It recommended a need for increased staff awareness of Human Resource Standards.

Policies and supporting guidelines are posted on DRD's internal information system which is accessible to all staff via the organisation's Intranet.

During the year, the Office of the Public Sector Standards Commissioner was invited to address staff on the Public Sector Code of Ethics. This presentation was well attended by DRD staff at which time they were again provided with copies of the Department's Code of Conduct.

In the administration of the Department of Resources Development I have complied with the Public Sector Standards in Human Resource management, the Western Australian Public Sector Code of Ethics and our Code of Conduct.



Jim Limerick
Chief Executive Officer
30 June 2001

Corporate services

Performance Measurement Mechanism (PMM)

The Department no longer uses the PMM as a means of measuring efficiency and effectiveness. The PMM was primarily used to identify the achievement of efficiency related to salary increases. Salary increases are now measured through milestone achievements.

Client focus

During 2000/2001, DRD continued introducing strategies to further refine processes and ensure we are delivering our clients' requirements. Through the results of our client survey, we are able to determine areas of success and implement actions to further improve our client focus.

Operating costs

DRD operated within a budget of \$13.6 million which it received through the Consolidated Fund to conduct its business for 2000/01. The amount received during 1999/00 was \$12 million.

Information technology

During 2000/2001, DRD's Information Technology Section upgraded several components of its computing environment to accommodate the Department's increased network traffic, data storage, retrieval, and communication requirements.

In particular, the section implemented a new Ethernet network, an electronic Register of Joint Venture Participants for all State Agreement Acts, a Geographical Information System and a communication link with the Department of Minerals and Energy for the merger starting from 1 July 2001.

Human resources

Staffing levels

The chart below shows DRD actual staffing level, the number of fixed term appointments, staff turnover and total salaries during 2000/2001 in comparison to the previous year.

	1999/2000	2000/2001
Actual full time employees	101.48	102.99
Fixed term contract employees	10.80%	13.18%
Staff turnover (% permanent staff)	10.83%	9.78%
Staff turnover (% fixed term staff)	10.83%	2.05%
Total salaries	\$6.6 million	\$6.8 million

Recruitment and selection

DRD advertised 23 positions during the financial year, and decided not to fill three positions.

The average time taken from advertising until when a decision was made on the preferred candidate was 56 calendar days per position, an improvement of three days on last financial year.

Throughout the year, the Department continued to receive positive feedback, from inside and outside Government, on its innovative process of simplifying selection criteria for advertised positions.

Graduate development program

The Department engaged two graduates, Amanda Hopkins and Raif Sarcich, to undertake the Graduate Development Program. This program provides a grounding for recent graduates in the processes of Government and exposure to the resources industry, by rotating them through the various sections within DRD.

Occupational health and safety

During the past 12 months, DRD launched an Occupational Health and Safety (OHS), safety awareness program, and with direction and personal support from the Chief Executive Officer and Corporate Executive, an eight-member OHS Working Group was established.

The OHS Working Group has representatives from the four branches of DRD chaired by a Director, and includes representatives from human resources, fire wardens, and the Assistant Directors.

The working group agreed on two core desired outcomes:

- To lift awareness and commitment to OHS
- To improve the safety of the working environment

The Working Group has already reviewed OHS Management system standards and is in the process of reviewing the draft Safety Plan to improve workplace safety for both staff and visitors.

In addition, the Department continued its practice of monitoring and improving work stations through use of an ergonomist. The Department also organised a three hour introductory session to OHS issues.

Wellness Activities

The Department raised staff awareness of the importance of general health and wellbeing by:

- Blood testing, including cholesterol, glucose, liver, kidney, and prostate function
- Health awareness, including seminars on backcare, ergonomics, employee assistance program and the benefits of humour at work, and provision of brochures and newsletters.
- Sponsorship of a yoga program and the National Heart Foundation Stair Climbing Competition

Flexible working arrangements

During 2000/2001, DRD continued to offer flexible working options to staff. Over the past year, the number of staff participating in flexible working arrangements, exclusive of flexi-leave, increased 5.51 per cent to 14 employees.

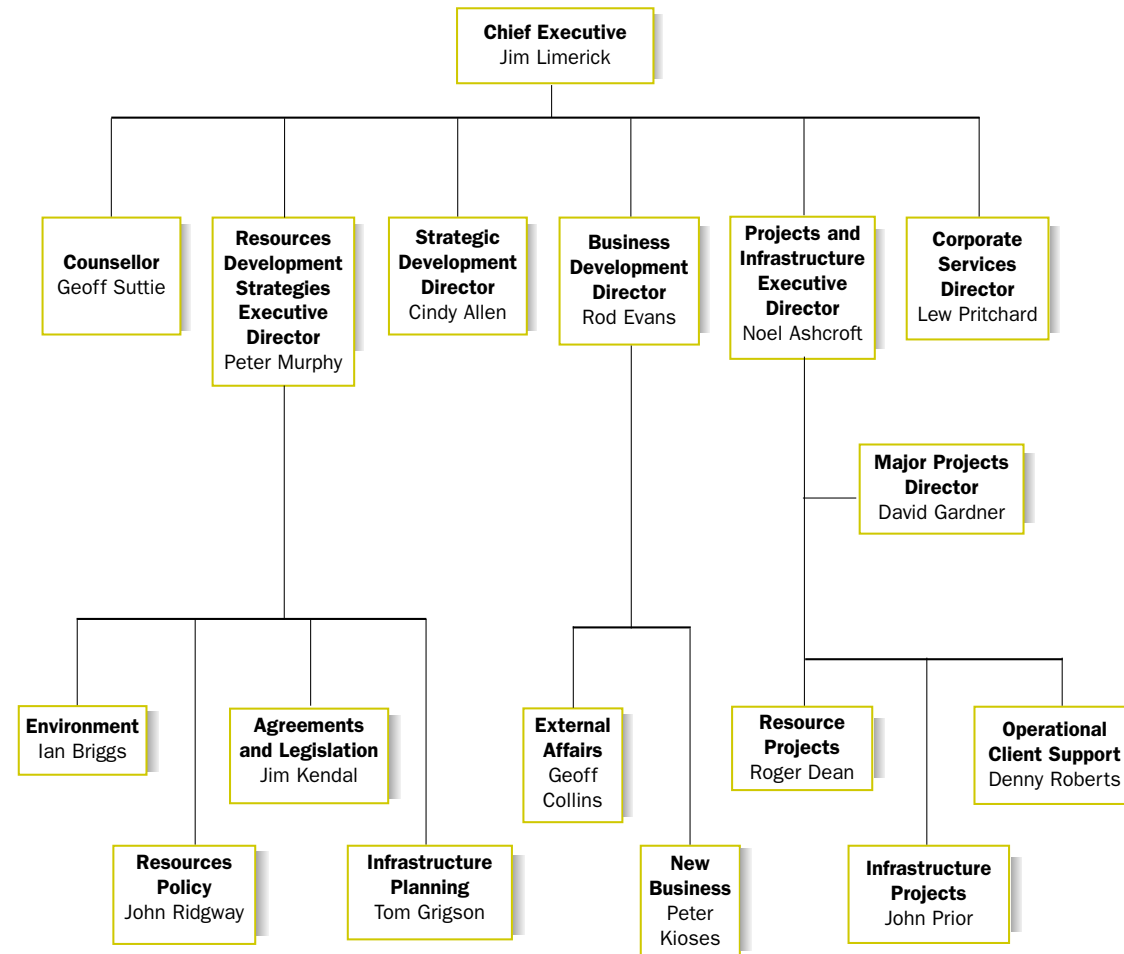
Industrial relations

During the year, a new workplace agreement, expiring in 2004 was registered and introduced productivity, measured through the achievement of milestones as a means of identifying future salary increases. The agreement involved the introduction of six weeks' paid paternity leave. The Department's enterprise bargaining agreement expires in July 2001. The Department initiated negotiations on a new agreement, but this was not finalised.

Workers' Compensation

During the year, one workers' compensation claim was approved, resulting in no lost working days. No employees required rehabilitation services and there was no change to the number of claims from the previous year.

Who's who at DRD: Organisational structure at 30 June 2001



Index

Statement of certification	25
Opinion of the Auditor General	26
Statement of financial performance	27
Statement of financial position	28
Statement of cash flows	29
Output schedule of expenses and revenues	30
Summary of consolidated fund appropriations and revenue estimates	31
Notes to financial statements	32

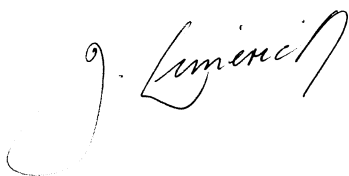
Financial statements 2000/01

Statement of certification

The accompanying financial statements of the Department of Resources Development have been prepared in compliance with the provisions of the *Financial Administration and Audit Act 1985* from proper accounts and records to present fairly the financial transactions for the period 1 July 2000 to 30 June 2001 and the financial position as at 30 June 2001.

As the Department was abolished at 30 June 2001, these are the final financial statements to be prepared for the Department of Resources Development.

At the date of signing I am not aware of any circumstances which would render the particulars included in the financial statements misleading or inaccurate.

A handwritten signature in black ink, appearing to read 'J. Lamine', is written over a faint, larger signature that is partially visible underneath.

REPORTING OFFICER

Opinion of the Auditor General

To the Parliament of Western Australia

DEPARTMENT OF RESOURCES DEVELOPMENT FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2001

Scope

I have audited the final accounts and financial statements of the Department of Resources Development for the year ended June 30, 2001 under the provisions of the *Financial Administration and Audit Act 1985*.

The Chief Executive Officer was responsible for keeping proper accounts and maintaining adequate systems of internal control, preparing and presenting the financial statements, and complying with the Act and other relevant written law. The primary responsibility for the detection, investigation and prevention of irregularities rests with the Chief Executive Officer. Following the abolition of the Department with effect from July 1, 2001, the Treasurer appointed a Reporting Officer under the provisions of section 65A of the Act, who was responsible for preparing and presenting the final financial statements.

My audit was performed in accordance with section 79 of the Act to form an opinion based on a reasonable level of assurance. The audit procedures included examining, on a test basis, the controls exercised by the Department to ensure financial regularity in accordance with legislative provisions, evidence to provide reasonable assurance that the amounts and other disclosures in the financial statements are free of material misstatement and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and the Treasurer's Instructions so as to present a view which is consistent with my understanding of the Department's financial position, the results of its operations and its cash flows.

The audit opinion expressed below has been formed on the above basis.

Audit Opinion

In my opinion,

- (i) the controls exercised by the Department of Resources Development provide reasonable assurance that the receipt and expenditure of moneys and the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions; and
- (ii) the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, Output Schedule of Expenses and Revenues and Summary of Consolidated Fund Appropriations and Revenue Estimates and the Notes to and forming part of the financial statements are based on proper accounts and present fairly in accordance with applicable Accounting Standards, other mandatory professional reporting requirements and the Treasurer's Instructions, the financial position of the Department at June 30, 2001 and the results of its operations and its cash flows for the year then ended.



DDR PEARSON
AUDITOR GENERAL
October 11, 2001

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2001

	Note	2000/01 \$'000	1999/00 \$'000
COST OF SERVICES			
Expenses from ordinary activities			
Employee expenses	4	7,530	6,722
Supplies and services	5	1,909	3,017
Depreciation expense	6	246	302
Administration expenses	7	1,087	718
Accommodation expenses	8	1,206	1,214
Grants and subsidies	10(a)	748	1,118
Other expenses from ordinary activities	9	2,601	3,358
<i>Total cost of services</i>		15,327	16,449
Revenues from ordinary activities			
Commonwealth grants and contributions	12	(2)	265
Net profit on disposal of non-current assets	14	13	59
Other revenues from ordinary activities	13	382	400
<i>Total revenue from ordinary activities</i>		393	724
<i>Net cost of services</i>	27	14,934	15,725
REVENUES FROM GOVERNMENT			
	15(a)		
Appropriations		13,600	12,089
Resources received free of charge		562	464
Liabilities assumed by the Treasurer		863	552
<i>Total revenues from Government</i>		15,025	13,105
<i>CHANGE IN NET ASSETS</i>		91	(2,620)

The Statement of Financial Performance should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2001

	Note	2000/01 \$'000	1999/00 \$'000
CURRENT ASSETS			
Cash assets	27	2,394	1,635
Restricted cash assets	17	1,007	1,266
Receivables	18	1,506	419
Other assets	19	132	173
<i>Total current assets</i>		5,039	3,493
NON-CURRENT ASSETS			
Property, plant and equipment	21	649	446
<i>Total non-current assets</i>		649	446
<i>Total assets</i>		5,688	3,939
CURRENT LIABILITIES			
Payables	22	544	349
Provisions	24	924	849
Other liabilities	23	492	160
<i>Total current liabilities</i>		1,960	1,358
NON-CURRENT LIABILITIES			
Provisions	24	736	690
Other liabilities	23	204	395
<i>Total non-current liabilities</i>		940	1,085
<i>Total liabilities</i>		2,900	2,443
EQUITY			
	25		
Accumulated surplus		2,608	1,366
Reserves		180	130
<i>Total equity</i>		2,788	1,496
<i>Total liabilities and equity</i>		5,688	3,939

The Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2001

	Note	2000/01 \$'000	1999/00 \$'000
CASH FLOWS FROM GOVERNMENT			
Recurrent appropriations		13,094	10,604
Capital appropriations		506	1,485
<i>Net cash provided by Government</i>		13,600	12,089
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee costs		(6,214)	(6,271)
Supplies and services		(1,909)	(3,121)
Administration		(892)	(741)
Accommodation		(1,398)	(1,288)
Grants and subsidies		(748)	(1,076)
GST payments on purchases		(802)	-
Other payments		(3,052)	(3,207)
Receipts			
Receipts from other services		567	692
GST receipts on sales		77	-
GST receipts from taxation authority		474	-
<i>Net cash used in operating activities</i>	27	(13,897)	(15,012)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of non-current physical assets		18	67
Purchase of non-current physical assets		(404)	(218)
<i>Net cash used in investing activities</i>		(386)	(151)
<i>Net decrease in cash held</i>		(683)	(3,074)
<i>Cash assets at the beginning of the financial year</i>		2,901	5,975
<i>Cash assets transferred from administered expenditure</i>		1,183	-
<i>Cash assets at the end of the financial year</i>	27	3,401	2,901

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

OUTPUT SCHEDULE OF EXPENSES AND REVENUES

FOR THE YEAR ENDED 30 JUNE 2001

	Output 1 - Policy and planning advice on resources development		Output 2 - Investment attraction services		Output 3 - Resource project facilitation services		Total	
	2000/01	1999/00	2000/01	1999/00	2000/01	1999/00	2000/01	1999/00
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
COST OF SERVICES								
Expenses from ordinary activities								
Employee expenses	2,441	2,333	1,553	1,445	3,539	2,945	7,533	6,722
Supplies and services	716	629	241	582	952	1,806	1,909	3,017
Depreciation	75	98	69	86	102	118	246	302
Administration expenses	353	239	289	179	444	301	1,086	718
Accommodation expenses	388	389	289	292	529	533	1,206	1,214
Grants and subsidies	567	613	120	268	61	237	748	1,118
Other expenses from ordinary activities	716	547	582	562	1,301	2,249	2,599	3,358
Total cost of services	5,256	4,848	3,143	3,414	6,928	8,189	15,327	16,449
Revenues from ordinary activities								
Commonwealth grants and contributions	-	144	(2)	86	-	35	(2)	265
Net profit on disposal of non-current assets	5	20	4	16	4	23	13	59
Other revenues from ordinary activities	280	251	10	8	92	141	382	400
Total revenues from ordinary activities	285	415	12	110	96	199	393	724
Net cost of services	4,971	4,433	3,131	3,304	6,832	7,990	14,934	15,725
Revenues from Government								
Appropriations	4,633	3,960	3,457	2,955	5,510	5,174	13,600	12,089
Resources received free of charge	184	152	137	113	240	199	561	464
Liabilities assumed by the Treasurer	283	181	211	135	369	236	863	552
Total revenues from Government	5,100	4,293	3,805	3,203	6,119	5,609	15,024	13,105
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS								
	130	(140)	674	(100)	(713)	(2,380)	91	(2,620)

The Output Schedule of Expenses and Revenues should be read in conjunction with the accompanying notes. This summary provides the basis for the explanatory statement information requirements of TI 945.

SUMMARY OF CONSOLIDATED FUND APPROPRIATIONS AND REVENUE ESTIMATES FOR THE YEAR ENDED 30 JUNE 2001

	Estimate \$'000	2000/01 Actual \$'000	Variance \$'000	Estimate \$'000	1999/00 Actual \$'000	Variance \$'000
RECURRENT						
Amount required to fund outputs for the year	12,619	14,054	(1,435)	10,508	11,187	(679)
Less retained revenue - Section 23A of the <i>Financial Administration and Audit Act</i>	(849)	(1,136)	287	(80)	(759)	679
Item 41 - amount provided to fund outputs for the year	11,770	12,918	(1,148)	10,428	10,428	-
Amount authorised by other statutes: <i>Salaries and Allowances Act</i>	176	176	-	176	176	-
<i>Sub - total</i>	11,946	13,094	(1,148)	10,604	10,604	-
Item 42 - Administered grants and transfer payments	11,510	11,189	321	10,113	5,457	4,656
<i>Total recurrent services</i>	23,456	24,283	(827)	20,717	16,061	4,656
CAPITAL						
Item 143 - Amount provided for capital services for the year	3,838	506	3,332	1,080	1,485	(405)
Item 137 - Administered capital grants and transfer payments	-	-	-	1,449	900	549
<i>Total capital services</i>	3,838	506	3,332	2,529	2,385	144
<i>Grand total</i>	27,294	24,789	2,505	23,246	18,446	4,800
DETAILS OF EXPENDITURE						
Recurrent						
Responsible development of the State's resources for the benefit of Western Australians						
Outputs:						
Policy and planning advice on resources development	4,860	5,149	(289)	3,496	4,640	(1,144)
Investment attraction services	3,547	3,077	470	2,891	3,285	(394)
Resource project facilitation services	10,447	6,787	3,660	7,263	7,913	(650)
<i>Recurrent expenditure</i>	18,854	15,014	3,840	13,650	15,836	(2,186)
Less retained revenue	(849)	(1,136)	287	(80)	(759)	679
Administered grants and transfer payments	11,510	12,150	(640)	10,113	2,385	7,728
Adjustment for cash balances and other funding sources	(6,059)	(1,806)	(4,253)	(2,966)	(796)	(2,170)
	23,456	24,222	(766)	20,717	16,666	4,051
Capital						
Capital expenditure	5,029	1,486	3,543	1,080	1,080	-
Adjustment for cash balances and other funding sources	(1,191)	(919)	(272)	1,449	700	749
	3,838	567	3,271	2,529	1,780	749
<i>Grand total of appropriations</i>	27,294	24,789	2,505	23,246	18,446	4,800
DETAILS OF REVENUE ESTIMATES						
Revenues disclosed as operating revenues	-	-	-	-	-	-
Revenues disclosed as administered revenues	-	-	-	-	5	(5)
<i>Grand total revenue estimates</i>	-	-	-	-	5	(5)

The summary of Consolidated Fund Appropriations and Revenue Estimates should be read in conjunction with the accompanying notes.
This summary provides the basis for the Explanatory Statement information requirements of TI 945.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2001

1 Departmental mission and funding

The Department's mission is to plan, promote and coordinate the responsible development of the State's minerals and energy resources for the benefit of Western Australians. The Department is predominantly funded by Parliamentary appropriation.

2 Significant accounting policies

The following accounting policies have been adopted in the preparation of the financial statements. Unless otherwise stated, these policies are consistent with those adopted in the previous year.

General statement

The financial statements constitute a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and Urgent Issues Group (UIG) Consensus Views as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording. The *Financial Administration and Audit Act* and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over Australian Accounting Standards and UIG Consensus Views. The modifications are intended to fulfil the requirements of general application to the public sector together with the need for greater disclosure and also to satisfy accountability requirements.

If any such modification has a material or significant financial effect upon the reported results, details of that modification, and where practicable the resulting financial effect, are disclosed in individual notes to these financial statements.

Basis of accounting

The financial statements have been prepared in accordance with Australian Accounting Standard AAS 29 on the accrual basis using the historical cost convention, with the exception of land which is subsequent to initial recognition, having been measured on the fair value basis in accordance with the option under AAS 38 (5.1).

Administered assets, liabilities, expenses and revenues are not integral to the Department in carrying out its functions and are disclosed in the notes to the financial statements forming part of the general purpose financial report of the Department. The administered items are disclosed on the same basis as is described above for the financial statements of the Department. The administered assets, liabilities, expenses and revenues are those which the Government requires the Department to administer on its behalf. The assets do not render any service potential or future economic benefits to the Department, the liabilities do not require the future sacrifice of service potential or future economic benefits of the Department, and the expenses and revenues are not attributable to the Department.

As the administered assets, liabilities, expenses and revenues are not recognised in the principal financial statements of the Department, the disclosure requirements of Australian Accounting Standard AAS 33, Presentation and Disclosure of Financial Instruments, are not applied to administered transactions.

a Appropriations

Appropriations in the nature of revenue, whether recurrent or capital, are recognised as revenues in the period in which the Department gains control of the appropriated funds. The Department gains control of appropriated funds at the time those funds are deposited into the Department's bank account.

b Net appropriation determination

Pursuant to Section 23A of the *Financial Administration and Audit Act*, the net appropriation determined by the Treasurer provides for the retention of the following moneys received by the Department:

Contributions received for studies

Employee vehicle scheme recoupment

Other revenues.

Retained revenues may only be applied to the outputs specified in the 2000/2001 Budget Statements.

Details of retained revenues are disclosed in the Summary of Consolidated Fund Appropriations and Revenue Estimates.

c Grants and other contribution revenue

Grants and other non-reciprocal contributions are recognised as revenue when the Department obtains control over the assets comprising the contributions. Control is normally obtained upon their receipt.

Contributions are recognised at their fair value.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2001

d Depreciation of non-current assets

All non-current assets, having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of their future economic benefits.

Depreciation has been charged on a straightline basis using the following average lives:

Furniture	5-7 years
Equipment	5 years
Computer Hardware	2 years
Computing Software	5 years

e Employee entitlements

Annual leave

This entitlement is recognised at current remuneration rates and is measured at the amount unpaid at the reporting date in respect to employees' service up to that date.

Long service leave

These entitlements are calculated for all officers at current remuneration rates.

A liability for long service leave is recognised after an officer has completed one year of service. Accrued long service leave for which employees are presently entitled, has been reflected as a current liability while pro-rata long service leave entitlements have been reflected as non-current liabilities.

An actuarial assessment of long service leave was carried out at 30 June 1998 and it was determined that the actuarial assessment of the liability was not materially different from the liability reported. This method of measuring the liability is consistent with the requirements of *Australian Accounting Standard AAS 30, Accounting for Employee Entitlements*.

Superannuation

Staff may contribute to the Superannuation and Family Benefits Act Scheme, a defined benefits pension scheme now closed to new members, or the Gold State Superannuation Scheme, a defined benefit lump sum scheme now also closed to new members. All staff who do not contribute to either of these schemes become non-contributory members of the West State Superannuation Scheme, an accumulation fund complying with the Commonwealth Government's *Superannuation Guarantee (Administration) Act 1992*.

The Superannuation expense is comprised of the following elements:

- (1) Change in the unfunded employer's liability in respect of current employees who are members of the Superannuation and Family Benefits Act Scheme and current employees who accrued a benefit on transfer from that Scheme to the Gold State Superannuation Scheme; and
- (2) Notional employer contributions which would have been paid to the Gold State Superannuation Scheme and West State Superannuation Scheme if the Department had made concurrent employer contributions to those schemes.

The Superannuation expense does not include payment of pensions to retirees as this does not constitute part of the cost of services provided by the Department in the current year.

f Leases

The Department has not acquired any assets by means of a finance lease. The leases it does have relate to operating leases of motor vehicles and office accommodation. These lease payments are recognised as operating expenses over the term of the lease.

The head office accommodation occupied by the Department is under a head lease between the lessor and the Government Property Office. This lease includes provision for a rent - free period and the refurbishment of the premises. In consideration for the refurbishment, the Department has accepted a reduced rent free - period.

g Loans and receivables

Receivables are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition.

The collectability of loans and receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2001

h Accrued salaries

The accrued salaries suspense account consists of amounts paid annually into a suspense account over a period of 10 financial years to largely meet the additional cash outflow in each 11th year when 27 pays occur in that year instead of the normal 26. No interest is received on this account.

Accrued salaries represents the amount due to staff at the end of the financial year, as the end of the last pay period for that financial year does not coincide with the end of the financial year. Accrued salaries are settled within a few days of the financial year - end. The carrying amount of accrued salaries is deemed to be equivalent to the net fair value.

i Payables

Payables, including accruals not yet billed, are recognised when the Department becomes obliged to make future payments as a result of a purchase of assets or services. Accounts payable are generally settled within 30 days.

j Inventories

Inventories are valued at the lower of cost and net realisable value. Inventories have been valued at current cost by an officer of the Department.

k Resources received free of charge

Resources received free of charge which can be reliably measured, are recognised as revenue or assets and expenditure at fair value.

l Revenue recognition

Other revenues from ordinary activities are recognised when they are received.

m Revaluation of land

The Department has a policy of valuing land at fair value every three years. The annual revaluation of the Department's land and buildings, undertaken by the Valuer General's Office for the Government Property Register is recognised in the financial statements

n Comparative figures

Comparative figures are, where appropriate, reclassified so as to be comparable with the figures presented in the current financial year.

3 Outputs of the Department

Information about the Department's outputs and the expenses and revenues which are reliably attributable to those outputs is set out in the Output Schedule of Expenses and Revenue.

Information about expenses, revenues, assets and liabilities administered by the Department are given in the Schedule of Administered Expenses and Revenues (Item 33) and the Schedule of Administered Assets and Liabilities (Item 34).

The three outputs of the Department are:

Output 1: Policy and planning advice on resources development

The Department provides advice to Government and agencies on policy and strategic planning issues affecting resources development in Western Australia. Key areas of advice include economic and fiscal policy, industry development policy, environmental policy and infrastructure planning. The advice is aimed at creating a policy and planning environment which encourages ongoing resource development in Western Australia.

Output 2: Investment attraction services

The Department provides information and advice to potential investors about opportunities for new investment in resources development in Western Australia, especially in the downstream processing of resources. This output encourages private sector investment in resources development, thereby providing economic benefit for Western Australians.

Output 3: Resource project facilitation services

The Department facilitates the establishment and ongoing support of major resource development and associated infrastructure projects. Resource development projects include production and processing of minerals and energy, wood processing and development of major land resources. Associated infrastructure projects include industrial land, transport, energy and water service facilities, and other services for the resources industry. Facilitation is achieved by managing the interface between the investor and Government to ensure coordinated, timely Government decision-making and approvals procedures. This output assists private sector investment in resources development, thereby providing economic benefit for Western Australians

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2001

	2000/01 \$'000	1999/00 \$'000
4 Employee expenses		
Salaries	6,546	6,279
Superannuation	863	552
Long service leave	107	6
Annual leave	14	(115)
	7,530	6,722
5 Supplies and services		
Consultants and contractors	1,458	2,529
Repairs and maintenance	83	60
Travel	368	428
	1,909	3,017
6 Depreciation expense		
Furniture and equipment	71	73
Computer equipment	175	229
	246	302
7 Administration expenses		
Communication	102	113
Consumables	280	338
Upgrades and replacements	13	-
Maintenance	19	13
Other staff costs	673	254
	1,087	718
8 Accommodation expenses		
Lease - premises	1,206	1,214
	1,206	1,214
9 Other expenses from ordinary activities		
Services - temporary and other	1,877	2,611
Advertising and printing	183	157
Insurance, rates, taxes and licences	111	157
Leasing and hire	196	92
Other operating expenses	234	341
	2,601	3,358
10(a) Grants and subsidies		
Chamber of Commerce - ISO subsidy	450	450
Town of Port Hedland - Provision of extra town services	-	214
Murdoch University - Chinese steel industry study	54	26
University of WA - Greenstone gold extension project	-	32
University of WA - Mine rehabilitation study	-	70
Curtin University - Gold deposit study	-	20
Steel angle conveying study	-	14
Fine wood industry project	-	41
Other	244	251
	748	1,118

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2001

	2000/01 \$'000	1999/00 \$'000
10(b) Administered expenses - Subsidies and transfer payments		
Western Power - Interest on loan for Mid West Pipeline	832	832
Western Power - Interest on loan for Onslow Pipeline	181	182
Main Roads - Cape Lambert	4,107	24
Bunbury Port Authority - Interest on loan	92	91
Ord River *	-	736
Albany Wood Chip	836	61
Oakajee Port Site	3,356	1,196
Oakajee to Narngulu rail corridor	1,076	-
Kemerton Industrial Estate	981	-
BHP Hot Briquetted Iron Plant	689	-
	12,150	3,122
<p>The Department is responsible for transfers of appropriations to eligible beneficiaries consistent with the requirements of various Acts. The Department does not control amounts for transfer but acts only as an agent.</p> <p>* The Ord River project ceased to be administered and became controlled at the beginning of the current financial year.</p>		
11 Resources provided free of charge		
During the year, the following resources were provided to other agencies free of charge for functions outside the normal operations:		
Office of Energy - Corporate Services	-	2
12 Commonwealth grants and contributions		
Recurrent - Department of Industry, Science and Resources	(2)	265
13 Other revenues from ordinary activities		
These consist of:		
Contributions received for studies	-	227
Contributions by senior officers to the executive Motor Vehicle Scheme	23	21
Rebates and reimbursements	359	152
	382	400
14 Net profit on disposal of non-current assets		
Proceeds from disposal of assets	18	66
Less carrying value of assets:		
Computer equipment	(3)	-
Furniture and fittings	(2)	(7)
	13	59
15(a) Revenues (to)/from Government		
Appropriation revenue received during the year:		
Recurrent	13,094	10,604
Capital	506	1,485
	13,600	12,089
The following liabilities have been assumed by the Treasurer during the financial year:		
Superannuation	863	552
<i>Total liabilities assumed by the Treasurer</i>	863	552

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2001

	2000/01 \$'000	1999/00 \$'000
15(a) Revenues (to)/from Government (continued)		
Resources received free of charge		
Determined on the following estimates provided by agencies:		
Department of Land Administration	45	2
Office of the Auditor General	13	13
Crown Solicitor's Office	504	449
	562	464
	15,025	13,105
15(b) Administered revenues		
Consolidated Fund - Recurrent	11,189	5,457
Consolidated Fund - Capital	-	900
Other Revenue - Resources Institute	874	5
	12,063	6,362
16 Liabilities assumed by the Treasurer		
Superannuation	863	552
17 Restricted cash assets		
Trust funds	756	1,065
Accrued salaries account (Treasury)	251	201
	1,007	1,266
Trust Funds relate to the following trust accounts:		
- WA Government/China Economic and Technical Research Fund		
- Forest Residue Utilisation Levy		
- South Hedland Enhancement Scheme		
Accrued salaries account is represented by a cash balance and is therefore equivalent to the net fair value.		
Administered funds bank balance	4,564	5,020
18 Receivables		
Trade debtors	1,210	412
Other	296	7
	1,506	419
19 Other assets		
Prepayments	128	169
Stationery stock	4	4
	132	173
20 Loans		
In 1995/96, full provision was made against the \$2 million loan issued to Compact Steel. This provision will remain until finalised.		

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2001

		2000/01 \$'000	1999/00 \$'000
21	Property, plant and equipment		
	Land		
	Legendre Island - At valuation	150	100
	Crown Reserve 35813, Wickham - At valuation	30	30
		180	130
	Furniture and equipment		
	At cost	599	610
	Accumulated depreciation	408	411
		191	199
	Computer equipment		
	At cost	1,175	1,001
	Accumulated depreciation	897	884
		278	117
	Total		
	At cost and valuation	1,954	1,741
	Accumulated depreciation	1,305	1,295
		649	446

The revaluation of freehold land was performed during the current financial year by the Valuer General's Office. The valuation has been performed on the basis of current market buying values. The valuation was made in accordance with a regular policy of revaluation performed every three years.

The increment has been taken to the Asset Revaluation Reserve.

Reconciliations

Reconciliations of the carrying amounts of property, plant, equipment and vehicles at the beginning and end of the current and previous financial year are set out below:

	Land		
	Carrying amount at start of the year	130	130
	Revaluation Increments	50	-
	Carrying amount at end of the year	180	130
	Furniture and equipment		
	Carrying amount at start of the year	198	182
	Additions	65	95
	Disposals	(2)	(6)
	Depreciation	(70)	(72)
	Carrying amount at end of the year	191	199
	Computer equipment		
	Carrying amount at start of the year	117	226
	Additions	339	123
	Disposals	(3)	(3)
	Depreciation	(175)	(229)
	Carrying amount at end of the year	278	117
	Total		
	Carrying amount at start of the year	445	538
	Additions	404	218
	Disposals	(5)	(9)
	Revaluation increments	50	-
	Depreciation	(245)	(301)
	Carrying amount at end of the year	649	446

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2001

		2000/01 \$'000	1999/00 \$'000
22	Payables		
	Trade payables	544	349
		544	349
23	Other liabilities		
	Current		
	Accrued salaries	185	160
	Provision for redundancy payments	307	-
		492	160
	Accrued salaries are settled within a few days of the financial year end.		
	Non-current	204	395
		204	395
	This amount represents the rent that would have been paid but for the rent - free and reduced rent period included in the lease. This amount will be amortised over the life of the lease.		
24	Provisions		
	Current		
	Annual leave	492	478
	Long service leave	432	371
		924	849
	Non-current		
	Long service leave	736	690
		1,660	1,539
	Employee entitlements		
	The aggregate employee entitlements liability is recognised and included in the financial statements as follows:		
	Provision for employee entitlements:		
	Current	924	849
	Non-current	736	690
		1,660	1,539
25	Equity		
	Equity represents the residual interest in the net assets of the Department. The Government holds the equity interest in the Department on behalf of the community. The asset revaluation reserve represents that portion of the equity resulting from the revaluation of non-current assets.		
	Reserves		
	Asset revaluation reserve		
	Opening balance	130	-
	Net revaluation increments		
	Land	50	130
	Closing balance	180	130

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2001

	2000/01 \$'000	1999/00 \$'000
25 Equity (continued)		
Opening balance	1,366	3,986
Change in net assets after restructuring	1,151	-
	2,517	3,986
Change in net assets resulting from operations	91/	(2,620)
Closing balance	2,608	1,366
Total equity	2,788	1,496

26 Remuneration and retirement benefits of senior officers

The number of senior officers whose total of fees, salaries and other benefits received or due and receivable for the financial year who fall within the following bands is:

\$80,000 - 90,000	1	-
\$90,001 - 100,000	1	1
\$100,001 - 110,000	2	2
\$110,001 - 120,000	3	2
\$130,001 - 140,000	-	-
\$190,001 - 200,000	-	1
\$200,001 - 210,000	1	-

The total remuneration for senior officers is	933	720
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Retirement benefits:

The following amounts in respect of retirement benefits for senior officers were paid or became payable for the financial year:

Total notional contributions to Gold State Superannuation Scheme and West State Superannuation Scheme:	98	81
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No senior officers are members of the Superannuation and Family Benefits Act Scheme.

27 Notes to the Statement of Cash Flows

(a) Reconciliation of cash

For the purpose of the Statement of Cash Flows, cash includes cash at bank and on hand, amounts in suspense and restricted cash. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash assets	2,394	1,635
Restricted cash assets	756	1,065
Accrued salaries suspense account	251	201
	3,401	2,901

(b) Non-cash financing and investing activities

During the financial year and prior year, there were no assets/liabilities transferred/assumed from other Government agencies not reflected in the Statement of Cash Flows.

(c) Reconciliation of net cost of services to net cash flows used in operating activities

Net cost of services	(14,934)	(15,725)
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Non-cash items:

Depreciation	246	302
Superannuation	863	552
Resources received free of charge	562	464
(Profit)/Loss on disposal of non-current assets	(13)	(59)

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2001

	2000/01 \$'000	1999/00 \$'000
27. Notes to the Statement of Cash Flows (continued)		
(Increase)/decrease in assets:		
Current receivables	(1,087)	(251)
Other assets	41	59
Increase/(decrease) in liabilities:		
Payables	195	(145)
Current provisions	75	(24)
Other current liabilities	332	30
Non-current provisions	46	(65)
Other non-current liabilities	(191)	(150)
Transfer of net liability from administered	(32)	-
<i>Net cash used in operating activities</i>	(13,897)	(15,012)

(d) At the reporting date, the Department had no outstanding financing facilities.

28 Trust funds

Forest Residue Utilisation Levy Trust Fund

Purpose - To hold funds appropriated by Parliament for the purpose of funding studies and programs which add value to forest residues.

Transactions

Opening cash book balance 238 432

Receipts:

Contributions for studies - 60

238 492

Payments:

Pulp and paper industry development 135 164

Residue industry development 15 90

150 254

Closing cash book balance 88 238

WA Government/China Economic and Technical Research Trust Fund

Purpose - To hold funds for the purpose of promoting joint studies of future areas of long - term, mutually - beneficial, economic cooperation between Western Australia and China particularly in the development, processing and marketing of Western Australia's mineral resources.

Transactions

Opening cash book balance 827 1,326

Receipts:

Consolidated Fund contribution - -

827 1,326

Payments:

English training program - 131

Pit Slope Stability Extension Project 35 72

World Metal Program - -

Shear Hosted Gold Study - 23

Steep Angle Conveyors - 33

Mining Rehabilitation Study - 57

Chinese Steel Mills Reform 124 62

Other projects - 121

159 499

Closing cash book balance 668 827

Salary and administrative overheads have been allocated over projects/studies on a pro-rata basis.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2001

		2000/01 \$'000	1999/00 \$'000
28	Trust funds (continued)		
	South Hedland Enhancement Scheme Trust Fund		
	Purpose - To hold funds received by the Department of Resources Development for the purpose of improving community, leisure and recreational facilities in South Hedland.		
	Transactions		
	Opening cash book balance	-	2,213
	Receipts:		
	Consolidated Fund contribution	-	-
	Broken Hill Proprietary Ltd contribution	-	-
		-	2,213
	Payments:		
	Enhancement of community facilities	-	280
	Town of Port Hedland	-	-
	Urbanscope improvements	-	536
	Road links	-	1,375
	Minor works and studies	-	22
		-	2,213
	Closing cash book balance	-	-
29	Supplementary information		
	Gifts of public property	-	3
	Write-offs	-	10
30	Commitments for Expenditure		
	Non-cancellable operating lease commitments:		
	Not later than one year	945	986
	Later than one year and not later than five years	17	912
		962	1,898

31 Contingent liabilities

Should there be a recovery on the loan to Compact Steel, the Department would be obligated to share the recovered funds equally with the Commonwealth Government.

The Department is not aware of any other contingent liabilities existing at reporting date which would impact on the financial statements.

32 Events occurring after reporting date

From 1 July 2001, the Department of Resources Development was abolished and all activities transferred to the Department of Mineral and Petroleum Resources. As a result, this is the final set of financial statements for the Department of Resources Development.

Apart from the above, the Department is not aware of any events which have occurred subsequent to 30 June 2001 which would impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2001

	2000/01 \$'000	1999/00 \$'000
33 Financial instruments		
Interest rate risk exposure		
The Department is not exposed to interest rate risk as all account balances are non-interest bearing.		
Assets		
Cash	2,394	1,635
Restricted cash	1,007	1,266
Accounts receivable	1,506	419
<i>Total financial assets</i>	4,907	3,320
Liabilities		
Accounts payable	544	349
Accrued salaries	492	160
Employee entitlements	1,660	1,539
<i>Total financial liabilities</i>	2,696	2,048
The carrying amount of financial assets and financial liabilities recorded in the financial statements are not materially different from their net fair values, determined in accordance with the accounting policies disclosed in Note 2 to the Financial Statements.		
34 Administered expenses and revenues		
Expenses		
Supplies and services	3	486
Administration expenses	-	16
Grants and subsidies	12,150	2,363
Transfer payments	-	257
<i>Total administered expenses</i>	12,153	3,122
Revenues		
Funds received from appropriations	11,189	6,357
Other revenue	874	5
<i>Total administered revenue</i>	12,063	6,362
35 Administered assets and liabilities		
Current assets		
Cash	4,564	5,020
Receivables	240	5
Other current assets	-	4
<i>Total administered current assets</i>	4,804	5,029
Non-Current Assets		
Loans	-	-
Property, Plant and Equipment	-	-
<i>Total administered non-current assets</i>	-	-
<i>Total administered assets</i>	4,804	5,029
Current liabilities		
Accounts payable	1,263	249
Provisions	-	-
Other Liabilities	-	-
<i>Total administered current liabilities</i>	1,263	249

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2001

	2000/01 \$'000	1999/00 \$'000
35 Administered assets and liabilities (continued)		
Non-Current Liabilities		
Provisions	-	-
Other Liabilities	-	-
<i>Total Administered non-current Liabilities</i>	-	-
<i>Total administered liabilities</i>	1,263	249

36 Explanatory statement

The Summary of Consolidated Fund Appropriations and Revenue Estimates discloses appropriations and other statutes expenditure estimates, the actual expenditures made and revenue estimates and payments into the Consolidated Fund, all on a cash basis.

The following explanations are provided in accordance with the Treasurer's Instruction 945. Significant variations are considered to be those greater than 10 per cent or \$500,000.

There were no significant variations where actual expenditures exceeded or were less than other statute estimates for the financial year.

Significant variations where actual revenues exceeded or were less than the estimates for the financial year:

	Estimate \$'000	Actual \$'000
Other revenue	849	1,136

Additional revenue was received from various organisations which made a contribution towards project and infrastructure studies.

Item 36 - Amount provided to fund outputs for the year	11,770	12,918
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Additional funding was approved during the year in relation to planning for the extension of the gas pipeline to Albany (\$500,000) and a service corridor from Leonora to Oakajee (\$750,000). Appropriations were reduced by \$102,000 for required savings in advertising, travel and consultancy expenditure.

Item 136 - Amount provided for capital services for the year	3,838	506
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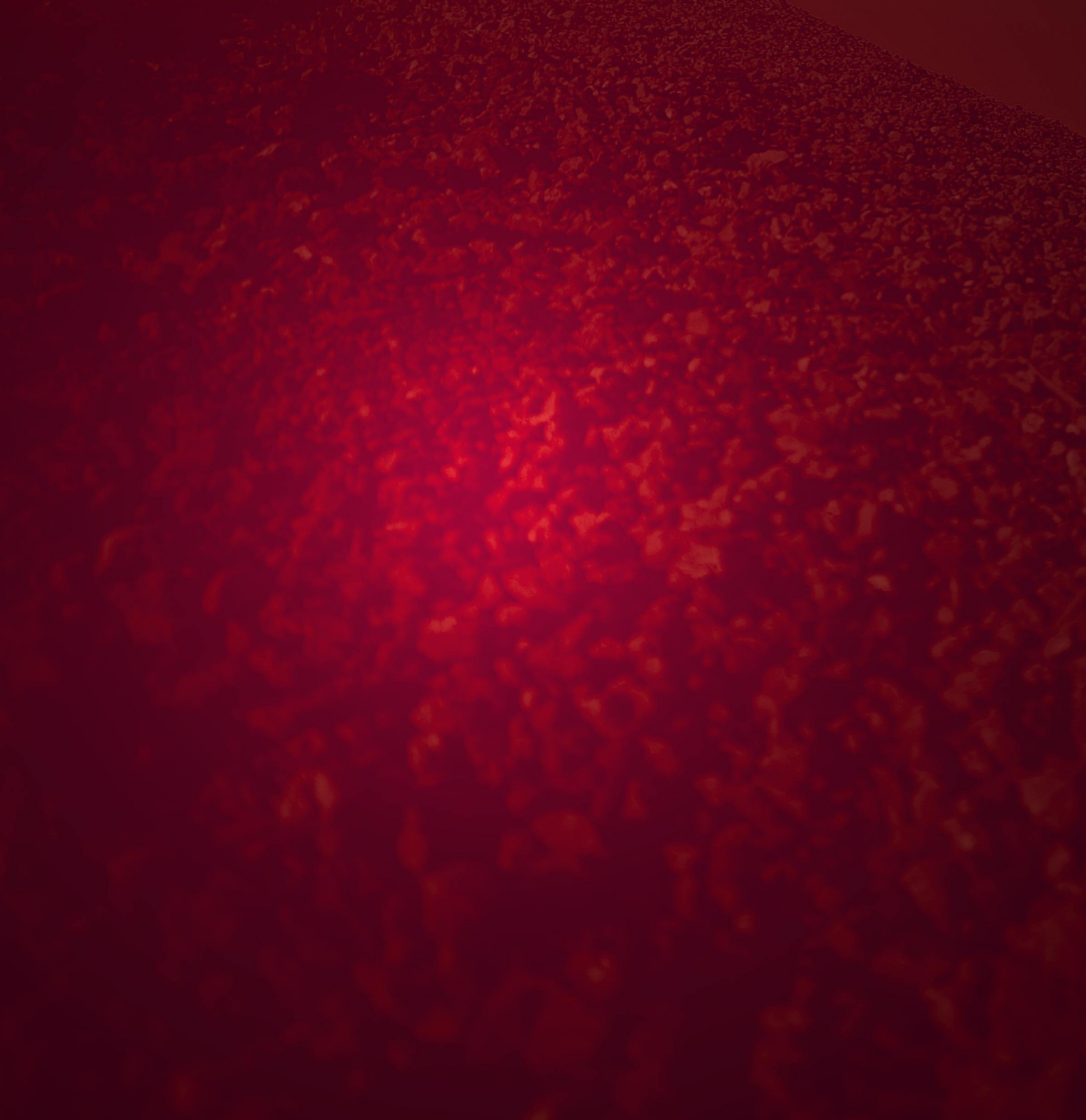
Difficulties with progressing the Ord Stage 2 project resulted in some funds being re-allocated , and others being returned to Treasury.

Funds were re-allocated to:	\$'000
Oakajee infrastructure project	500
Burru infrastructure project	300
Oakajee buffer land (Administered)	405

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2001

	Estimate \$'000	Actual \$'000
36 Explanatory statement (continued)		
Significant variations where actual expenditures exceeded or were less than estimates for the financial year:		
Investment attraction services	3,547	3,077
Reduced expenditure is primarily a result of less activity with the WA Government-China Economic and Technical Research Trust Fund.		
Resource project facilitation services	10,447	6,787
Estimates for the year included a significant outlay in relation to the Ord Stage 2 project. Actual expenditure on the Ord project was \$613,000.		
Significant variations between actual revenue and expenses for the financial year and the corresponding items for the immediately preceding financial year:		
Administered grants and transfer payments	12,150	2,385
During the year, administered grants and transfer payments were made in relation to a number of projects including Madigan Road in Karratha, Oakajee and Kemerton industrial estates (Landcorp) and interest costs (Western Power).		
Resource project facilitation services	6,787	7,912
Expenditure during 1999/00 included \$2.2 million for the South Hedland Enhancement Scheme. There was no further expenditure on this project in 2000/01.		
In 2000/01, this output included expenditure on the Ord Stage 2 project of \$613,000.		
Revenues	1,136	759
Retained revenues for 2000/01 includes GST input tax credits received from the Australian Taxation Office.		



Appendices

Appendix one

State Agreement Acts

The 64 State Agreement Acts administered by the Department of Resources Development on behalf of the Government of Western Australia, at 30 June 2001.

Alumina

Alumina Refinery Agreement Act 1961
Alumina Refinery (Mitchell Plateau) Agreement Act 1971
Alumina Refinery (Pinjarra) Agreement Act 1969
Alumina Refinery (Wagerup) Agreement and Acts Amendment Act 1978
Alumina Refinery (Worsley) Agreement Act 1973

Charcoal Iron and Steel

Wundowie Charcoal Iron Industry Sale Agreement Act 1974

Coal

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

Copper

Western Mining Corporation Limited (Throssell Range) Agreement Act 1985

Diamonds

Diamond (Argyle Diamond Mines Joint Venture) Agreement Act 1981

Energy

Goldfields Gas Pipeline Agreement Act 1994
Pilbara Energy Project Agreement Act 1994
Ord River HydroEnergy Project Agreement Act 1994

Forest products

Albany Hardwood Plantation Agreement Act 1993
Bunbury Treefarm Project Agreement Act 1995
Collie Hardwood Plantation Agreement Act 1995
Dardanup Pine Log Sawmill Agreement Act 1992
Paper Mill Agreement Act 1960
Wesply (Dardanup) Agreement Authorisation Act 1975
Wood Chipping Industry Agreement Act 1969
Wood Processing (WESFI) Agreement Act 2000

Gas

North West Gas Development (Woodside) Agreement Act 1979

Gold

Tailings Treatment (Kalgoorlie) Agreement Act 1988

Iron ore and steel

Broken Hill Proprietary Company's Integrated Steel Works Agreement Act 1960
Broken Hill Proprietary Steel Industry Agreement Act 1952
Iron Ore (The Broken Hill Proprietary Company Limited) Agreement Act 1964
Iron Ore (Channar Joint Venture) Agreement Act 1987
Iron Ore (Goldsworthy-Nimingarra) Agreement Act 1972
Iron Ore (Hamersley Range) Agreement Act 1963
Iron Ore (Hamersley Range) Agreement Act 1968
Iron Ore (Hope Downs) Agreement Act 1992
Iron Ore (McCamey's Monster) Agreement Authorisation Act 1972
Iron Ore (Marillana Creek) Agreement Act 1991
Iron Ore (Mount Bruce) Agreement Act 1972

Iron Ore (Mount Goldsworthy) Agreement Act 1964
Iron Ore (Mount Newman) Agreement Act 1964
Iron Ore (Murchison) Agreement Authorisation Act 1973
Iron Ore (Rhodes Ridge) Agreement Authorisation Act 1972
Iron Ore (Robe River) Agreement Act 1964
Iron Ore (Wittenoom) Agreement Act 1972
Iron Ore Processing (BHP Minerals) Agreement Act 1994
Iron Ore Beneficiation (BHP) Agreement Act 1996
Iron Ore Direct Reduced Iron (BHP) Agreement Act 1996
Iron Ore (Yandicoogina) Agreement Act 1996
Iron & Steel (Mid West) Agreement Act 1997

Mineral sands

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

Nickel

Nickel (Agnew) Agreement Act 1974
Nickel Refinery (Western Mining Corporation Limited) Agreement Act 1968
Nickel Refinery (Western Mining Corporation Limited) Agreement Act Amendment Act 1970
Poseidon Nickel Agreement Act 1971

Oil

Oil Refinery (Kwinana) Agreement Act 1952

Salt

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

Uranium

Uranium (Yeelirrie) Agreement Act 1978

Miscellaneous

Cement Works (Cockburn Cement Limited) Agreement Act 1971
Industrial Lands (CSBP & Farmers Limited) Agreement Act 1976
Industrial Lands (Kwinana) Agreement Act 1964
Pigment Factory (Australind) Agreement Act 1986
Silicon (Kemerton) Agreement Act 1987

During the reporting period, the following State Agreements were varied:

- *Iron and Steel (Mid West) Agreement Act 1997*
- *Alumina Refinery Agreement Act 1961*
- *Iron Ore (Goldsworthy-Nimingarra) Agreement Act 1972*
- *Iron Ore (Marillana Creek) Agreement Act 1991*
- *Iron Ore (McCamey's Monster) Agreement Authorisation Act 1972*
- *Iron Ore (Mount Goldsworthy) Agreement Act 1964*
- *Iron Ore (Mount Newman) Agreement Act 1964*
- *Iron Ore Beneficiation Agreement Act 1996*
- *Iron Ore – Direct Reduced Iron (BHP) Agreement Act 1996*

Appendix two

Publications

(available during 2000/2001)

1. Prospect magazine (quarterly)
2. Map of resources development projects
3. DRD Annual Report 1999/2000
4. Western Australian Oil and Gas Industry 2001
5. Western Australian Iron Ore Industry 2000
6. Flyer - MPR: A new name in Western Australian resources development
7. Western Australia: A premium investment location
8. Mid West Regional Minerals Study - Main Report and Executive Summary
9. Western Australian Resources Development Infrastructure Strategy (April 2001)
10. State Lime Supply Strategy (DRAFT) - Prepared for DRD by Landvision in association with Doug McGhie and Associates and Muir Environmental
11. Towards a State Lime Supply Strategy - Published by DRD
12. Southern Cross-Esperance Regional Minerals Study Executive Summary August 2000
13. Goldfields-Esperance Regional Water Supply Expressions of Interest Information Memorandum
14. Bunbury to Albany Gas Pipeline Preliminary Route Selection, 26 March 2001, Hatch Associated Pty Limited
15. Wood Processing Industry Development and Infrastructure Strategy and Action Plan for Western Australia prepared for DRD by URS/ BIS consultants, December 2001
16. Prediction of the Environmental Impact of Channel Crossings for the Proposed Maitland Heavy Industry Estate, 22 June 2001 (prepared for DRD and LandCorp) by WNI Oceanographers
17. Maitland Industrial Estate Environmental Studies and Baseline Monitoring: Final, October 2000 by Sinclair Knight Merz
18. Turner River and South-West Creek Flood Study Annual Report 2000/2001 by Water and Rivers Commission
19. EIS Burrup West Corridor

Appendix three

Economic Indicators

General Economic Conditions

- In the first half of 2000/2001, WA's domestic economy contracted. This was followed by a recovery in the second half. Throughout the year, the State's exports continued to grow strongly, though at a slower pace than the extraordinary rates achieved in mid-2000 when annual through-the-year growth peaked at over 50 per cent. The strong contribution from exports has limited the impact of the slowdown in the domestic economy on overall growth rates.
- The first half contraction in the State's domestic economy was driven principally by weak household consumption, a sharp post-GST decline in housing investment, and weak business investment in the first quarter of the year.
- Signs of recovery began to emerge with a pick-up in business investment in the December quarter 2000 which carried into the March quarter 2001, supported by stronger household consumption growth and a small positive contribution from dwelling investment as the housing sector showed signs of post-GST recovery.
- Overshadowing the signs of domestic recovery in the second half of the year and the ongoing strong performance in the State's exports, was the deterioration in the global economy. The US economy continued to slow, Japan's economy remained stagnant and the impact of the US slowdown, notably through reduced imports, began to have an impact on other economies, particularly in Europe. The possibility of a synchronised slowdown in the global economy remains the key risk to the continued expansion of the WA economy and the resource sector's prospects in the near-term.

Resources Sector Production and Investment

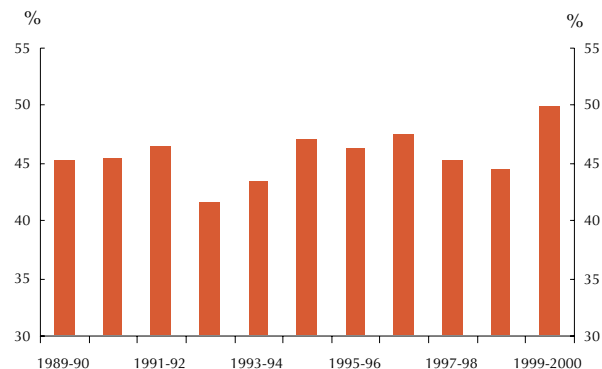
Production

The State's minerals and energy sector achieved a new record in the 2000 calendar year. Sales values rose by 51.1 per cent to over \$25.7 billion. This growth compares with the average annual growth rate from 1991 to 2000 of 8.6 per cent.

Though most of the State's minerals and energy industries saw stronger sales quantities, the overall rise in the value of sales for 2000 mainly reflected a significant increase in the value of sales from the petroleum sector. Improvements in commodity prices, accompanied by a depreciating Australian dollar, were the other main factors influencing the increase.

Petroleum remained the State's largest resource industry by value. The sector experienced a considerable increase in the value of sales during 2000, up 106 per cent to \$9.96 billion, on the back of strong rises in oil prices and sales volumes through the year. Other sectors making a significant contribution to growth were nickel, iron ore and alumina.

WA's share of national production of resources (Figure 1)

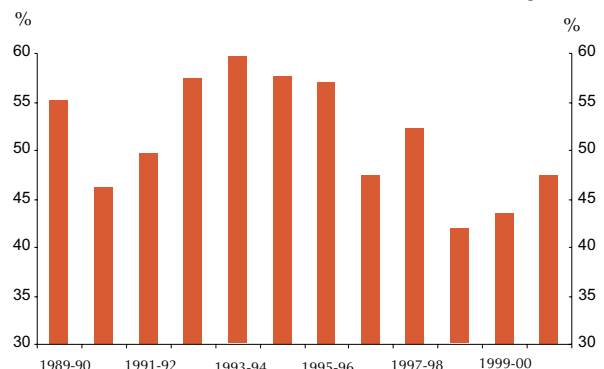


Source: Department of Minerals and Energy Statistics Digest, ABARE Commodity Statistics and ABARE Australian Commodities Forecasts and Issues

Investment

WA's contribution to national mining investment rose to 47.4 per cent in the year to the March quarter 2001 (most recent data available) compared with 43.5 per cent in 1999-2000 (See Figure 2).

WA's share of national investment in resources (Figure 2)



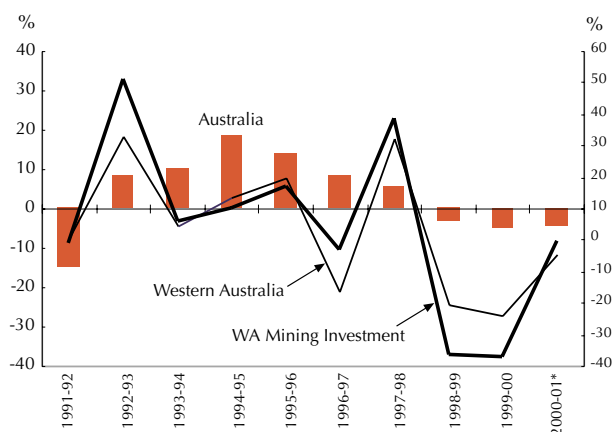
Source: ABS Cat No. 5646.0

Note: The ABS measure of mining investment does not include petroleum or resource processing.

Note: The 2000-01 result is for the year March 2000 to March 2001 (latest available data)

- Figure 3 illustrates the cyclical nature of business investment over the long term and shows that in terms of WA investment, the investment cycle tends to be more volatile than the Australian average. In part, this reflects the fact that WA investment, which is heavily influenced by resources related investment, tends to be 'lumpy', as it is often driven by large, discrete projects.

Growth in private new capital expenditure (Figure 3)



Source: ABS Cat No. 5646.0

Note: Private new capital expenditure refers to investment by the private sector in physical goods that would increase the future productive capacity of the economy.

*March quarter 2000 to March quarter 2001.

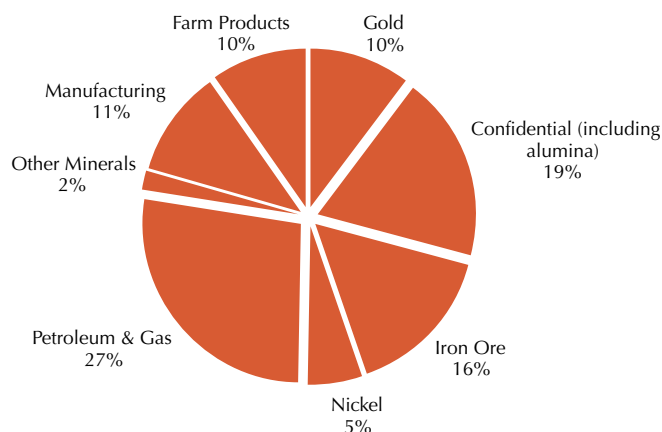
The decline in WA business investment that has occurred in recent years appears to have troughed in the second half of 2000, with two quarters of consecutive growth in the December 2000 and March 2001 quarters. Prospects for further recovery into 2001-02 are good. The outlook for investment in plant and equipment is partially underpinned by expected investment in the mining sector. Following weak investment during, and in the aftermath of, the Asian crisis, conditions in the mining sector are supportive of investment, with strong profitability boosted by improved commodity prices and the low exchange rate.

Nationally, business investment is expected to grow solidly in the near-term. This expectation reflects low interest rates, strong corporate profitability and the low exchange rate, which will give many Australian industries a buffer against the effects of slower world growth.

Resources Export Performance

- The WA resources sector makes a significant contribution to both State and national exports. In 2000-01, the resources sector contributed over 70 per cent of the State's exports by value, with strong performances in petroleum, alumina, nickel, iron ore and LNG.

Sectoral contributions to Western Australian exports 2000-2001 (Figure 4)

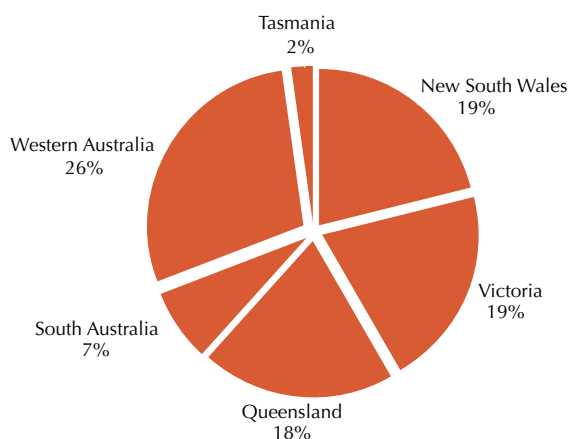


Source: WA Treasury Department

Note: This graph shows the relative contributions of a range of minerals and energy commodities and other non-resources sectors to the total value of State exports.

Note: The confidential classification is used to avoid potential identification of specific firms or individuals. The classification might be used for a number of reasons. For example, an organisation may not want the total value and/or unit value of its exports to be known as such knowledge may be damaging to its business activities.

Australian merchandise exports by State – 2000-2001 (Figure 5)

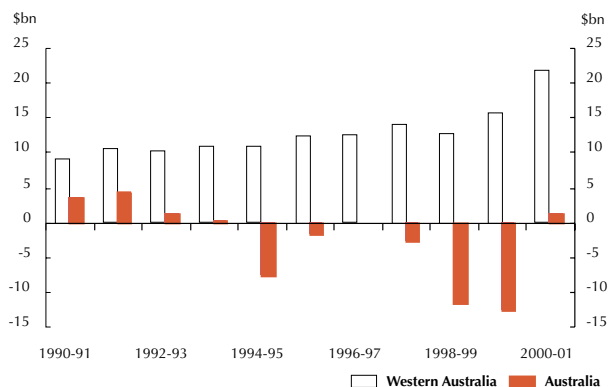


Source: WA Treasury Department

Note: Australian exports refer to merchandise sent to other countries. The graph shows each State's percentage share of the total value of Australian merchandise exports. The chart indicates the States' share of total Australian merchandise exports and does not include the shares contributed by the Northern Territory, ACT or re-exports. Consequently, the Chart shares do not sum to one hundred per cent."

- With 10 per cent of the nation's population, Western Australia contributed 26 per cent of the nation's exports by value in 2000-01 (Figure 5). WA's impressive export growth, particularly in the resources sector, is contributing to substantial trade surpluses (Figure 6). Sustained high levels of exports are expected in the next year, though growth is expected to slow from the rapid rates experienced over the past 12 months or so.

International merchandise trade balance (Figure 6)

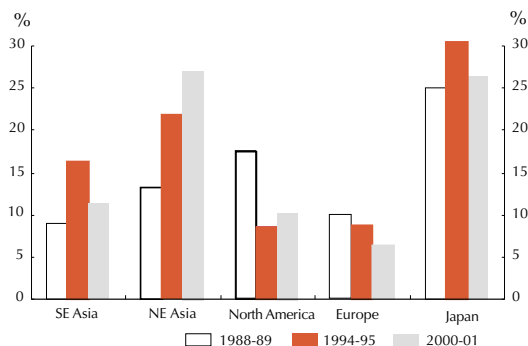


Source: WA Treasury Department, ABS Cat.No 5302

Note: The merchandise trade surplus indicates the amount by which foreign spending on our goods exceeds our spending on foreign goods. Positive trends and increases in these numbers generate economic growth and subsequent employment opportunities. This figure does not indicate capital inflows or outflows, nor does it show trade in services. These figures also do not include interstate trade movements.

- The strong growth in the value of WA's exports over the past year or so reflects a number of factors including increased production capacity as a result of earlier investment growth, higher commodity prices and the effect of the lower Australian dollar exchange rate. Strong growth in exports to North-East Asia, including China, have played a significant role in sustaining the pace of growth in WA's exports over 2000-01 (see figure 7).

Western Australian exports to key markets (Figure 7)



Source: WA Treasury Department

South-East Asian markets include Singapore, Indonesia, Malaysia, Thailand and Philippines.

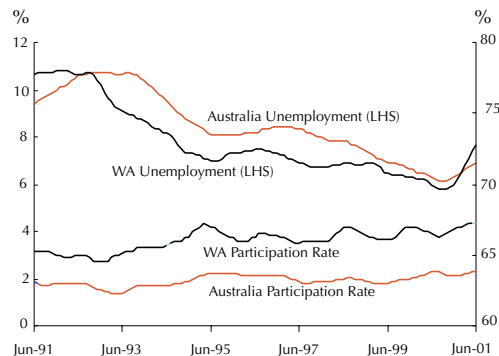
North-East Asian markets include South Korea, China, Taiwan and Hong Kong.

North-American markets include the US and Canada.

European markets include the United Kingdom, Germany, France and Italy.

WA Labour Market

Trend unemployment and participation rates (WA and Australia) (Figure 8)



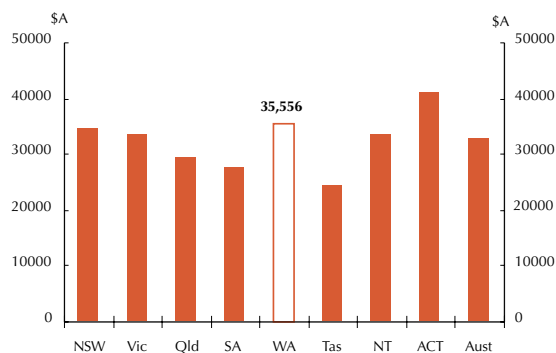
Source: ABS Cat No. 6202.0

- The WA labour market experienced weakening employment growth and an associated rise in the unemployment rate beginning in the first quarter of 2001. This reflected, among other things the usual lagged response of employment to the slowdown in WA's domestic economy that occurred in the second half of 2000. Compounding the effect of slower employment growth on the unemployment rate has been a trend rise in the participation rate (essentially the proportion of people looking for work) over much of 2000-01.
- Although during the latter months of 2000-01 WA's unemployment rate was above the national average, WA's participation rate of around 67 per cent (in June 2001) continues to exceed the national rate of around 64 per cent. (See Figure 8.)

Gross State Product (GSP) Per Capita

At \$35,556 per capita, WA's GSP remains higher than all other Australian states (see Figure 9). GSP per capita is higher only in the Australian Capital Territory due largely to the result of the location of major Commonwealth agencies relative to a small population in Canberra.

GSP per capita, 1999-2000 (Figure 9)

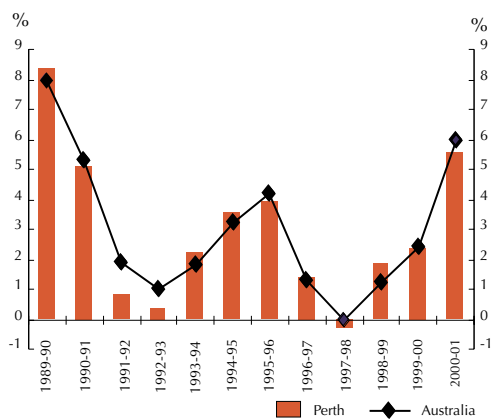


Source: ABS Cat. No 5202.0

Inflation

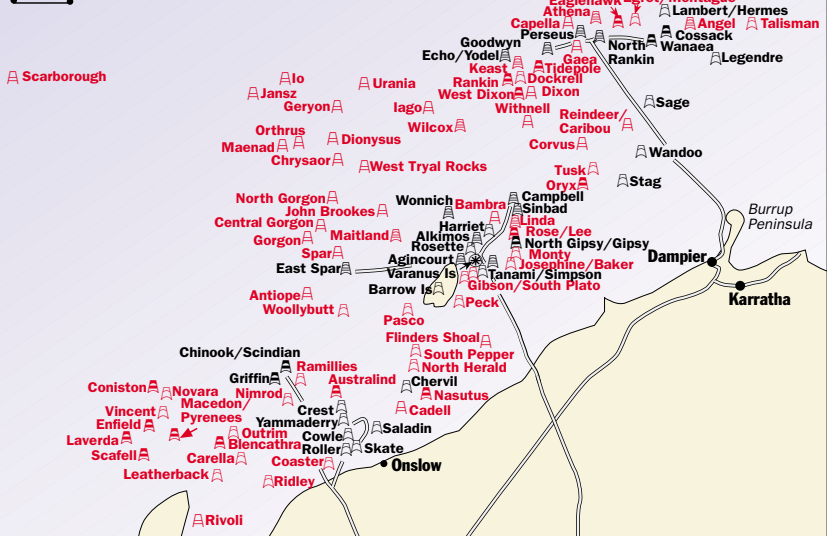
- Australia has experienced low inflation since 1992, providing a more certain climate for long-term capital investment plans and enhancing long-term economic development. This year, the CPI measure of inflation has been boosted by the one-off price effects of the introduction of the new tax system (See Figure 10). Abstracting from this price effect, underlying inflation has been consistent with the Reserve Bank's target range of 2-3 per cent.
- Perth's inflation rate has traditionally closely tracked the national rate. In 2000-01 Perth's average inflation rate was 5.5 per cent, a little lower than the national capital city average of 6.0 per cent.

Consumer price inflation (Figure 10)



Source: ABS Cat. No 6401.0

0 50 km

SEE INSET B FOR OFFSHORE
OIL AND GAS PROJECTS

POTENTIAL PROJECTS ARE SHOWN IN COLOUR

OPERATIONAL AND COMMITTED PROJECTS ARE SHOWN IN BLACK

- | | | | |
|--|--|--|------------------------------|
| | ALUMINA REFINERY | | MAJOR PORTS |
| | ATTAPULGITE | | MANGANESE |
| | BAUXITE | | MINERAL SANDS |
| | CALCIUM FLUORITE /
ALUMINIUM FLUORIDE | | NATURAL GAS |
| | CEMENT / LIME | | NATURAL GAS / OIL |
| | CHLOR ALKALI PLANT | | NATURAL GAS /
CONDENSATE |
| | CHROMIUM | | NATURAL GAS PLANT |
| | COAL | | NICKEL |
| | COPPER | | NICKEL REFINERY |
| | DIAMOND | | NICKEL SMELTER |
| | DIATOMACEOUS EARTH | | OIL |
| | DIRECT REDUCED IRON | | OIL REFINERY |
| | FUSED ALUMINA | | PETROCHEMICAL /
CHEMICALS |
| | GALLIUM | | PHOSPHATE |
| | GARNET | | POWER STATION |
| | GAS PIPELINE | | QUARTZ |
| | GOLD | | RARE EARTHS |
| | GRAPHITE | | SALT |
| | GRANITE | | SILICA SAND |
| | GYPNUM | | SILICON |
| | HYDRO ENERGY | | SODIUM CYANIDE |
| | IRON ORE | | STEEL |
| | IRON ORE PELLET
PLANT | | SYNTHETIC RUTILE |
| | IRRIGATION | | TALC |
| | KAOLIN | | TIMBER PRODUCTS |
| | LIGNITE | | TIN / TANTALITE |
| | LIMESTONE | | TITANIUM PIGMENT |
| | LIQUEFIED NATURAL
GAS MANUFACTURE | | PLANT |
| | LIQUEFIED PETROLEUM
GAS | | URANIUM |
| | LITHIUM / SPODUMENE | | VANADIUM |
| | MAGNESIUM | | ZINC / COPPER |
| | | | ZINC / LEAD |
| | | | ZIRCONIA PLANT |

