



# STATEMENT OF CORPORATE INTENT 2018/19

A553651



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**DOCUMENT AMENDMENT TABLE**

<b>Version</b>	<b>Prepared By</b>	<b>Date</b>	<b>Amendment</b>
0	E Buck	15/11/2017	PPA Executive review of DRAFT
1	E Buck	28/11/2017	PPA Board approval of DRAFT
2	E Buck	19/12/2017	Draft SDP issued to DoT / Treasury
3	E Buck	31/01/2018	Ashburton minor works correction, updates to financial statements
4	E Buck	04/05/2018	Updates to trade forecasts, financial summary, performance indicators
5	E Buck	15/05/2018	Updates to pricing, financial statements, KPI's

## **1. FOREWORD**

This Statement of Corporate Intent outlines Pilbara Ports Authority's strategic objectives and key initiatives for 2018/19, in accordance with the requirements of the *Port Authorities Act 1999* (WA).

Pilbara Ports Authority's primary function is the facilitation of trade in the Pilbara. In recent years, the Authority has achieved substantial trade growth through its ports. In 2016/17, a record annual throughput of 668.5 million tonnes was achieved, a six per cent increase on the 2015/16 financial year. This contributed to a profit of \$216.2 million before income tax in 2016/17. In that year, a dividend of \$13.1 million was returned to the State, which was much lower due to a deferral of the Authority's interim dividend payment until December 2017.

Trade growth reflects the strength of the Pilbara's resource industry, in addition to Pilbara Ports Authority's efficiency initiatives, port improvement activities and integration and support of new and developing trades. This Statement of Corporate Intent adopts initiatives to further the objectives of trade facilitation, sustainability and business excellence. Highlight initiatives include a 30 year infrastructure replacement program, refurbishment of Port Hedland Berth 1, upgrades to Utah Road, a Pilbara Ports Plan 2040 and a focus on business intelligence and analytics.

The outlook for the Western Australian economy is for moderate levels of growth in 2018/19. Despite the recent decline in resource sector construction, the Pilbara continues to be a major contributor to the Western Australian and Australian economies. Throughput forecasts indicate a four per cent increase in trade, from 708.5 million tonnes in 2017/18 to 736.4 million tonnes in 2018/19. The Port of Port Hedland will experience a throughput increase of three per cent, and the Port of Dampier an increase of five per cent. The Port of Ashburton achieved first gas in October 2017 and is forecast to achieve throughput of 6.7 million tonnes in 2018/19.

Pilbara Ports Authority will continue work closely with the Minister for Transport, the Department of Transport, relevant State Government agencies, port users and the local communities in which it operates, to achieve its strategic objectives in 2018/19.

**Ken Pettit**

**Chairman, PPA Board of Directors**

## **2. STRATEGIC CONTEXT**

### **2.1 Legislative Context**

This Statement of Corporate Intent (SCI) has been prepared by Pilbara Ports Authority (PPA) and is submitted under the provisions of the *Port Authorities Act 1999* (the Act).

PPA is a statutory authority established on 1 July 2014 and encompasses the ports of Ashburton, Dampier and Port Hedland, and the planned greenfield port of Anketell. In 2017 the Port of Balla Balla was proclaimed and PPA was granted a Management Order over Port of Cape Preston East (refer Figure 1).

This SCI outlines PPA's planned activities and intended achievements in the 2018/19 financial year.

As per Section 34A of the Act, PPA will comply with approved requirements regarding capital expenditure limits and associated funding, and endeavor to achieve financial outcomes that are consistent with forecasts contained in approved financial statements.

### **2.2 Port Services**

PPA provides overall port management and coordinates vessel traffic service (VTS) coverage, ship scheduling, berthing allocations for multi user facilities and port communications. PPA also oversees safety and port security and cooperates with Commonwealth Government agencies responsible for customs, quarantine and marine safety.

Services provided by the private sector include bulk and break bulk stevedoring, towage, line boats and mooring, ships providers, road transport, shipping agencies, freight forwarding and customs clearance.

PPA contracts out or issues licences for stevedoring, towage, pilotage, helicopter and pilot boat transfers, security and waste management. All licences are issued under the Provisions of the Act on a non-exclusive basis. PPA will continue to offer opportunities for private sector involvement in the provision of port facilities and services where efficient and cost effective.

### **2.3 Facilities**

PPA ports provide a mix of private facilities and common user facilities. PPA provides and maintains shipping channels, navigation aids, cargo berths at common user areas and leased terminals. Where applicable, it also provides wharf laydown areas, ship loaders, conveying systems, port road transport infrastructure and other port infrastructure such as storage sheds, offices and amenities.

At the Port of Port Hedland all but four of the 19 berths are private facilities. Private berths are owned and operated by BHP Billiton Iron Ore, Fortescue Metals Group and

Roy Hill Infrastructure. PPA also provides and maintains a commercial jetty for use by small craft operators and a public jetty accessible to the general community.

The Port of Dampier comprises private port terminals owned and operated by Rio Tinto and Woodside Energy. Rio Tinto also provides and maintains its own shipping channel in the Port of Dampier. Patrick and WQube operate private facilities adjacent to the Dampier Cargo Wharf, which is owned and operated by PPA.

The Port of Ashburton comprises a private facility operated by Chevron Australia. In November 2017 the main shipping channel and turning basin were transferred to PPA. The final yield up of the Port areas is currently scheduled to occur in late 2018 and will involve transfer of the remaining port infrastructure constructed during Wheatstone to PPA. Supplemental infrastructure PPA plan to install to ensure operational readiness at the port include items such as: port administration buildings, gatehouse and security controls, maintenance workshops, oil spill response equipment and storage.

## **2.4 Assets**

In total PPA manages assets with a fair value exceeding \$1.381 billion (FY2016/17). Additionally, PPA manages numerous licences and leases over a total 10,409 hectares of land (including wharfs and inner harbour) at Port Hedland, Dampier, Ashburton and the recently vested Cape Preston East. Major leaseholders include Woodside Energy Ltd, Chevron Australia Pty Ltd, BHP Billiton Pty Ltd, Viva Energy Pty Ltd, Fortescue Metals Group Pty Ltd, Roy Hill Infrastructure Pty Ltd, Rio Tinto Group, BC Iron and Toll Energy.

## **2.5 Major Customers**

Approximately 98 per cent of Port of Port Hedland exports comprise iron ore, with key exporters including BHP Billiton Iron Ore Pty Ltd, Fortescue Metals Group Ltd and Roy Hill Infrastructure Pty Ltd. Smaller exporters include Atlas Iron Ltd and Mineral Resources Limited (via Utah Point). Other key customers include Dampier Salt and fuel importers, Caltex and BHP.

Approximately 80 per cent of Port of Dampier exports comprise iron ore from Rio Tinto Group operations and 13 per cent comprise gas. Gas exporters include North West Shelf Venture (Woodside Energy Ltd as operator), Woodside Burrup Ltd and Chevron Australia Pty Ltd. Other key customers include Dampier Salt and Yara Pilbara Fertilisers Pty Ltd.

The Port of Ashburton's primary exports will comprise gas products from Chevron Australia Pty Ltd and its associated joint venture partner operations. Chevron commenced LNG export in October 2017.

## **2.6 Economic Contribution**

The Pilbara is a major contributor to the regional, state and national economies. The Pilbara's economy is dominated by resource industries and is the State's premier mining and energy region.

The ports of Dampier and Port Hedland are two of the world's largest bulk export ports, responsible for approximately 75 per cent of the State's and approximately 50 per cent of the world's seaborne iron ore exports. PPA also facilitates approximately nine per cent of the world's LNG exports via the Port of Dampier and approximately seven per cent of the world's solar salt exports.

In 2016/17, Pilbara Ports Authority achieved a record annual throughput of 668.5 Mt, with 18,683 vessel movements across its ports. The profit before income tax for the financial year was \$216.2 million, and total dividend payments of \$13.1 million were paid to the State.

## **2.7 Current and Emerging Markets**

PPA is working with industry to facilitate new and increasing trade such as lithium, livestock and ammonium nitrate through PPA ports. PPA is also collaborating with government to facilitate tourism in the Pilbara, including identifying opportunities for cruise ship disembarkation.

## **2.8 Certification**

Since 2011 PPA has maintained a certified Integrated Management System that supports service quality and consistency. In 2016 a successful recertification was conducted. PPA is currently certified to:

- ISO 9001:2015 Quality Management System
- ISO 14001:2015 Environmental Management System
- ISO/IEC 27001:2013 Information Security Management System
- AS/NZS 4801:2001 Occupational Health and Safety Management System
- OHSAS 18001:2007 Occupational Health and Safety Management System

Additionally PPA is represented on the Vessel Traffic Services (VTS) Working Group that is chaired by the Australian Maritime Safety Authority. Port of Port Hedland and Dampier obtained Australian Maritime Safety Authority (AMSA) VTS accreditation in 2015. Port of Ashburton obtained AMSA VTS accreditation in 2017 and operates remotely out of the Port of Dampier VTS center.

## **2.9 Risk Management**

PPA's Enterprise Risk Management Framework (ERMF) provides a consistent approach to risk management throughout PPAs' operational, strategic, commercial, financial and project environments.

## **2.10 Environment and Heritage**

PPA maintains its social licence to operate by ensuring strong environmental and heritage management performance.

PPA has adopted an Environmental Management System compliant with the international standard ISO14001:2015. This has provided a risk-based framework that allows for the assessment of environmental impacts associated with PPA's activities and services. Ongoing management and improvement of processes and activities will remain a key focus to ensure high levels of compliance against regulatory instruments. PPA's Environmental Management Plan (EMP) is available on the PPA website.

## **2.11 Cyber Security**

PPA is continuously monitoring and investing in technical controls to improve its cyber security. PPA has also partnered with Stay Smart Online, a Federal Government initiative, to promote cyber security protection across all PPA sites.

## **2.12 Port Governance**

A major reform arising from a review of Port Governance was the amalgamation of port authorities to ensure safety, better planning and coordination of port development, economies of scale and provide opportunities for regional ports to be better resourced. The second phase of this reform is the proposed consolidation of Shipping and Pilotage Act ports into the amalgamated port authorities.

The Ports Legislation Amendment Bill 2017 was introduced into Parliament on 29 November 2017. The Bill is designed to enable all trading ports currently regulated under the *Shipping and Pilotage Act 1967* and overseen by the Department of Transport to be regulated under the *Port Authorities Act 1999*. This will result in the progressive transfer of the following ports to PPA: Port of Barrow Island, Port of Cape Preston, Port of Onslow, Port of Varanus Island and Port Walcott. Figure 1 provides a map of PPAs future boundaries.

As there is uncertainty with regard to both the passage of the Bill through Parliament (anticipated to occur in the course of 2018) and also the subsequent timing of the transfer of individual ports, potential financial implications of the proposed legislative amendments have not been incorporated in this 2018/19 SCI.

## **2.13 Salaries and Wages**

PPA conducts negotiations, along with planning of wage increases and associated conditions, in accordance with the guidelines contained in the Western Australian Government Public Sector Wages Policy.

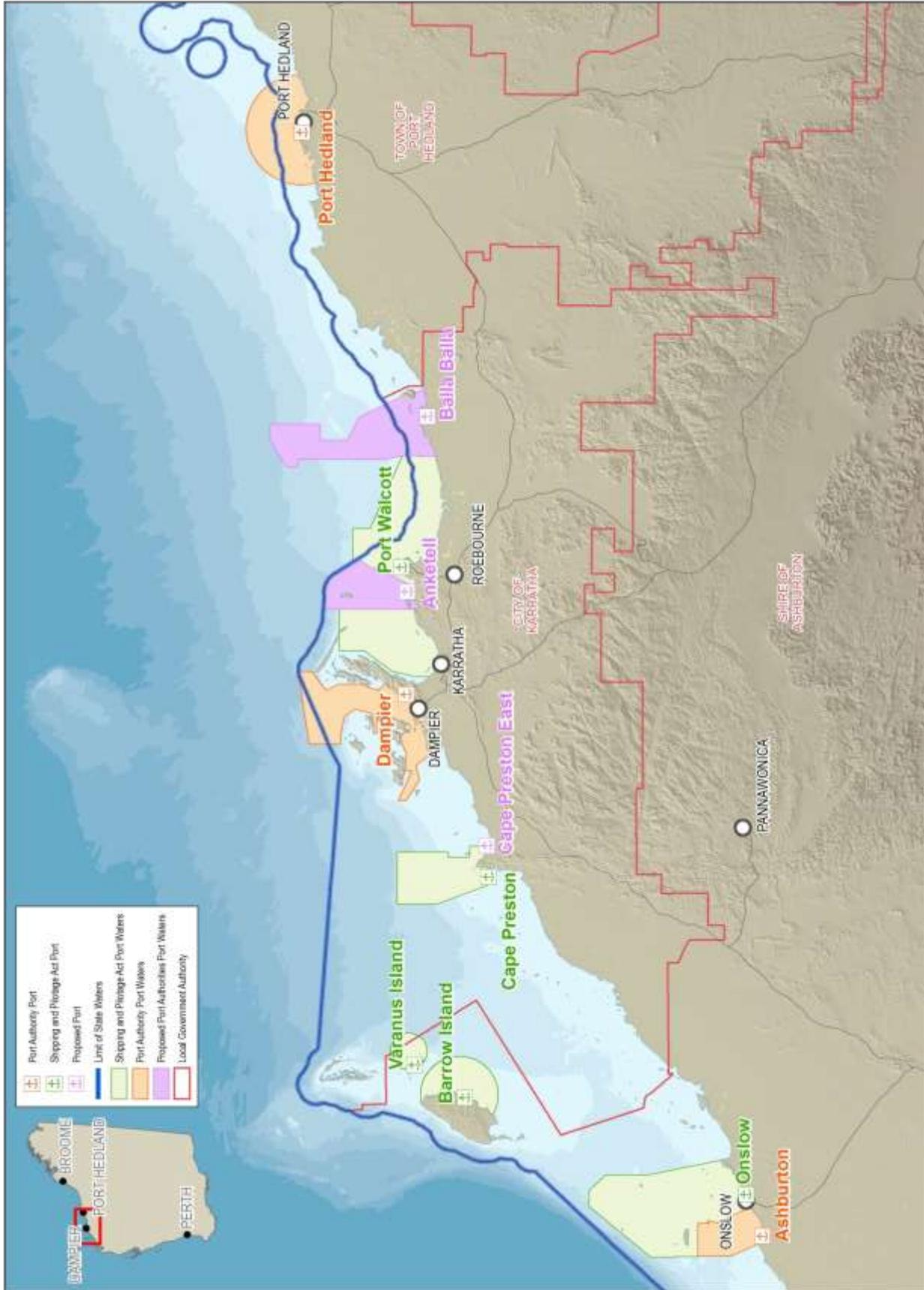


Figure 1: Pilbara Ports Authority Future Boundaries

### 3. STRATEGIC PLANNING

#### 3.1 Strategic Planning Process

Figure 2 provides an outline of PPA's strategic planning process. PPA continues to review and refine its strategic priorities and strategic initiatives in response to strategic risks and issues.

#### 3.2 Our Role

PPA, as a Western Australian port authority, is governed under the *Port Authorities Act 1999* and operates as a corporate entity with an independent Board of Directors that reports to the Minister for Transport. The Act sets out the roles and responsibilities for all port authorities.

PPA is both a landlord and strategic manager of the ports under its management. It is PPA's obligation to ensure efficient operational management as well as future development of trade and commerce for the economic benefit of the State.

PPA's role is set out in several clauses under the Act.

#### 30. Functions

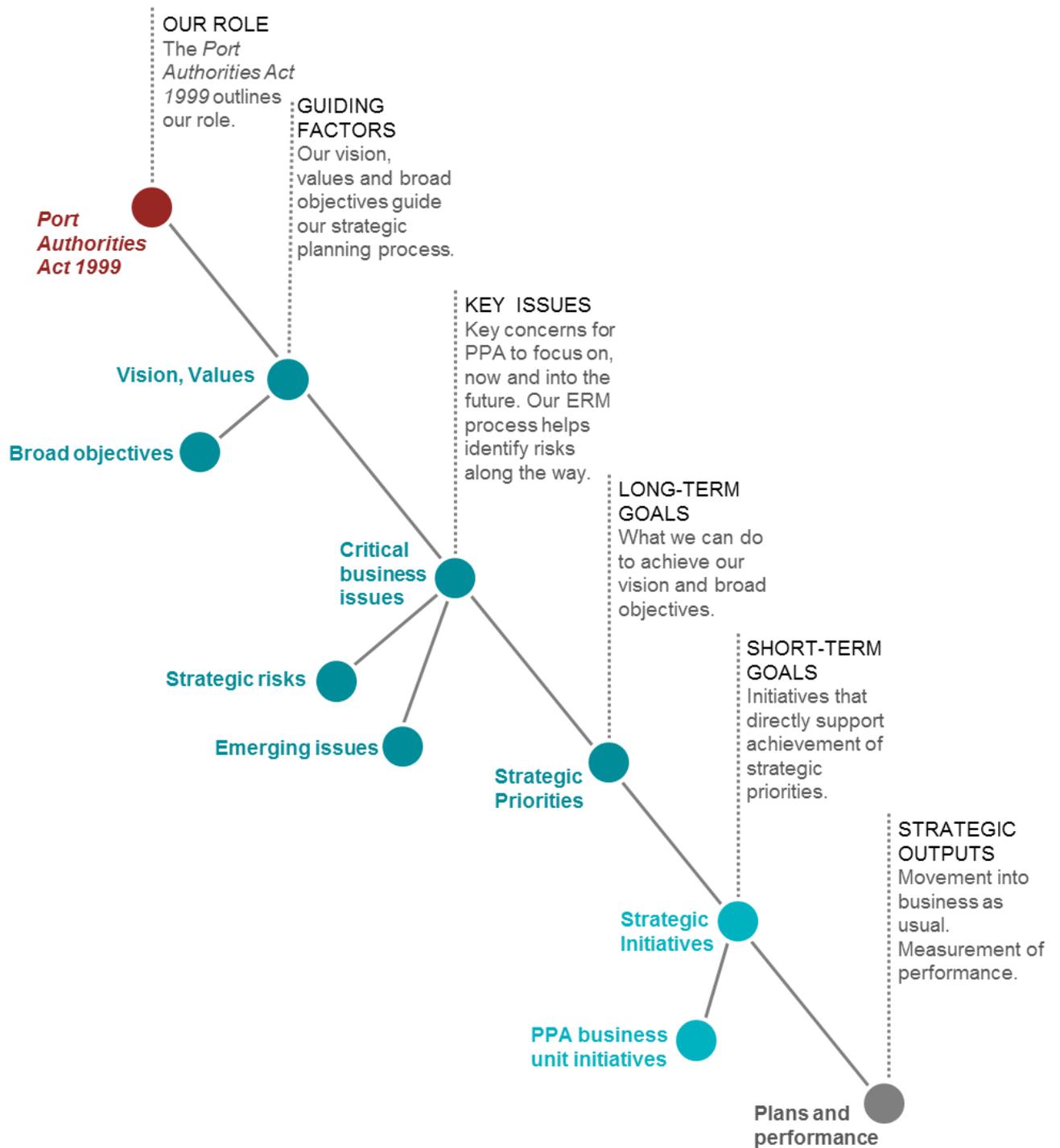
(1) *The functions of a port authority are –*

- (a) to facilitate trade within and through the port and plan for future growth and development of the port; and*
- (b) to undertake or arrange for activities that will encourage and facilitate the development of trade and commerce generally for the economic benefit of the State through the use of the port and related facilities; and*
- (c) to control business and other activities in the port or in connection with the operation of the port; and*
- (d) to be responsible for the safe and efficient operation of the port; and*
- (e) to be responsible for maintaining port property; and*
- (fa) to be responsible for port security; and*
- (f) to protect the environment of the port and minimise the impact of port operations on that environment.*

The Act states that the fact that a port authority has a function given to it by section 30 does not impose a duty on it to do a particular thing and, subject to the Act and Ministerial direction, a port authority has discretion as to how and when it performs the function (refer Section 31(1)).

The Act also sets out more commercial focused functions, whereby a port authority is to use or exploit its fixed assets for profit so long as proper performance of the above functions is not affected (refer Section 30(2)). Furthermore, a port authority in performing

its functions must act in accordance with prudent commercial principles and endeavor to make a profit (refer Section 34(1)).



**Figure 2: Pilbara Ports Authority strategic planning process**

### 3.3 Guiding Factors

This SCI is developed in purview of PPA's role under the Act, its vision and values, broad objectives and strategic risks and critical and emerging issues.

#### Our vision:

"To be the global leader in port planning, operations and marine services"

#### Our values:

<b>EXCELLENCE</b>	be the best in all we do
<b>RESPECT</b>	in all our dealings
<b>INTEGRITY</b>	operate honestly, fairly and impartially
<b>CARE</b>	for our environment, our staff and our community
<b>COURAGE</b>	do the right thing

#### Our Broad Objectives for 2017/18 are:

**Trade facilitation:** To facilitate trade through the Pilbara for the benefit of the State and our customers

**Sustainability:** To manage the ports' growth and operations, while respecting the Pilbara's community, environment and heritage

**Business Excellence:** To optimise performance through industry leading practices and innovation

### 3.4 Risk Management

PPA manages risk in accordance with the Australian/New Zealand Risk Management Standard ISO31000:2009. Risk identification and assessment is conducted on a regular basis and captured in a register. Significant risks that may impact PPA's ability to achieve its Broad Objectives have been assessed and considered in this SCI through the setting of strategic priorities and identification of key initiatives.

### 3.5 Strategic Context

PPA's undertakes periodic review of its strategic context, including:

- Strengths, weaknesses, opportunities and threats
- Critical business issues and strategic priorities
- Emerging issues
- Alignment of strategic risks with strategic objectives, outcomes wanted and initiatives
- Environmental scans
- Stakeholder feedback

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Stakeholder feedback, together with environmental scans and issues review allows PPA to consider its strategic context and identify gaps in its strategy. Generally, PPA's strategic context remains largely unchanged from 2016/17.

**4. STRATEGIC INITIATIVES - TRADE FACILITATION**

Table 1 below identifies PPA’s **Trade Facilitation Strategic Priorities and Initiatives** for the period of this SCI. Sections 4.1 through to 4.3 provide a summary of the new and revised Trade Facilitation strategic initiatives. Appendix 1 provides a summary of ongoing initiatives.

**Table 1: Trade Facilitation Strategic Priorities and Initiatives**

STRATEGIC PRIORITIES	STRATEGIC INITIATIVES	STATUS	
Diversification	▪ Facilitate greenfield port development	Ongoing	
	▪ Cruise ship opportunities (Dampier)	Ongoing	
	▪ Services growth	New	
Strategic Asset Management	▪ Strategic Asset Management	Ongoing	
	▪ Infrastructure Replacement Program – 30 years	New	
	▪ Port improvement projects – Port Hedland a) Integrated Marine Operations Centre b) Channel Risk and Optimisation Project c) Channel Marker Replacement Program	Ongoing	
	▪ Major capital works a) Port Hedland Berth 3 Deck Replacement	Ongoing	
	b) Lumsden Point General Cargo Facility	New	
	c) Port Hedland Public Berth Refurbishment	New	
	d) Utah Road Upgrade	New	
	▪ Port of Ashburton infrastructure development and asset handover	Ongoing	
	Optimised Ports	▪ Supply chain integration	Ongoing*

\* Identified in previous SCI but has a new and/or added focus

**4.1 Diversification**

**4.1.1 Trade Diversification**

PPA continues to pursue growth and diversification in its services including, but not limited to, lithium, livestock, bulk import and cruise ship opportunities.

As an example, PPA resumed livestock exports from the Port of Port Hedland following commissioning of a new livestock loading ramp. The ramp provides improved and more efficient trade facilitation operations. The first shipment using the ramp sailed on 2 September 2017 with approximately 2000 head of cattle.

PPA has also provided advice to the Pilbara Development Commission on the feasibility of hosting expedition ships in the Port of Dampier and the logistics of landing passengers at Conzinc Bay.

Studies are also being undertaken to explore export opportunities for new salt operations, potash and sand and building construction materials.

#### **4.1.2 Services Growth**

In terms of services growth, highlights have included PPA's world class port capacity program and expanded VTS offering.

At the Port of Port Hedland, port capacity improvements have resulted in a 16% increase in modelled shipping capacity from 495 Mtpa to 577 Mtpa. Improvement initiatives have included an innovative surveying and dredging program that has increased channel depths in a cost efficient manner, state-of-the-art metocean monitoring, a dynamic underkeel system and increased proponent collaboration and data sharing. Looking forward, PPA has the ability to assess capacity improvement opportunities at other PPA ports.

In relation to VTS, PPA commenced VTS at the Port of Ashburton and improved the Port of Dampier VTS offering. Further enhancement of PPA's VTS and incident control offering is anticipated upon completion of the Integrated Marine Operations Centre (IMOC) at the Port of Port Hedland, which will feature best-in-class VTS systems and harbor master equipment.

## **4.2 Strategic Asset Management**

### **4.2.1 Infrastructure Replacement Strategy – 30 Years**

PPA owns and operates a range of facilities and assets across Perth, Port Hedland, Dampier and Ashburton. The Infrastructure Replacement Strategy will build on PPA's asset management plan, but with a much broader, holistic, longer-term and more strategic remit. For example, PPA may determine that developing new areas of the port and decommissioning aging assets delivers greater economic benefit than asset refurbishment, reclassification and/or replacement.

### **4.2.2 Lumsden Point General Cargo Facility and Logistics Hub**

PPA has progressed investigations into the development of the proposed multi-user Lumsden Point General Cargo Facilities and Logistics Hub. The Lumsden development aims to alleviate increasing congestion on existing Port of Port Hedland general cargo infrastructure as well as facilitate forecast trade growth (e.g. lithium concentrate, livestock and ammonium nitrate) that cannot be accommodated at existing berths.

PPA has established minimum infrastructure requirements and considered a staged approach to maximise contributions and investment opportunities from the private sector. Initially the project involves preliminary remediation and dredging works to be undertaken by PPA under existing obligations. This will create available industrial

land at Lumsden Point and reduce capital costs for the next stage of development. PPA is currently considering capital expenditure provisions (see section 7.4).

PPA proposes to seek private investment to further develop the General Cargo Facilities and Logistics Hub. This will involve construction of an access causeway and seawalls, completion of dredging works and reclamation for a land backed wharf, construction of berths and subdivision of the logistics hub, including the provision of roads and services. The development approach offers potential expansion opportunities to progress to the approved ultimate development concept to match increasing trade growth.

#### **4.2.3 Port Hedland public berth refurbishment**

In 2017 PPA received funding approval for the Port Hedland Berth 3 deck replacement works. This \$33 million program commenced in 2017/18 and will extend the serviceable life of Berth 3 by 25 years.

Condition assessments of Port Hedland Berth 1 have confirmed that this berth is also in a deteriorated state and approaching the end of its design life. Berth 1 was constructed in 1973 and is primarily used for the export of copper concentrate, cattle, general cargo, scrap metal and the import of bulk chemicals and fuel.

To ensure continued operation and facilitation of trade at Berth 1, deck replacement or remediation is required within the next 4 to 5 years. PPA is currently considering replacement/remediation options and capital expenditure provisions (see section 7.4).

#### **4.2.4 Utah Road upgrade**

Utah Road at the Port of Port Hedland is a key asset owned and maintained by PPA. The road was constructed in 2009 to connect the Great Northern Highway with Utah Point and is the sole vehicle access route to the Utah Bulk Handling Facility (BHF). In excess of 20 million tonnes of bulk ore is transported via Utah Road annually. This involves more than 600 Quad trucks each day and nearly 500,000 heavy vehicle movements per annum. Utah Road also provides access to BHP operations at Finucane Island, Roy Hill operations at Stanley Point and FMG operations at Anderson Point. Hence, it is a critical piece of infrastructure for trade facilitation at the Port of Port Hedland. The road is also the sole access route to the Finucane Island public boat ramp.

The road is carrying well in excess of its design traffic and significant reconstruction and maintenance works have been undertaken post-construction to address pavement failures, but major defects persist. Pavement rehabilitation works are required to ensure Utah Road can safely convey traffic. PPA is considering the scope and timing of these works, together with capital expenditure provisions to meet current and future vehicle loads (see section 7.4).

### **4.3 Optimised Ports**

#### **4.3.1 Supply chain integration**

PPA continues to recognise that integrated and efficient supply chains are key to optimisation and competitive positioning for both PPA and its proponents. In recent stakeholder strategy interviews, vessel scheduling and enterprise system integration opportunities were prevalent discussion items.

## 5. STRATEGIC INITIATIVES - SUSTAINABILITY

Table 2 below identifies PPA's **Sustainability Strategic Priorities and Initiatives** for the period of this SCI. Sections 5.1 through to 5.3 provide a summary of the new Sustainability strategic initiatives. Appendix 1 provides a summary of ongoing initiatives. Additionally, Appendix 2 provides a copy of PPA's Environmental Management Plan (EMP) table of contents. The EMP is reviewed annually and copies of the latest version are available for download from the Environment and Heritage section of PPA's website.

**Table 2: Sustainability Strategic Priorities and Initiatives**

STRATEGIC PRIORITIES	STRATEGIC INITIATIVES	STATUS
Facilitation of asset sales	<ul style="list-style-type: none"> <li>Divestment of Utah Bulk Handling Facility</li> </ul>	On hold
Relationships with Stakeholders	<ul style="list-style-type: none"> <li>Strengthen community and industry partnerships</li> </ul>	Ongoing
	<ul style="list-style-type: none"> <li>Pilbara Vessel Traffic Management project</li> </ul>	Ongoing
Regional Approach	<ul style="list-style-type: none"> <li>Establish port access corridors and buffers</li> </ul>	Ongoing
	<ul style="list-style-type: none"> <li>Pilbara Ports Plan 2040</li> </ul>	New
Funding Efficiency	<ul style="list-style-type: none"> <li>Private sector investment guidelines</li> </ul>	Ongoing
	<ul style="list-style-type: none"> <li>Alternative capital investment</li> </ul>	New
Business Sustainability	<ul style="list-style-type: none"> <li>Business sustainability principles</li> </ul>	New

### 5.1 Regional Approach

#### 5.1.1 Pilbara Ports Plan 2040

This initiative builds on previous PPA planning work, but with a regional focus. Under this initiative, PPA will consider:

- How PPA plans integrate with regional plans such as the Pilbara Blueprint
- Opportunities for collaboration and development of a common view with other government authorities operating in the Pilbara
- Supply chain integration
- Freight networks, corridors, buffers and adjacent land use
- Community and social needs
- Environmental opportunities and constraints
- Technology and innovation

### 5.2 Funding efficiency

#### 5.2.1 Alternative capital investment

PPA continues to identify and pursue opportunities for private sector investment at the port, particularly for single user facilities. PPA identified in its 2017/18 strategy development of a set of guidelines for private sector investment in port infrastructure

and port services. The Department of the Premier and Cabinet (DPC) is coordinating a whole-of-government Unsolicited Proposals policy/guideline to provide a consistent process for dealing with unsolicited proposals across government and government trading enterprises. PPA is engaging with DPC to ensure the policy/guidelines to account for needs of Government Trading Entities, and for Port Authorities in particular.

### **5.3 Business Sustainability**

#### **5.3.1 Business sustainability principles**

PPA balances multiple priorities and interests, facilitating trade that supports industry, employment and economic growth. At the same time, PPA endeavors to uphold port safety and security, protect the environment, respect cultural values and consider customer and community interests.

PPA recognises that managing the multiple aspects of business and operations in a sustainable manner strengthens its ability to deliver on its vision, strategic objectives and key performance areas. This is demonstrated by PPA's commitment to its sustainability objective and strategic initiatives.

Looking forward, PPA is seeking to further develop organisation-wide sustainability principles and embed them into business process, decision making, workplace culture and reporting. Under this initiative, PPA will also consider alternative energy and water opportunities.

## 6. STRATEGIC INITIATIVES – BUSINESS EXCELLENCE

Table 3 below identifies PPA’s **Business Excellence Strategic Priorities and Initiatives** for the period of this SCI. Sections 6.1 through to 6.3 provide a summary of the new and revised Business Excellence strategic initiatives. Appendix 1 provides a summary of ongoing initiatives.

**Table 3: Business Excellence Strategic Priorities and Initiatives**

STRATEGIC PRIORITIES	STRATEGIC INITIATIVES	STATUS
Workforce capability	▪ Regional resourcing	Ongoing
	▪ Integrate greenfield and SPA ports	New
Business continuity	▪ Information technology – systems and platforms	Ongoing
	▪ Information technology – cyber security	Ongoing
Knowledge Hub	▪ Business process simplification	Ongoing
	▪ Higher education linkages	Ongoing
	▪ Innovation platform	Ongoing
	▪ Business Intelligence	New
Technology Integration	▪ Operational technology think tank	Ongoing*
	▪ Safe shipping leadership	Ongoing

\* Identified in previous SCI but has a new and/or added focus

### 6.1 Workforce Capability

#### 6.1.1 Integrate greenfield and SPA ports

PPA may ultimately encompass eleven ports spanning the Pilbara region, inclusive of greenfield and SPA Ports (see Section 2.1).

PPA continues to work with Government departments and proponents on greenfield port development and SPA Port transfer. Accordingly, PPA is progressing operational readiness and workforce preparedness tasks to receive and integrate greenfield and SPA ports under PPA’s management as smoothly and seamlessly as possible. Once transferred, PPA will bring to proponents its wealth of knowledge and a consistent approach to port governance, planning, navigational and marine safety.

### 6.2 Knowledge Hub

#### 6.2.1 Business Intelligence

In 2016 PPA commenced work on an information governance framework, including current state reviews of PPA’s information systems, types and processes. This work

highlighted that PPA holds a wealth of information and data across all areas of the organisation.

The Business Intelligence initiative focusses on how PPA can quickly access and analyse its information and data to assist decision making. This will mean that PPA is better positioned to respond to rapid change, make insight driven decisions, identify new opportunities and maintain alignment to its strategy. The first step of this initiative will be the development of a Business Intelligence and Analytics Strategy.

### **6.3 Technology Integration**

#### **6.3.1 Operational technology think tank**

New operating technologies continue to be investigated and adopted by the mining and maritime industry to improve productivity and/or safety.

This initiative provides an update to the 2017/18 operational technology think tank initiative. It has been identified that in order for this initiative to be successful, funding and investment opportunities require upfront consideration and planning. This could include (but is not limited to) consideration of capital purchase, seed funding for startups, research and development funding and/or partnerships with government/customers.

## **7. FINANCES AND PERFORMANCE INDICATORS**

### **7.1 Trade Forecasts**

The ports of Dampier and Port Hedland are two of the world's largest bulk export ports, responsible for approximately 75 per cent of the State's and approximately 50 per cent of the world's iron ore exports. PPA also facilitates approximately nine per cent of the world's LNG exports via the Port of Dampier and approximately seven percent of the world's solar salt exports.

In 2016/17, Pilbara Ports Authority achieved a record annual throughput of 668.6 Mt, with 6,490 vessel visits and 18,683 vessel movements across its ports.

As shown in Figure 3 and Table 4, total throughput from PPA ports is forecast to grow over the next year. Forecasting indicates a four per cent increase in throughput, from 708.5 Mt in 2017/18 to 736.4 Mt in 2018/19. Similarly, vessel visits are anticipated to grow by eleven per cent over the same period (see

Figure 4).

PPA uses internal forecasting combined with industry collaboration, media monitoring and stakeholder consultation to determine projected resource production and export and import level allocations.

PPA's throughput calculations consider capacity limitations and improvements for each port. For example, at Port of Port Hedland, capacity (and hence throughput) is limited by the port infrastructure and channel capacity. Conversely, Port of Dampier throughput is limited by demand. A more detailed port by port throughput breakdown is set out below and in Table 5, Table 6 and Table 7

#### **7.1.1 Port of Port Hedland**

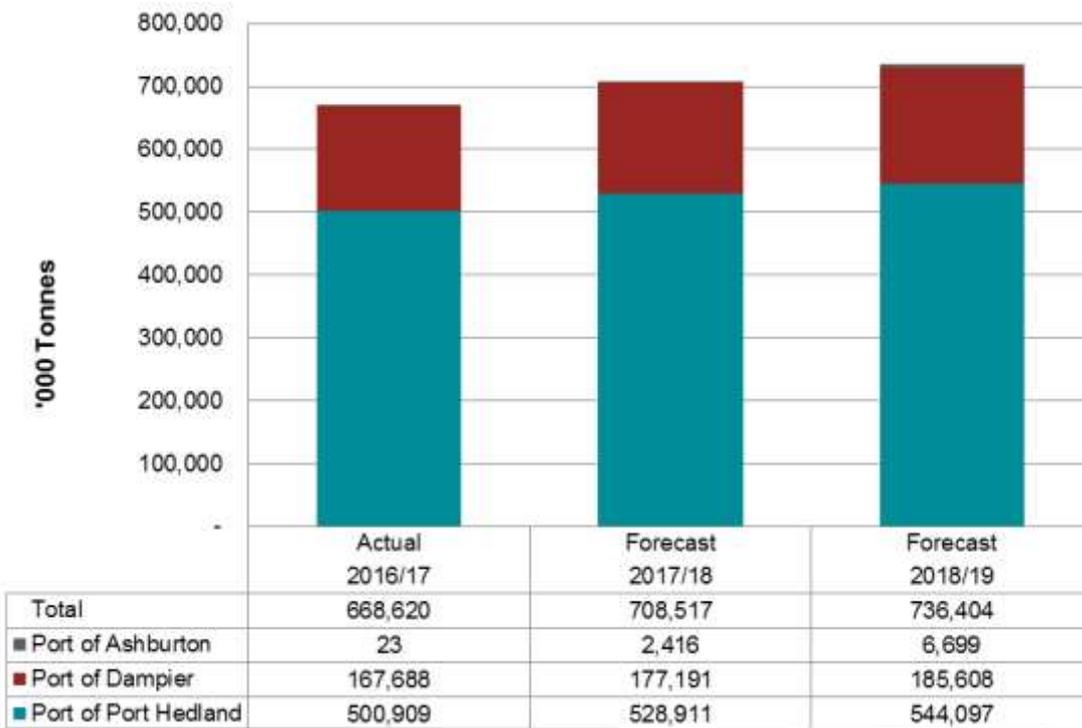
As shown in Table 5, the Port of Port Hedland achieved a record throughput of 500.9 Mt in 2016/17. Throughput is anticipated to increase to 528.9 Mt in 2017/18 and 544.1 Mt in 2018/19, or by six and three percent respectively. Of this total, 95 per cent is comprised of iron ore.

#### **7.1.2 Port of Dampier**

As shown in Table 6, the Port of Dampier achieved throughput of 168 Mt in 2016/17. Throughput is anticipated to increase to 177.2 Mt in 2017/18 to 185.6 Mt in 2018/19, or by approximately five per cent each year. Approximately 83 per cent of throughput is comprised of iron ore from Rio Tinto. The next largest contributor, at 25.5 Mt or ~14 per cent is comprised of gas products, followed by salt (2 per cent), petroleum (<1 per cent), general cargo (<1 per cent), and ammonia (<1 per cent).

**7.1.3 Port of Ashburton**

Table 7 shows throughput from the Port of Ashburton. LNG currently forms the primary export from Port of Ashburton. The first shipment of LNG was successfully exported on 31 Oct 2017 and regular exports will steadily increase as efficiency improves. It is forecasted that throughput will grow to 6.7 Mt in 2018/19, scaling up to the stated total capacity of 8.9 Mt thereafter. There will be further opportunities to increase import/export capacities once PPA accepts transfer of the Port of Ashburton facilities in 2018.



**Figure 3: Pilbara Ports Authority Total Annual Throughput 2016/17 to 2018/19**

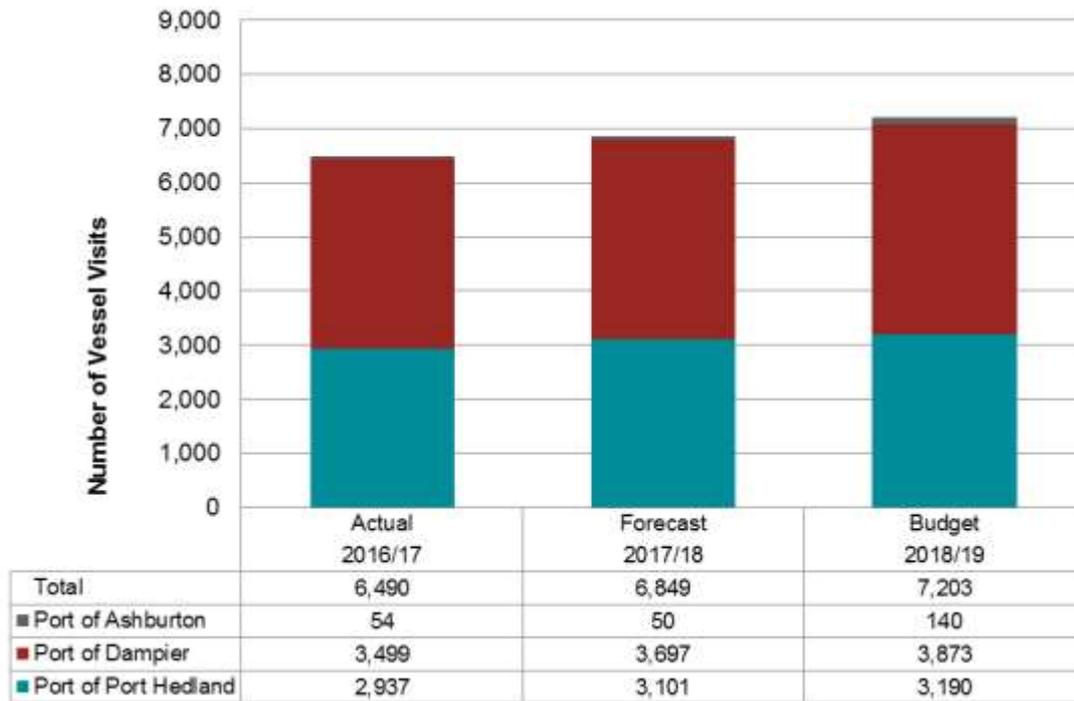


Figure 4: Pilbara Ports Authority Vessel Visits by Location 2016/17 to 2018/19

Table 4: Summary of Trade Forecasts 2016/17 to 2018/19 – Pilbara Ports Authority

TRADE FORECASTS - PPA			
	ACTUAL 2016/17 TONNES 000's	FORECAST 2017/18 TONNES 000's	BUDGET 2018/19 TONNES 000's
<b>Exports</b>			
Port of Port Hedland	475,695	503,912	519,721
Utah Point	23,595	23,400	22,100
Port of Dampier	166,672	176,121	184,521
Port of Ashburton	14	2,408	6,687
<b>Total Exports</b>	<b>665,977</b>	<b>705,841</b>	<b>733,029</b>
<b>Imports</b>			
Port of Port Hedland	1,618	1,598	2,276
Port of Dampier	1,016	1,070	1,087
Port of Ashburton	10	8	12
<b>Total Imports</b>	<b>2,644</b>	<b>2,676</b>	<b>3,375</b>
<b>Total Tonnes</b>	<b>668,620</b>	<b>708,517</b>	<b>736,404</b>

Table 5: Summary of Trade Forecasts 2016/17 to 2018/19 – Port of Port Hedland

TRADE FORECASTS - PORT OF PORT HEDLAND			
	ACTUAL 2016/17 TONNES 000's	FORECAST 2017/18 TONNES 000's	BUDGET 2018/19 TONNES 000's
<b>Exports</b>			
<b>Private Berths</b>			
Iron Ore	472,187	500,000	515,000
<b>Total Private Berths</b>	<b>472,187</b>	<b>500,000</b>	<b>515,000</b>
<b>Utah</b>			
Iron Ore	22,420	18,000	15,500
Spodumene DSO	714	4,500	5,500
Manganese	462	900	1,100
<b>Total Utah</b>	<b>23,595</b>	<b>23,400</b>	<b>22,100</b>
<b>Berths 1-3</b>			
Salt	2,996	3,300	3,200
Copper Concentrate	439	460	550
Spodumene Conc	-	50	860
Scrap Metal	69	90	93
Livestock	-	6	12
General Cargo	4	6	6
<b>Total Berths 1-3</b>	<b>3,508</b>	<b>3,912</b>	<b>4,721</b>
<b>Total Exports</b>	<b>499,291</b>	<b>527,312</b>	<b>541,821</b>
<b>Imports</b>			
Oil Products	1,444	1,372	2,043
General Cargo	131	180	187
Hazardous Cargo	43	46	47
<b>Total Imports</b>	<b>1,618</b>	<b>1,598</b>	<b>2,276</b>
<b>Total Tonnes</b>	<b>500,909</b>	<b>528,911</b>	<b>544,097</b>

Table 6: Summary of Trade Forecasts 2016/17 to 2018/19 – Port of Dampier

TRADE FORECASTS - PORT OF DAMPIER			
	ACTUAL	FORECAST	BUDGET
	2016/17	2017/18	2018/19
	TONNES	TONNES	TONNES
	000's	000's	000's
<b>Exports</b>			
<b>Private Berths</b>			
Iron Ore	135,016	145,000	154,500
LNG	22,207	21,500	20,500
Condensate	3,904	3,713	3,718
LPG	608	1,270	1,280
Salt	4,029	3,790	3,800
<b>Total Private Berths</b>	<b>165,764</b>	<b>175,273</b>	<b>183,798</b>
<b>PPA Berths</b>			
Anhydrous Ammonia	669	608	483
General Cargo	240	240	240
<b>Total PPA Berths</b>	<b>908</b>	<b>848</b>	<b>723</b>
<b>Total Exports</b>	<b>166,672</b>	<b>176,121</b>	<b>184,521</b>
<b>Imports</b>			
Oil Products	794	830	847
General Cargo	222	240	240
<b>Total Imports</b>	<b>1,016</b>	<b>1,070</b>	<b>1,087</b>
<b>Total Tonnes</b>	<b>167,688</b>	<b>177,191</b>	<b>185,608</b>

Table 7: Summary of Trade Forecasts 2016/17 to 2018/19 – Port of Ashburton

TRADE FORECASTS - PORT OF ASHBURTON			
	ACTUAL	FORECAST	BUDGET
	2016/17	2017/18	2018/19
	TONNES	TONNES	TONNES
	000's	000's	000's
<b>Exports</b>			
LNG	-	2,400	6,675
General Cargo	14	8	12
<b>Total Exports</b>	<b>14</b>	<b>2,408</b>	<b>6,687</b>
<b>Imports</b>			
General Cargo	10	8	12
<b>Total Imports</b>	<b>10</b>	<b>8</b>	<b>12</b>
<b>Total Tonnes</b>	<b>23</b>	<b>2,416</b>	<b>6,699</b>

## 7.2 Performance Indicators

Table 8 summarises the Key Performance Indicators from 2016/17 to 2018/19.

**Table 8: Key performance indicators**

Key Performance Indicators	2016/17 Target	2016/17 Actual	2017/18 Forecast	2018/19 Budget
Rate of Return on Assets (%)	19.3% <sup>1</sup>	9.7% <sup>1</sup>	8.2%	10.9%
Economic Rate of Return (%)	19.7% <sup>1</sup>	11.6% <sup>1</sup>	10.3%	12.1%
<b>Ship Revenue Earned Per Ship Visit (\$) excl. PIR <sup>2</sup></b>				
Port of Port Hedland	83,840	90,143	91,916	106,832
Port of Dampier	10,717	12,116	12,503	13,560
Port of Ashburton	5,183	1,398	40,596	41,869
<b>Port Trade ('000 tonnes)</b>				
Port of Port Hedland	504,802	500,909	528,911	544,097
Port of Dampier	175,461	167,688	177,191	185,608
Port of Ashburton	2,480	23	2,416	6,699
<b>Total Port Trade ('000 tonnes)</b>	<b>682,743</b>	<b>668,620</b>	<b>708,517</b>	<b>736,404</b>
<b>Number of Vessel Visits</b>				
Port of Port Hedland	3,011	2,937	3,101	3,190
Port of Dampier	4,270	3,499	3,697	3,873
Port of Ashburton	251	54	50	140
<b>Total Number of Vessel Visits</b>	<b>7,531</b>	<b>6,490</b>	<b>6,849</b>	<b>7,203</b>
Percent of Board approved projects delivered within budget	100%	100%	100%	100%
Availability of Critical Navigation Equipment	> 99.5%	99.9%	> 99.5%	> 99.5%
Lost Time Injury Frequency Rate <sup>3</sup>	≤1.7	0	≤1.7	≤1.7
Environmental Protection Notices (s65 EP Act)	0	0	0	0
Number of Community Consultative Committee meetings held	8	8	8	8
Number of sites certified to IMS	3	3	3	3
Staff engagement - Positive Engagement Capital score	55.0%	64%	65%	65%
Customer Satisfaction – TRIM index	>66	77	>66	>66
Percentage of Capital Works Program projects delivered on time			100%	100%
Berth congestion (measured by occupancy) Dampier			<75%	<75%
Berth congestion (measured by occupancy) Port Hedland			<75%	<75%
Maintenance cost/tonne shipped (PPA Berths)			0.57	0.53
Availability of PPA ship loading equipment (Utah & Port Hedland)			>95%	>95%
Staff completion of mandatory training			>80%	>80%
Availability of ICT systems and networks <sup>5</sup>			>98%	>98%

**Note:**

<sup>1</sup> 2016/17 target is based on the net book value of assets (approved capital). For the year ended 30 June 2017, PPA adopted fair value accounting. Ratio excludes PIR revenue.

<sup>2</sup> The differences between Port Hedland and Dampier revenue per ship visit are largely due to differences in ship sizes. Dampier has a larger number of smaller vessels.

<sup>3</sup> Includes PPA employees, contractors and port users.

<sup>4</sup> Not applicable as new KPI will come into effect from 2017/18

<sup>5</sup> Downtime associated with planned maintenance and supplier outages are excluded from performance measurement

### 7.3 Financial Summary

Table 9 provides PPA's financial summary for the 2018/19 budget year, together with actuals and forecasts for the previous two years for comparison. PPA's draft financial parameters for 2018/19 are provided in Appendix 3.

PPA's financials are prepared on a basis consistent with the accounting policies detailed in Pilbara Ports Authority Annual Report 2016-17. The Annual Report can be accessed via PPA's website.

When compared with the 2017/18 forecast, total revenue for 2018/19 is budgeted to grow to \$516.107 million. The revenue increase is a result of:

- The Utah Bulk Handling Facility pricing relief being extended for six months to 31 December 2018. The total value of the discount is estimated at \$41.0 million for 2017/18
- The budgeted increases in throughput
- Various changes to fees and charges

For the same period operating expenses are expected to increase to \$264.202 million. This is attributed to the higher costs associated with increased throughput, changes to the workforce plan, prudent lease forecasting and an increase in depreciation expense aligning to the capital works program.

The total operating profit before tax is anticipated to grow to \$251.905 million. After tax profits are anticipated to grow to \$170.568 million.

The total dividend for 2018/19 is budgeted at \$136.792 million, being a reduction of \$83.89. million compared to the 2017/18 dividend. The large dividend in 2017/18 was the result of:

- Deferral of the FY 2016/17 interim dividend, payable with the final dividend in December 2017
- An increased dividend payout rate of 90% for FY 2016/17

**Table 9: Financial Summary 2016/17 to 2018/19**

FINANCIAL SUMMARY			
FINANCIALS	ACTUAL 2016/17	FORECAST 2017/18	BUDGET 2018/19
	\$'000	\$'000	\$'000
Total Revenue	421,324	448,534	516,107
Total Expenditure	205,103	251,688	264,202
<b>Operating Profit Before Tax</b>	<b>216,221</b>	<b>196,846</b>	<b>251,905</b>
Income Tax Expense	64,534	64,820	81,338
<b>Net Profit After Tax</b>	<b>151,687</b>	<b>132,026</b>	<b>170,568</b>
Dividend	13,085	220,685	136,792
<b>Retained Earnings</b>	<b>138,602</b>	<b>(88,659)</b>	<b>33,775</b>

### **7.3.1 Dividend policy**

In accordance with State Government policy, PPA pays dividends to the State on net profits. Dividends have been budgeted in accordance with the State Government's dividend policy. The 2017/18 mid-year review of the state budget included an adjustment to increase PPA's dividend contribution rate from 75% to 85%. The purpose of the adjustment was to maintain the value of the dividend paid by PPA to Government following the increase in PPA's depreciation costs. Depreciation costs increased as a result of PPA's adoption fair value asset valuation for some classes of assets. Negotiations continue between PPA and Treasury to achieve a balanced outcome on dividend contributions.

Dividends are paid in two tranches; an interim dividend and a final dividend. The interim dividend payable is based on 75 per cent of the estimated full year dividend and is to be declared and paid prior to year-end. The final dividend is based on audited actual results less the interim dividend already paid and is to be declared and paid prior to 31 December of the following financial year.

Dividends paid to the State Government relating to the Port Improvement Rate profit are returned to PPA via an equity injection and are reserved for the sole purpose of making capital improvements at the Port of Port Hedland.

### **7.3.2 Investment policy**

PPA's investment policy aims to maximise the return on investments while minimising exposure to risk. The PPA Board determines the extent and nature of investment policy. Funds are invested in short term deposits (one, three and six months) with one of Australia's big four banks or with the Western Australian Treasury Corporation. Investments are generally made in a mix of fixed and floating rates, utilising the best interest rate available from these institutions.

As far as practicable, PPA targets a minimum operating cash balance, thus maximising the amount of surplus retained earnings that can be invested. Internal funds are placed in approved investments until required to meet capital expenditure commitments or to provide working capital for periods of heightened development at PPA's ports.

### **7.3.3 Pricing**

PPA's financial objectives include, as a minimum, recovering costs and achieving the State Government's required Rate of Return on Assets. PPA has adopted 'user pays' principles to recover costs and avoid unintended cross-subsidisation of fees and charges amongst users, both across ports and within ports.

Lease revenue provides supplementary income and enables PPA to fund land development opportunities without impacting upon charges for existing port users. PPA will continue to seek commercial rents for all of its properties and to develop port vested land to support industry.

PPA prices are reviewed on an annual basis and adjustments made to recover costs and achieve the strategic and operational objectives. Prices are based on the existing conditions and policy considerations and do not allow for variations in trends, changes in government policy or changes in the external operating environment impacting on costs and revenue.

#### **7.3.4 Rate of return**

As shown in

Table 8, PPA's budget for 2018/19 shows a Rate of Return on Assets of 10.9 per cent and an economic rate of return of 12.1 per cent. These estimates are dependent on a number of factors including trade projections and assumed levels of capital expenditure.

The rate of return and pricing are subject to ongoing review in the context of changing competitive conditions, trade levels and operating results, while also taking into account the need to fund significant infrastructure projects and provide appropriate returns to government.

#### **7.3.5 Competitiveness of port charges**

PPA shipping and cargo revenue is budgeted at approximately \$0.54 per tonne of total port throughput and even less for private berth operators in 2018/19. PPA dues and fees therefore do not impact significantly on the competitiveness of port industries. Nonetheless, PPA benchmarks its prices with other national and international bulk ports and endeavours to minimise costs through efficiency measures with a focus on creating value for customers and stakeholders.

#### **7.3.6 Operating subsidy – Dampier Bulk Liquids Berth**

Construction of the Dampier Bulk Liquids Berth (BLB) was completed in November 2005. The capital cost involved will be recovered from users. A State Facilitation Deed has been put in place which underwrites the unused portion of the facility with an Operating Subsidy payment, to the extent necessary to enable PPA to service the debt and cover the operating costs of the facility. Table 10 summarises the Budgeted Income Statement for the Dampier BLB for 2018/19.

Table 10: Dampier Bulk Liquids Berth Budgeted Income Statement

<b>DAMPIER BLB INCOME STATEMENT</b>			
	<b>ACTUAL</b>	<b>FORECAST</b>	<b>BUDGET</b>
	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>			
Operating Subsidy Payment	8,035	8,680	8,814
DBLB Tariff	1,902	1,674	1,450
Port Dues	339	330	291
<b>Total Revenue</b>	<b>10,276</b>	<b>10,684</b>	<b>10,556</b>
<b>Expenditure</b>			
Expenditure	7,047	8,052	8,604
<b>Operating Profit</b>	<b>3,229</b>	<b>2,632</b>	<b>1,952</b>
Income Tax Equivalent	969	790	586
<b>Operating Profit After Tax</b>	<b>2,260</b>	<b>1,843</b>	<b>1,366</b>
<b>Dividend To Declare</b>	<b>2,034</b>	<b>1,382</b>	<b>1,025</b>

## 7.4 Capital Works

### 7.4.1 Service delivery objectives

In general terms, PPA will invest in port infrastructure and facilities that cannot be funded by the private sector, such as common user channels and some multi-user facilities, which are essential for trade facilitation and provide economic benefits to the State and regional and local communities. All investments by PPA must be justified in terms of economic, social, safety and environmental benefits.

PPA requires that private developers provide their own funding for infrastructure that is to be dedicated to their sole needs. PPA encourages private sector investment for trade by facilitating planning approvals and providing land and sea-beds within port areas for infrastructure development. PPA maintains control of common user infrastructure such as access channels and navigation aids, and licenses essential services to ensure they meet required standards for safety, environmental protection and service effectiveness and efficiency. PPA's asset investment program aligns with PPA's three Strategic Broad Objectives as follows:

**Trade Facilitation:** To facilitate trade through the Pilbara for the benefit of the State

**Sustainability:** To manage the ports' growth and operations while respecting the Pilbara's environment and heritage

**Business Excellence:** To optimise performance through industry leading practices and innovation

### 7.4.2 Capital works recommendations

#### Approved Major Capital Works in Progress

It is recommended that approved major capital works in progress totalling \$85.947 million in 2017/18, \$194.139 million in 2018/19, be included in the 2018/19 budget as shown in

Table 11.

Of the approved amount for 2017/18 to 2018/19, \$246.549 million will be funded by third parties through a Port Improvement Rate or Industry Contributions and the remaining \$33.537 million will be funded directly by PPA.

#### Proposed New Major Capital Works Commencing 2018/19

It is recommended that the new works commencing in 2018/19 include the Lumsden Point development (\$51.4 million for seawall construction) and Utah Road Pavement Rehabilitation (\$3.663 million) as shown in Table 12.

### Minor Capital Works Program

It is recommended that minor capital works shown in Table 13, totalling \$16.463 million in 2018/19 be approved for inclusion in the 2018/19 budget and in the forward estimates and beyond.

**Table 11: Major Capital Works in Progress as at 30 June 2017**

Description	\$000 Expended to 30/06/2017	\$000 2017/18	\$000 2018/19
<b>Third Party Funded Projects</b>			
<b>Port Hedland</b>			
Channel Marker Replacement Program (PIR funded)	5,758	15,316	19,414
IMOC (PIR funded)	10,420	37,564	22,491
Channel Risk & Optimisation Project (PIR funded)	1,240	15,729	104,131
<b>Ashburton</b>			
Ashburton Development (Chevron funded)	496	8,803	23,101
<b>Sub Total – Third Party Funded Projects</b>	<b>17,914</b>	<b>77,412</b>	<b>169,137</b>
<b>Major Capital Projects</b>			
Berth 3 Deck Replacement <sup>1</sup>	263	8,535	25,002
<b>Sub Total – Major Capital Projects</b>	<b>263</b>	<b>8,535</b>	<b>25,002</b>
<b>Grand Total Major Capital Works in Progress</b>	<b>18,177</b>	<b>85,947</b>	<b>194,139</b>

<sup>1</sup> Port Hedland Berth 3 Deck Replacement – Approval granted June 2017.

**Table 12: Proposed New Major Capital Works Commencing 2018/19**

Description	\$000 2017/18	\$000 2018/19
<b>PPA Funded Projects</b>		
Lumsden Point Development		51,400
Utah Road Pavement Rehabilitation	3,148	3,663
Port Hedland Berth 1 Remediation		
SWC Liquids Berth (AP6)		
SWC BIE Cargo Berth (AP7)		
BIE/Outer Harbour Corridor		
<b>Total</b>	<b>3,148</b>	<b>55,063</b>

**Table 13: Summary of Minor Capital Works**

Description	\$000 2017/18	\$000 2018/19
<b>Approved Budget</b>		
Port Hedland, Dampier Projects	14,688	14,429
Ashburton Projects		2,034
<b>Total</b>	<b>14,688</b>	<b>16,463</b>
<b>Requested Minor Works Budget</b>		
Port Hedland, Dampier Projects	14,688	14,429
Ashburton Projects		2,034
<b>Total</b>	<b>14,688</b>	<b>16,463</b>



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## **8. INFORMATION TO BE REPORTED TO THE MINISTER FOR TRANSPORT**

PPA will produce an Annual Report and a Half Yearly Report for the Minister. These will comply with the requirements of the *Port Authorities Act 1999* and will include the following information in sufficient detail to allow the Minister to assess the ports' performance:

### **Half Yearly Report (February 2018)**

- a review of PPA's trade and financial performance for the half year;
- financial statements; and
- progress against major goals, as outlined in relevant Statements of Corporate Intent.

### **Annual Report (September 2018)**

- a report on the major operations and activities of PPA during the year under review;
- a review and assessment of performance against targets;
- financial statements; and
- other information required by legislation to be included in the Annual Report.

**9. APPENDICES**

- Appendix 1     SCI Project Status Update
- Appendix 2     Environmental Management Plan – Table of Contents
- Appendix 3     Draft Financial Parameters 2018/19

Appendix 1: SCI Project Status Update

TRADE FACILITATION STRATEGIC INITIATIVE	
<b>Facilitate junior miner access at South West Creek (SWC)</b> to open up capacity growth/ trade opportunities for junior miners and other industry.	SP3, SP4 berths at SWC remain designated to junior miner bulk ore exports when a suitable project proponent is identified. A BLB (AP6) and a general and bulk cargo berth (AP7) is also proposed. PPA will continue discussions and negotiations with potential foundation proponents.
<b>Facilitate new port development at Anketell</b> , a proposed greenfield multi-user port, to increase trade opportunities in the Pilbara.	PPA will continue discussions and negotiations with potential foundation proponents.
<b>Facilitate new port development at Balla Balla</b> , a proposed greenfield port, to facilitate iron ore trans-shipping export facilities.	The <i>Railway (BBI Rail Aus Pty Ltd) Agreement 2017</i> was introduced as a bill into Parliament in 2017. PPA will continue discussions and negotiations with potential foundation proponents.
<b>Facilitate new port development at Cape Preston East (CPE)</b> , a proposed greenfield port, proposed as a multi-user port for the export of iron ore and other bulk materials.	In 2017 a reserve was created for “port purposes” and placed under management order in favour of PPA as an interim to the vesting under the PAA 1999. PPA will continue discussions and negotiations with potential foundation proponents.
<b>Enhance export opportunities</b> to facilitate livestock trade in the Pilbara.	In 2017 PPA resumed livestock exports from the Port of Port Hedland following commissioning of a new state-of-the-art livestock loading ramp. The ramp delivers best practice animal welfare and provides more efficient operation for port users.
<b>Cruise ship opportunities</b> to promote tourism in the Pilbara.	PPA continues to liaise with government to identify opportunities for cruise ship disembarkation in the Pilbara.
<b>Strategic Asset Management Framework</b> developed to ensure continued safe and efficient operation of PPA assets.	PPA’s Strategic Asset Framework is in place. PPA will continue to progress asset condition forecasts for significant assets and a methodology around systematic assessment of asset criticality.
<b>Port Hedland Integrated Marine Operations Centre (IMOC)</b> replaces the existing Port Hedland Shipping Control Tower with a new control tower, VTS, training/briefing facilities and incident control centre.	Construction of the IMOC commenced in 2017. Installation of the VTS is anticipated in early 2018, with the IMOC planned to become operational in late 2018.
<b>Port Hedland Channel Risk and Optimisation Project (CROP)</b> includes a new emergency passing lane, deep water refuge zone and improved use of the PH channel.	Stage 1 CROP has commenced and involves removal of materials that can be economically dredged. Stage 2 CROP will commence in late 2018 and involves removal of the remaining harder materials.
<b>Port Hedland Channel Marker Replacement Program</b> of piles and supporting navigation aids at the Port Hedland harbour and channel.	Replacement of beacon tops has been completed. Replacement of support structures of 38 channel markers is underway. All works are anticipated to be completed in early 2019.

### TRADE FACILITATION STRATEGIC INITIATIVE

<p><b>Port Hedland Berth 3</b> deck and rail replacement will extend the berth's design life by 25 years.</p>	<p>The steel structure under Berth 3 concrete deck was refurbished in 2015/16. Replacement of the deck will be staged to avoid closure of the berth, with works anticipated to be complete by 2018/19.</p>
<p><b>Dampier Cargo Wharf (DCW) and western fender upgrade</b> involves replacement of fender support elements that are severely corroded and prone to breakage.</p>	<p>PPA completed replacement of DCW western fenders, comprising 24 new fenders across Berths 1, 3, 5 and 7. Concrete remediation on the berth face and fender attachment points was also undertaken. Full operation of the DCW recommenced in 2017.</p>
<p><b>Port of Ashburton infrastructure</b> On completion of the Wheatstone LNG project, Chevron are contracted to transfer the infrastructure constructed within the port during the foundation stages to the custody, care and control of PPA. PPA then plan to supplement this infrastructure with additional items required to establish multi-user port at Ashburton.</p>	<p>The first stage of the asset handover and surrender process at Port is now complete, with the main shipping channel and turning basin transferring to PPA in November 2017. The final yield up of the Port areas is currently scheduled to occur late in 2018 and involve transfer of the remainder of the port infrastructure constructed during Wheatstone to PPA. Supplemental infrastructure that PPA plan to install to ensure operational readiness at the port includes: port administration buildings, gatehouse and security controls, maintenance workshops, oil spill response equipment and storage. PPA marine operations continue to provide overwatch of Port activities and VTS.</p>
<p><b>Supply chain integration</b> for optimisation and competitive positioning of both PPA and its proponents.</p>	<p>A major achievement in 2016 was the Port of Port Hedland Port Dynamic Capacity Model that identified capacity increases from 495 million to 577 million.</p>

### SUSTAINABILITY STRATEGIC INITIATIVE

<p><b>Prepare for transfer of Shipping and Pilotage Act (SPA) Ports</b> that will see responsibility and management oversight of the following SPA ports from DoT to PPA.</p>	<p>Due diligence has been completed in preparation for SPA Port transfer. PPA will recommence stakeholder engagement with existing port operators upon legislation ascent.</p>
<p><b>Strengthen community and industry partnerships</b> by considering what PPA and related industries mean to their respective town/city, and how there could be joint exploration of opportunities</p>	<p>The Port Hedland Industries Council (PHIC) has been reinvigorated and is considering facilitating a community and industry forum in 2018. PPA is also looking to pursue an industry forum in Dampier and a futures forum with a range of stakeholders in 2018.</p>
<p><b>Establish port access corridors and buffers</b> Urban growth and changing land use can pose a risk to efficient port operations and future growth opportunities.</p>	<p>In 2016 the then Department of Planning identified 'Special Control Areas' as the most effective tool to protect ports from encroachment and conflicting land uses. This approach aligns with PPA's Port Development Strategy 2030. PPA is also working with government on 'Improvement Schemes' at the Port of Ashburton and proposed Port of Anketell to protect these port locations and access corridors.</p>

BUSINESS EXCELLENCE STRATEGIC INITIATIVE	
<b>Value proposition project</b> to capture PPA's core activities and the value created for our stakeholders	PPA's Value Proposition was successfully launched in 2017.
<b>Regional resources</b> to determine how PPA can optimise its physical and human resources across the Pilbara and meet its obligations under the Act.	PPA has undertaken preparatory work on SPA Ports resourcing to ensure obligations under the Act are met and the same standard of services is provided across all ports. PPA will revisit SPA Port resourcing in more detail upon legislation ascent.
<b>Information technology systems and platforms</b> to facilitate continuous business improvement, optimise performance and foster innovation.	PPA has developed and implementation an ICT Business Continuity and Disaster Recovery Plan, ICT wireless project and ICT Strategic Plan.
<b>Information technology – cyber security</b> plan to protect PPA's information assets from unauthorised activities.	PPA has developed a detailed Cyber Security Strategic Plan to safeguard PPA's information assets. Implementation of this plan is currently in progress.
<b>Business process simplification</b> to optimise performance and efficiency	PPA has commenced work on an information governance framework and has simplified internal procurement processes.
<b>Higher education linkages</b> to strengthen relationships with higher education institutions to build a robust knowledge base at the port.	PPA is progressing a marine cadet training program through local Pilbara high schools.
<b>Innovation platform</b> to foster an innovation culture and realise benefits such as improved safety, efficiency, value-adds, stakeholder engagement, reputation and risk management.	In 2017 PPA assembled an in-house innovation committee whose objective is to foster an innovation culture across PPA. This has included an online innovation hub, design thinking workshops and technology demonstrations.
<b>Safe shipping leadership</b> PPA will continue to support an annual 'Safe Ships, Safe Ports' industry forum and provide expertise on safe port operations at PPA and at a global level.	In 2017 PPA hosted the second industry forum that was very well received. More than 160 shipping and port industry representatives from Australia, Europe and Asia attended the forum. A site visit to Dampier and Port Hedland was also well received with 40+ representatives in attendance.

**Appendix 2: PPA Environmental Management Plan - Table of Contents**



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Appendix 3: Draft Financial Parameters 2018/19

PILBARA PORTS AUTHORITY  
DRAFT FINANCIAL PARAMETERS  
2018/19

	<b>\$'000</b>
Total Revenue	516,107
Total Expenses	264,202
Profit/(Loss) Before Tax	251,905
Notional Income Tax	81,338
Profit/(Loss) After Tax	170,568
Dividends	136,792
<hr/>	
Asset Investment Program	210,602

*To the extent that the financial parameters within the 2018/19 SCI contain unapproved capital expenditure, net debt and net flows to/from government, Government approval will be obtained prior to any commitments and/or actions being undertaken which will affect approved parameters. Government approval will also be sought prior to commencing new projects not included within the State Government's approved financial parameters.*

*Note: The Asset Investment Program includes approved capital expenditure only. Refer to Table 12 for proposed capital expenditure.*

**10. ABBREVIATIONS**

<b>TERM</b>	<b>DESCRIPTION</b>
AMSA	Australian Maritime Safety Authority
BHF	Bulk Handling Facility
BLB	Bulk Liquids Berth
CPE	Cape Preston East
CROP	Channel Risk and Optimisation Project
DCW	Dampier Cargo Wharf
DoT	Department of Transport
DPC	Department of the Premier and Cabinet
EMP	Environmental Management Plan
ERMF	Enterprise risk management framework
ICT	Information and Communications Technology
IMOC	Integrated Marine Operations Centre
ISO	International Organisation for Standardisation
KPI	Key performance indicator
LNG	Liquefied natural gas
LTIFR	Lost Time Injury Frequency Rate
Mt	Million tonnes
Mtpa	Million tonnes per annum
PEL	Pilbara Express Line
PH	Port Hedland
PHIC	Port Hedland Industries Council
PIR	Port Improvement Rate
PPA	Pilbara Ports Authority
SAP	Strategic Asset Plan
SCI	Statement of Corporate Intent
SDP	Strategic Development Plan
SPA	<i>Shipping and Pilotage Act 1967</i>
VTS	Vessel traffic service