



# 2021/22 Statement of Corporate Intent

Pilbara Ports Authority

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**TABLE OF CONTENTS**

1.	FOREWORD.....	2
2.	CORPORATE INFORMATION AND ACTIVITIES.....	3
2.1	Legislative Context .....	3
2.2	Port Services .....	3
2.3	Organisational Capability.....	3
2.4	Assets and Port Facilities .....	5
2.5	Major Customers .....	5
2.6	Current and Emerging Markets .....	6
2.7	Procurement Initiatives .....	6
2.8	Risk Management Framework.....	7
2.9	Environment and Heritage.....	7
2.10	Sustainability .....	7
2.11	Certification.....	7
2.12	COVID-19 Response .....	8
3.	PROJECTS AND INITIATIVES.....	9
3.1	Iron Ore Capacity Growth.....	9
3.2	Pilbara Port Capacity Initiative.....	9
3.3	Spoilbank Marina.....	11
3.4	Hedland Maritime Initiative .....	11
3.5	Supporting WA COVID-19 Recovery.....	11
3.6	Greenfield Ports and Shipping and Pilotage Act (SPA) Ports .....	12
4.	FINANCES AND PERFORMANCE INDICATORS .....	13
4.1	Performance Indicators .....	13
4.2	Financial Summary.....	13
4.3	Capital Expenditure Program .....	18
5.	INFORMATION TO BE REPORTED TO THE MINISTER FOR PORTS.....	21
6.	ABBREVIATIONS .....	22
7.	APPENDIX 1: FINANCIAL PARAMETERS 2021/22 .....	23

## **1. FOREWORD**

The primary function of Pilbara Ports Authority (PPA) is to facilitate trade in the Pilbara. In 2019/20, a total annual throughput of 717.2 million tonnes (Mt) was achieved through 17,061 safe vessel movements. Profit before income tax for the financial year was \$188.1 million, and total payments to the State were \$116.2 million, including dividends and income tax.

Trade forecasts show continued trade growth. Approximately 724.6 Mt throughput is anticipated across PPA's ports in 2020/21 and 749.4 Mt in 2021/22. This represents a five (5) per cent growth since 2019/20.

The major initiatives presented in this Statement of Corporate Intent (SCI) have been devised through collaboration with the Executive and Board of PPA and align with the priorities of Government. Highlights include the ongoing delivery of the WA Government's Port Hedland Spoilbank Marina development, establishing the Hedland Maritime Initiative, supporting trade growth and diversification, expanding maritime training and playing a role in facilitating the emerging renewable energy market.

It was also pleasing to see PPA and its port users being recognised in the Daily Cargo News Australian Shipping and Maritime Industry Awards. This saw the Port of Port Hedland receiving the Port of the Year Award, BHP's Manager Marine receiving the Women in Shipping and Maritime Logistics Award and ANL receiving the Supply Chain Innovation and Technology Award for its Pilbara connection service between Port Hedland and Singapore.

PPA will continue to work closely with the Minister for Ports, the Department of Transport, the Department of Jobs, Tourism, Science and Innovation, DevelopmentWA, Infrastructure WA, the Department of Treasury, the Pilbara Development Commission and other Government agencies, port users and the communities in which it operates, to achieve the objectives in this Statement of Corporate Intent.

**Brad Geatches**

**Chair, Pilbara Ports Authority Board of Directors**

## 2. CORPORATE INFORMATION AND ACTIVITIES

### 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* (WA) (the Act).

PPA is a statutory authority established on 1 July 2014 and encompasses the operating ports of Ashburton, Dampier and Port Hedland. In 2017, the Port of Balla Balla was proclaimed and PPA was granted a Management Order over Port of Cape Preston East.

The *Ports Legislation Amendment Act 2019* (WA) came into effect in February 2019. The legislation amends seven port-related Acts, enabling transfer of ports currently regulated under the *Shipping and Pilotage Act (1967)* (WA) (and related Acts) to the *Port Authorities Act (1999)*. This enables regulatory responsibility for the Ports of Port Walcott, Barrow Island, Cape Preston, Onslow and Varanus Island to be transferred from the Department of Transport to PPA.

Figure 1 provides a map of PPA's existing and future ports.

This SCI outlines PPA's planned achievements and proposed major initiatives in the 2021-22 financial year. As per Section 34A of the Act, PPA will comply with approved requirements regarding capital expenditure limits and associated funding, and endeavour to achieve financial outcomes that are consistent with forecasts contained in approved financial statements.

### 2.2 Port Services

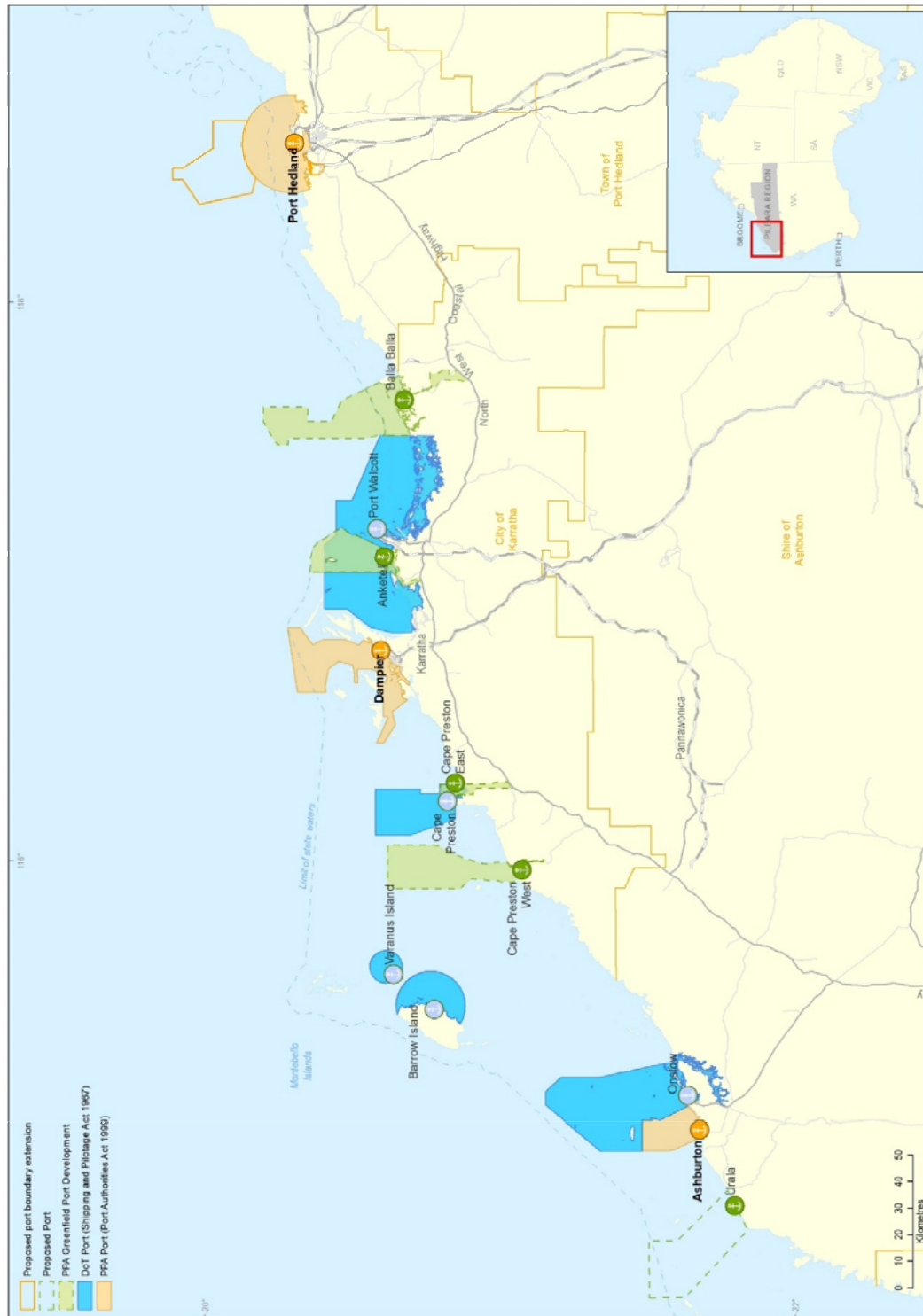
PPA provides overall port management and coordinates vessel traffic service (VTS) coverage, ship scheduling, berthing allocations for multi-user facilities and port communications. PPA also oversees safety and port security and cooperates with Commonwealth Government agencies responsible for customs,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

PPA contracts out or issues licences for pilotage, towage, helicopter and pilot boat transfers, mooring, bunkering, stevedoring, security and waste management. All service provider licences are issued under the provisions of the Act on a non-exclusive basis.

### 2.3 Organisational Capability

Approximately 75 per cent of PPA employees, including the Chief Executive Officer and most Executives, reside in the Pilbara region. PPA has strong links with its communities and focuses on retaining key skills in the region as well as remunerating appropriately to retain qualified staff. 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





PPA is proud of its diverse workforce. PPA has recently updated its Diversity and Inclusion Plan that builds on previous achievements and ensures PPA remains a diverse and inclusive workplace.

PPA will also continue to support regional youth employment through traineeships, apprenticeships, cadet and graduate programs.

## **2.4 Assets and Port Facilities**

In total, PPA manages assets with a written down value exceeding \$2.38 billion (financial year 2019-20). Additionally, PPA manages more than 10,000 hectares of land at Port Hedland, Dampier, Ashburton and reserves for the future ports of Cape Preston East and Balla Balla.

PPA ports provide for privately operated berths and publicly owned multi-user berths. PPA provides and maintains shipping channels, navigation aids and multi-user cargo facilities. Where applicable, PPA also provides cargo laydown areas, bio-security facilities, ship loaders, conveying systems, port roads and other port infrastructure such as sheds, offices and amenities.

At the Port of Port Hedland all but four of the 19 berths are privately operated. Private berths are owned by BHP Billiton Iron Ore, Fortescue Metals Group and Roy Hill Infrastructure. PPA owns and operates general cargo facilities located on the east side of the harbour and the Utah Point Bulk Handling Facility (BHF), which provides an export outlet for junior miners. 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 includes private port terminals owned and operated by Rio Tinto, North West Shelf Joint Venture and Woodside Energy. Rio Tinto provides and maintains its own shipping channel. Toll and Qube also operate private berths and facilities in King Bay and adjacent to the Dampier Cargo Wharf (DCW). The DCW and Bulk Liquids Berth (BLB) are owned and operated by PPA.

The Port of Ashburton includes a private gas product loading facility operated by Chevron Australia and general cargo facility which was transferred to PPA ownership in December 2018. PPA is also responsible for the shipping channel and navigation aids at the Port of Ashburton.

The Ashburton Cargo Wharf (ACW) is supported by office accommodation for PPA, contractors and visiting agencies. Development of the ACW to receive general cargo is ongoing, with planned laydown areas and investigations underway into permanent water and power supply. PPA is currently investigating options for renewable energy to provide power to the port.

## **2.5 Major Customers**

Almost 99 per cent of Port of Port Hedland throughput by weight comprises iron ore, with major exporters including BHP Billiton Iron Ore Pty Ltd, Fortescue Metals Group Ltd and Roy Hill Infrastructure Pty Ltd. Other resource exporters

include Consolidated Minerals Limited, Atlas Iron Pty Ltd. Mineral Resources Limited (via Utah Point) and Dampier Salt, Pilbara Minerals, Sandfire and Newcrest (via PPA general cargo berths). The largest import product is fuel, by Caltex and BP.

Approximately 81 per cent of Port of Dampier throughput comprises iron ore from Rio Tinto. The next largest contributor at 15 per cent is gas products. Gas exporters include North West Shelf Joint Venture and Woodside Energy Ltd. Other key customers include Dampier Salt Ltd, Yara Pilbara Fertilisers Australia Pty Ltd and Viva Energy Pty Ltd.

The Port of Ashburton's primary throughput is gas products from Chevron Australia Pty Ltd and its associated joint venture partner operations.

## **2.6 Current and Emerging Markets**

PPA continues to work with government and industry on trade growth and diversification opportunities including, but not limited to, container and roll-on roll-off (RORO) cargo, urea, building and construction materials, livestock and cruise ships. Recently RORO and container shipping services connecting the Pilbara with Asia have commenced at Port Hedland and Dampier Ports.

The Pilbara has been identified as an ideal renewable energy location due to its high solar insolation and suitable average wind velocities. PPA is working with several proponents to support development of renewable energy projects in the region. Discussions will extend to developers and Government stakeholders to better understand the supply chain management and potential opportunities for PPA.

PPA is also identifying opportunities to support the Western Australian Government's Future Battery Industry Strategy and Renewable Hydrogen Strategy. This includes, but is not limited to, seeking licence amendments to support increased mineral concentrate shipping (lithium, copper etc) and assessing port infrastructure for renewable hydrogen projects.

## **2.7 Procurement Initiatives**

PPA is committed to supporting the Pilbara and WA State economies by encouraging and supporting local industry and regional business participation.

PPA's procurement policies and procedures apply the State Government's procurement policies and strategies. This includes the Aboriginal Procurement Policy, Buy Local Policy and Regional Content, Western Australian Industry Participation Strategy (WAIPS) and Priority Start Policy.

Consideration of these policies is given in the context of PPA's broader commitment when procuring goods and services to achieving value for money, creation of local jobs and training opportunities and diversification and growth of the WA economy.

PPA will continue to support the policy intent of Aboriginal Procurement Policy, providing opportunities for Aboriginal owned businesses and maximising opportunities for local businesses to supply services and create jobs to support the local economy.

## **2.8 Risk Management Framework**

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

PPA manages risk in accordance with the Australian/New Zealand Risk Management Standard ISO31000:2018. Risk identification and assessment is conducted on a regular basis with risks captured and monitored in a centralised electronic database to facilitate appropriate treatment and communication with relevant stakeholders as appropriate.

## **2.9 Environment and Heritage**

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

PPA's Environmental Management System complies with the international standard ISO14001:2015. This provides a risk-based framework that supports assessment of environmental impacts associated with PPA's activities. Ongoing management and improvement of processes and activities will remain a key focus to ensure high levels of compliance against regulatory instruments.

Copies of PPA's Environmental Management Plan (EMP) and Cultural Heritage Management Plan (CHMP) are available for download from the Environment and Heritage section of PPA's website. The EMP is reviewed annually and the CHMP is reviewed every two years.

## **2.10 Sustainability**

Integrating sustainability into core business practices is essential to enable PPA to continue to facilitate economic growth, contribute to social justice and exercise environmental stewardship. PPA has adopted the United Nations Sustainable Development Goals as a guiding framework and has developed four (4) key themes for our approach to sustainability.

Through stakeholder partnerships, PPA aims to enable responsible growth within the Pilbara region by working closely with our stakeholders. Development of PPA's sustainability strategy is underway, consistent with the Ports Australia guidelines for leading practice in developing a Ports Sustainability Strategy. The strategy relies on effective leadership to drive the business into action and ensure it is effectively integrated throughout the business.

## **2.11 Certification**

Since 2011, PPA has maintained a certified Integrated Management System that supports service quality and consistency. In 2019 a successful recertification was conducted. PPA is currently certified to:



- ISO 9001:2015 Quality Management System.
- ISO 14001:2015 Environmental Management System.
- ISO 45001:2018 Occupational Health and Safety Management Systems.
- ISO/ IEC 27001:2013 Information Security Management System.
- AS/NZS 4801:2001 Occupational Health and Safety Management System.

Additionally, PPA is represented on the National Vessel Traffic Services (VTS) Working Group chaired by the Australian Maritime Safety Authority (AMSA). PPA operated ports of Ashburton, Dampier and Port Hedland are certified as VTS accredited ports by AMSA.

#### **2.12 COVID-19 Response**

PPA has established a steering committee, COVID-19 Infectious Disease Management Plan and marine protocols to guide business response to the COVID-19 pandemic. PPA has in place appropriate response and business continuity plans and keeps staff appropriately informed and trained. Port users and government departments and agencies have been engaged to ensure PPA is appropriately prepared and aligned in its response. PPA understands the importance of its role in protecting staff and the broader community from COVID-19, and will continue to demonstrate excellence in this area.

### 3. PROJECTS AND INITIATIVES

#### 3.1 Iron Ore Capacity Growth

PPA released the Port Development Plan (Plan) for the Port of Port Hedland in 2010, addressing the long-term strategic needs for future development of the Port. Capacity modelling undertaken to inform the Plan forecast an ultimate capacity of the Port of Port Hedland of 495 Mtpa. This volume was exceeded in 2016/2017, with a total throughput of 501 Mt, including 495 Mt of iron ore, being shipped in the financial year. This was achieved through larger ships, new and more efficient berths, channel improvements and technological innovations which have been implemented by PPA and port users.

PPA commissioned the development of Dynamic Port Capacity Model<sup>®</sup> to re-evaluate the ultimate capacity of the Port Hedland Inner Harbour and in 2019 a total modelled port capacity of 617 Mtpa was announced.

PPA has commenced a review of the Port Hedland Port Development Plan that seeks to identify optimal future infrastructure development to provide expanded iron ore export capacity, taking into consideration navigational safety, port efficiency and overall port capacity, environmental impacts and development cost. PPA will consult with Government and Port Users on the outcomes of the review when completed.

PPA is also working with a proponent and Government to enable export of iron ore through the Port of Ashburton, via development of transshipping facilities adjacent to the Ashburton Cargo Wharf (ACW). This will facilitate additional export opportunities without impacting on common user berths and general cargo infrastructure owned and operated by PPA at the Port.

Iron ore export opportunities also remain at the greenfield ports of Port of Balla Balla and Anketell, to be developed in collaboration with foundation proponents.

#### 3.2 Pilbara Port Capacity Initiative

'Pilbara Port Capacity' is a major PPA initiative, focusing on meeting growing demand for general cargo. The initiative includes three proposed multi-user port infrastructure projects that are in proximity to Strategic Industrial Estates adjacent to the Ports of Hedland, Dampier and Ashburton. The projects are currently identified as unapproved major capital works (see section 4.3.2). These projects are presently being planned. Progress of these projects is subject to submission of business cases and Government approval. They include:

- Lumsden Point General Cargo Facility and Logistics Hub (Port Hedland).
- Dampier Cargo Wharf (DCW) Extension and Landside Redevelopment Project.
- Ashburton Eastern Jetty Deep Water Berth Project.

PPA's 'Pilbara Port Capacity' initiative was listed as a *Priority Initiative* by Infrastructure Australia in February 2021. This initiative updates PPA's previous Infrastructure Australia 2021 *Priority Initiative* that focused on Port Hedland port capacity. The updated version recognises the capacity constraints across the

network of ports in the Pilbara to support small and medium-size import/export industries.

The next steps for PPA will be to develop options (Stage two of Infrastructure Australia's Assessment Framework) and prepare business cases for the various projects under the initiative (see below for further details on each project).

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

The Lumsden Point General Cargo Facility and Logistics Hub aims to alleviate increasing congestion and constraints on existing general cargo infrastructure at Port Hedland as well as facilitate future trade growth. The development is planned to include marine and landside infrastructure including:

- Dredging and construction of multi-user wharf and laydown area to service general cargo vessels.
- Road corridor connecting the multi-user wharf and laydown area to the Great Northern Highway.
- Logistics hub and industrial land area intended to be available for a combination of common user access and long-term leasehold arrangements.

Following an unsuccessful procurement process seeking private sector development of the general cargo berths and logistics hub under a Build, Own, Operate, Transfer (BOOT) arrangement, PPA is progressing a revised business case for the Lumsden Point development. The initial stage will involve infrastructure development on existing reclaimed areas to activate industrial land and accommodate new port users.

### **DCW Extension and Landside Redevelopment**

The DCW Extension and Landside Redevelopment includes development of a new land-backed wharf to support the bulk export of urea and development of industrial projects in the region, as well as renewing existing aged infrastructure at the Port of Dampier.

The proposed new land-backed wharf will be a multi-user, multi-product facility capable of accommodating bulk carriers, cruise ships and general cargo vessels. Development of the business case for the DCW is underway and, in addition to the multi-user facilities, includes dredging a new berth pocket and vessel manoeuvring area.

### **Ashburton Eastern Jetty Deep Water Berth Project**

PPA is assessing the feasibility of a multi-purpose deep water cargo facility at the Port of Ashburton to support potential industrial developments in the Ashburton North Strategic Industrial Area (ANSIA) and other export opportunities from the West Pilbara. This includes liaison with the Department of Jobs, Tourism,

Science and Innovation (JTSI) on a number of potential downstream gas processing projects in the ANSIA that will require access to a deep-water bulk liquids berth to export product.

### **3.3 Spoilbank Marina**

In 2017 an election commitment was made by the State Government to construct a new marina facility in Port Hedland to address community requests for an additional boat launching facility and recreational space. The Marina and Waterfront Masterplan was approved by the Town of Port Hedland in December 2019. In July 2020, Cabinet approved PPA as the developer, owner and operator of the Spoilbank Marina.

The Marina will feature a four-lane boat ramp, 21 boat-pen marina with capacity to expand to 80 pens in the future, separate entrance channel to the main shipping channel, trailer parking for up to 200 vehicles, maintenance hardstand, publicly accessible breakwaters, public recreation and event space and amenities, public fishing jetty, water feature, shade structures at the swimming beach, waterfront promenade, public art and a cultural gathering space.

### **3.4 Hedland Maritime Initiative**

Hedland Maritime Initiative (HMI) is the wholly owned subsidiary of Pilbara Ports Authority established to administer the Western Australian Government's Port Hedland Voluntary Buy-Back Scheme (PHVBS) and facilitate the planning and development of a new maritime precinct.

The PHVBS provides residents within Port Hedland's West End area the opportunity to voluntarily sell their property for a government-guaranteed market price, following the introduction of rezoning related to the Port Hedland West End Improvement Scheme 1.

HMI also has the opportunity to plan and develop a new maritime precinct to support the revitalisation of the area into a vibrant precinct that minimises potential conflicts with existing land uses.

### **3.5 Supporting WA COVID-19 Recovery**

As part of Western Australia's \$5.5 billion WA Recovery Plan, the government is investing in industry across the Pilbara region. PPA based projects that form part of this investment include:

- \$20 million for Port Hedland's Inner Harbour for upgrading revetment and sea walls at Berths 1, 2 and 3. Berth 1 and 2 are in the scoping and design phase, while Berth 3 construction works are in the delivery phase.
- \$51.2 million to Nelson Point Tug Haven for upgrading revetment and sheet pile walls. The revetment wall upgrade is in tender evaluation phase, while the sheet pile wall upgrade is in the scoping and design phase.

### **3.6 Greenfield Ports and Shipping and Pilotage Act (SPA) Ports**

PPA is working with government agencies and proponents on land assembly and port declaration processes to progress greenfield port developments at Anketell, Balla Balla, Urala and Cape Preston East and West. The future Port of Anketell, 30 km east of Karratha, is proposed as a deep-water multi-user multi-commodity port. Water depths will limit facilities at the proposed ports of Balla Balla, Urala, Cape Preston East and Cape Preston West to transshipping operations.

Following enactment of Tranche 2 legislation in February 2019, PPA has been working with Department of Transport to transfer SPA ports to PPA. PPA's due diligence process has included a review of port boundaries and future roles and responsibilities.

Transitional orders have been made by the Minister for control and management of the Port of Varanus Island to transfer from the Department of Transport to PPA on 1 July 2021. While Port waters and seabed will be vested under the Port Authorities Act 1999 and PPA will be responsible for shipping movements licensed activities in the declared port area, navigation aids, moorings and jetties will remain under the ownership and management of the terminal operator.

#### 4. FINANCES AND PERFORMANCE INDICATORS

##### 4.1 Performance Indicators

Table 1 summarises the key performance indicators (KPI's) from 2019/20 to 2021/22.

**Table 1: Key performance indicators**

KEY PERFORMANCE INDICATORS (KPIs)	2019/20	2020/21	2021/22
	Actual	Forecast	Budget
Rate of Return on Assets	10.7%	11.6%	13.4%
Economic Rate of Return	11.2%	12.0%	13.8%
Debt to Equity Ratio	0.40	0.39	0.38
EBITDA (\$'000)	214,748	221,439	246,184
<b>Ship Revenue Earned Per Ship Visit (\$)</b>			
Port of Port Hedland	107,872	120,636	129,006
Port of Dampier	16,895	17,100	16,455
Port of Ashburton	43,626	44,344	46,400
<b>Port Trade ('000 tonnes)</b>			
Port of Port Hedland	538,164	545,510	566,014
Port of Dampier	167,961	167,912	172,824
Port of Ashburton	11,107	11,194	10,512
<b>Total Port Trade ('000 tonnes)</b>	<b>717,232</b>	<b>724,616</b>	<b>749,350</b>
<b>Number of Vessel Visits</b>			
Port of Port Hedland	3,097	3,139	3,257
Port of Dampier	3,373	3,372	3,471
Port of Ashburton	225	227	213
<b>Total Number of Vessel Visits</b>	<b>6,695</b>	<b>6,738</b>	<b>6,941</b>
Maintenance cost/tonne shipped (PPA Berths)	1.03	0.96	0.92
Customer Satisfaction Score	85%	77%	>70%
Lost Time Injury Frequency Rate	1.88	1.44	1.55
Number of Reportable Environmental Incidents	0	0	0
Employee Satisfaction Score:			
Participation Rate	67%	72%	75%
Actively Engaged (Gallup Australian Average is 40%)	35%	45%	50%
Actively Disengaged (Gallup Australian Average is 15%)	17%	15%	13%

**Note:**

1. 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.
2. A customer satisfaction score of >70% equates to an "excellent" rating under the KantarTNS corporate reputation scoring methodology – the highest rating
3. HMI is excluded from the Key Performance Indicators

##### 4.2 Financial Summary

Table 2 provides PPA's financial summary for the financial year (FY) 2019/20 Actuals, the FY 2020/21 Forecast and the FY 2021/22 Budget for comparison. PPA's financial parameters reported to government for FY 2021/22 are provided in Appendix 1.



PPA's financials are prepared consistent with the accounting policies detailed in PPA's Annual Report 2019-20. The Annual Report can be accessed via PPA's website.

**Table 2: Financial Summary 2019/20 to 2021/22**

FINANCIAL SUMMARY					
PILBARA PORTS AUTHORITY CONSOLIDATED	ACTUAL 2019/20 \$'000	FORECAST 2020/21 \$'000	BUDGET 2021/22 \$'000	BUDGET CHANGE FROM FORECAST	
				\$'000	%
Total Revenue	465,701	517,866	584,803	66,937	13%
Total Expenditure	277,614	312,052	310,789	1,263	0%
<b>Operating Profit Before Tax</b>	<b>188,087</b>	<b>205,814</b>	<b>274,013</b>	<b>68,200</b>	<b>33%</b>
Income Tax Expense	56,460	71,130	91,976	(20,846)	-29%
<b>Net Profit After Tax</b>	<b>131,628</b>	<b>134,683</b>	<b>182,038</b>	<b>47,354</b>	<b>35%</b>
Dividend	31,678	111,913	0	111,913	100%
<b>Change in Retained Earnings</b>	<b>99,950</b>	<b>22,770</b>	<b>182,038</b>	<b>159,268</b>	<b>699%</b>

As shown in Table 2, total revenue for FY 2021/22 is budgeted at \$584.803 million. The revenue increase is a result of:

- Budgeted increases in throughput.
- Increases in fees and charges.
- Commencement of Hedland Maritime Initiative (HMI).

For the same period, operating expenses of \$310.789 million are expected. This is attributed to changes to the workforce plan, prudent lease forecasting, commencement of HMI and an increase in depreciation expense aligning to the capital works program.

The total operating profit before tax is anticipated to grow to \$274.013 million. After tax profits are anticipated to grow to \$182.038 million.

The total dividend for FY 2021/22 of \$220.187 million, inclusive of the FY 2021/22 interim dividend and FY 2020/21 entire dividend, will be retained by PPA for future capital projects.

#### **4.2.1 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, assumed as 85 per cent of after-tax profits for the period 2019/20 to 2021/22.

Dividends are paid via 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 to be declared and paid prior to 31 December of the following financial year. Government has advised that all dividends due to be paid in 2021/22 will be retained by PPA to finance future capital projects.

#### **4.2.2 Efficiency Dividend**

In June 2017 PPA was requested by Cabinet to achieve a State Net Debt reduction target for the four-year period ending 30 June 2021. PPA had flexibility to propose options to meet this measure by reducing operating expenditure, reducing Asset Investment Program (AIP) spending, increasing revenue, divesting surplus assets, or any combination of these measures.

Targets were calculated as a steadily-increasing (2%, 3%, 4%, 5%) proportion of each entities' discretionary operating expenditure using Pre-Election Financial Projection Statement 2016/17 data. A steadily increasing proportion was chosen rather than a flat-rate to allow additional flexibility for government trading enterprises to implement any existing savings measures to be applied and other adjustment time-lags they may face.

PPA's targets for the periods 2019/20 to 2020/21 are shown in Table 3. PPA's targets have been met to date through increased revenue and reduced expenditure and it is expected that the targets will be achieved. As the reduction target period finishes on 30 June 2021 no target is included for FY 2021/22.

**Table 3: Efficiency dividend targets**

	<b>2019/20 \$'000</b>	<b>2020/21 \$'000</b>
PPA	8,787	10,983

#### **4.2.3 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.

#### **4.2.4 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 enables PPA to fund land development opportunities without impacting upon charges for port users. PPA will continue to seek commercial rents for all 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.

Financial estimates have been prepared based on the following price increases in FY 2021/22:

- 25% on tonnage fees at the Port of Port Hedland.
- 2.5% on Port Dues at the Port of Dampier.
- 2.5% on all other shipping and cargo fees at the Port of Port Hedland, Port of Ashburton and the Port of Dampier.

#### **4.2.5 Sustaining Infrastructure Dues (SID)**

Sustaining Infrastructure Dues (SID) have been introduced at the Port of Port Hedland to fund critical capital works to the Nelson Point Tug Haven and the Inner Harbour Revetments. These projects are included in the Government's WA Recovery Plan in response to the COVID-19 pandemic. A SID has also been implemented at Port of Dampier to fund critical Dampier Cargo Wharf feasibility studies.

#### **4.2.6 Port Hedland Voluntary Buy-Back Scheme (PHVBS)**

A PHVBS Port Charge has been implemented at the Port of Port Hedland, effective 1 March 2021 to fund the Port Hedland Voluntary Buy-Back Scheme.

The PHVBS Port Charge is levied on iron ore vessels entering and exiting the inner harbour of Port Hedland. The PHVBS Port Charge will allow PPA, via a wholly owned subsidiary (Hedland Maritime Initiative Pty Ltd (HMI)) to successfully fulfil its role as PHVBS administrator and is in response to the potential impact on property values that might arise from the Port Hedland West End Improvement Scheme 1.

The PHVBS Port Charge will be levied for a finite period and will cease once revenue raised is commensurate with the costs of implementing the PHVBS.

#### **4.2.7 Rate of Return**

As shown in Table 1, PPA's budget for FY 2021/22 projects a Rate of Return on Assets of 13.4 per cent and an economic rate of return of 13.8 per cent. These estimates are dependent on several factors including trade volumes and 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 considering the need to fund significant infrastructure projects and provide appropriate returns to government.

Assets are valued according to the Deprival Value Method. PPA engaged the services of an independent valuer to determine the fair value of assets and will continue to do so at least every three years.

Generally, PPA will seek to recover a financial return on all the assets that it owns and controls and will set its prices accordingly. However, the following assets are excluded from the ROR calculation:

- Any assets (either current or non-current) owned or controlled by PPA but not directly connected to providing port services including land that is not applied to port purposes.
- Gifted assets, where no consideration is paid to the gifting party or where pricing discounts or concessions are not offered by PPA to the gifting party.
- Funding contributions from any third party or port customer for the purposes of specific capital assets, and assets constructed using those funds (this includes assets funded by the Port Improvement Rate (PIR)).

#### 4.2.8 Operating Subsidy – Dampier Bulk Liquids Berth

Construction of the Dampier BLB was completed in November 2005. The capital cost involved will be recovered from users. A State Facilitation Deed is 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 4 summarises the Budgeted Income Statement for the Dampier BLB for 2021/22.

**Table 4: Dampier Bulk Liquids Berth Budgeted Income Statement**

DAMPIER BLB INCOME STATEMENT			
	ACTUAL 2019/20 \$'000	FORECAST 2020/21 \$'000	BUDGET 2021/22 \$'000
<b>Revenue</b>			
Operating Subsidy Payment	9,013	9,110	9,110
DBLB Tariff	1,813	1,954	2,049
Shipping Revenue	428	510	585
<b>Total Revenue</b>	<b>11,254</b>	<b>11,574</b>	<b>11,744</b>
<b>Expenditure</b>			
Expenditure	7,054	6,707	6,618
<b>Operating Profit</b>	<b>4,200</b>	<b>4,867</b>	<b>5,125</b>
Income Tax Equivalent	1,260	1,460	1,538
<b>Operating Profit After Tax</b>	<b>2,940</b>	<b>3,407</b>	<b>3,588</b>
<b>Dividend To Declare</b>	<b>2,499</b>	<b>2,896</b>	<b>3,049</b>

### 4.3 Capital Expenditure Program

#### 4.3.1 Asset Management Objectives

In general, PPA will invest in port infrastructure and facilities that cannot be funded on a reasonable basis by the private sector. Examples include common user channels and some multi-user facilities, that are essential for trade facilitation, provide economic benefits to the State, regional and local communities as well as providing future capability.

In line with PPA's Strategic Asset Management Policy, PPA will maximise value from its assets by:

- Meeting the requirements for asset management outlined in Western Australian Department of Treasury Strategic Asset Management Framework.
- Considering the requirements of International Standard Organisations ISO 55001: Asset Management.
- Providing asset management plans for all high value assets owned and/or operated by PPA.

#### 4.3.2 Capital Works Program

The following program is planned in relation to PPA assets and capital works in 2021/22.

##### Minor Capital Works

Minor capital works totalling \$28.372 million are budgeted in 2021/22 across the Ports of Ashburton, Port Hedland and Dampier (Table 5).

##### Approved Major Capital Works in Progress

Approved major capital works totalling \$112.17 million will be progressed in 2021/22 (Table 5). This amount excludes any carry over of approved capital works commenced in 2020/21.

##### Proposed Unapproved Major Capital Works commencing 2021/22

The following projects have been identified as priorities to commence in 2021/22. Business cases will be prepared and submitted for consideration by Government consistent with PPA's governance process.

Port Hedland Berth 1 Remediation to remediate the deteriorating condition of the concrete deck of Berth 1 to maintain its design level of service and ensure continued operation.

Lumsden Point PPA undertook a process seeking private sector development of the general cargo berths and logistics hub under a Build, Own, Operate, Transfer (BOOT) arrangement. This process concluded as submissions did not meet the objectives of the PPA and/or State.

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Subsequently, a revised business case is being progressed for PPA to develop a multi-user multi product facility to support new and existing port users that would otherwise be restricted in their opportunity for port access. The initial stage of development will involve activating industrial land and providing infrastructure to facilitate trade opportunities for new port users.

DCW extension and landside redevelopment to construct a new land backed wharf to accommodate existing and new port users at the Port of Dampier. The key purpose of the DCW extension is to provide bulk solid export capability, which is not available through PPA's existing Dampier facilities. PPA has undertaken geotechnical investigations and construction cost estimates to inform the project business case. The business case for this project will be materially impacted by investment decisions of proponents, expected in 2021 calendar year, which will identify the extent of demand and future revenue contributions from industry.

Proceeding with projects that increase port capacity in the Pilbara will facilitate new trades, create regional job opportunities and generate additional revenue.



Table 5: PPA Major and Minor Capital Works in Progress as at 31 August 2021

	2020-21 Estimated Expenditure \$'000	2021-22 Budget Estimate \$'000
<b>WORKS IN PROGRESS</b>		
<b>COVID-19 Response</b>		
Port of Port Hedland		
Inner Harbour Revetment Upgrades .....	6,391	5,609
Tug Haven Revetment Wall Upgrades.....	220	20,400
<b>Other Works in Progress</b>		
Election Commitment - Port of Port Hedland - Spoilbank Marina .....	5,203	37,180
Hedland Maritime Initiative.....	5,350	43,036
Port of Ashburton - Port Infrastructure Construction Project.....	678	5,945
<b>COMPLETED WORKS</b>		
Minor Works - 2020-21 Program.....	13,505	-
<b>NEW WORKS</b>		
Minor Works		
2021-22 Program .....	-	28,372
2022-23 Program .....	-	-
2023-24 Program .....	-	-
2024-25 Program .....	-	-
<b>Total Cost of Asset Investment Program.....</b>	<b>31,347</b>	<b>140,542</b>
<b>FUNDED BY</b>		
Funding Included in Department of Treasury Administered Item .....	-	36,831
Drawdowns from Royalties for Regions Fund.....	16,000	31,972
Internal Funds and Balances .....	15,347	71,739
<b>Total Funding .....</b>	<b>31,347</b>	<b>140,542</b>

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**5. INFORMATION TO BE REPORTED TO THE MINISTER FOR PORTS**

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* (WA) and will include the following information in sufficient detail to allow the Minister to assess the port's performance:

**Half Yearly Report (February 2021)**

- Review of PPA's trade and financial performance for the half year.
- Financial statements.
- Progress against major initiatives, as outlined in relevant Statements of Corporate Intent.

**Annual Report (September 2021)**

- Report on the major operations and activities of PPA during the year under review.
- Review and assessment of performance against targets.
- Financial statements.
- Other information required by legislation to be included in the Annual Report.

**6. ABBREVIATIONS**

TERM	DESCRIPTION
AMSA	Australian Maritime Safety Authority
ANSIA	Ashburton North Strategic Industrial Area
BLB	Bulk Liquids Berth
CHMP	Cultural Heritage Management Plan
DCW	Dampier Cargo Wharf
EMP	Environmental Management Plan
FY	Financial Year
HMI	Hedland Maritime Initiative
JTSI	Department of Jobs, Tourism, Science and Innovation
LNG	Liquefied natural gas
Mt	Million tonnes
PHVBS	Port Hedland Voluntary Buy-Back Scheme
PPA	Pilbara Ports Authority
RORO	Roll-on / roll-off
SCI	Statement of Corporate Intent
SPA	Shipping and Pilotage Act 1967
VTS	Vessel Traffic Services
WAIPS	Western Australian Industry Participation Strategy

7. APPENDIX 1: FINANCIAL PARAMETERS 2021/22

PILBARA PORTS AUTHORITY  
FINANCIAL PARAMETERS  
2021/22

	\$'000
Total Revenue	584,803
Total Expenses	310,789
Profit/(Loss) Before Tax	274,013
Notional Income Tax	91,976
Profit/(Loss) After Tax	182,038
Dividends	-
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Asset Investment Program	140,542

Notes:

*To the extent that the financial parameters within the 2021/22 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.*

*The financial statements reflect the relative increases on fees and charges effective 1 July 2021.*

*The Asset Investment Program includes approved capital expenditure only.*