



# 2022/23 Statement of Corporate Intent

Pilbara Ports Authority

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VERSION	PREPARED BY	DATE	AMENDMENT
1	Emily Buck	14/01/22	First draft for Minister and Treasury
2	Emily Buck	12/04/22	Amended draft for Minister, DoT and Treasury
3	Emily Buck	27/05/22	Amended draft for Minister, DoT and Treasury
4	Siobhan Negri	1/07/22	Issued as final

## 1. OPERATING ENVIRONMENT

### 1.1 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, Port Hedland and Varanus Island. In 2017, the Port of Balla Balla was proclaimed and PPA was granted a Management Order over Port of Cape Preston East.

Amendment to the Act and other port-related Acts will see regulatory responsibility for the Ports of Walcott, Barrow Island, Cape Preston and Onslow transferred from the Department of Transport to PPA in future years.

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

### 1.2 Statutory Functions

PPA's role is set out in several clauses under the Port Authorities Act 1999.

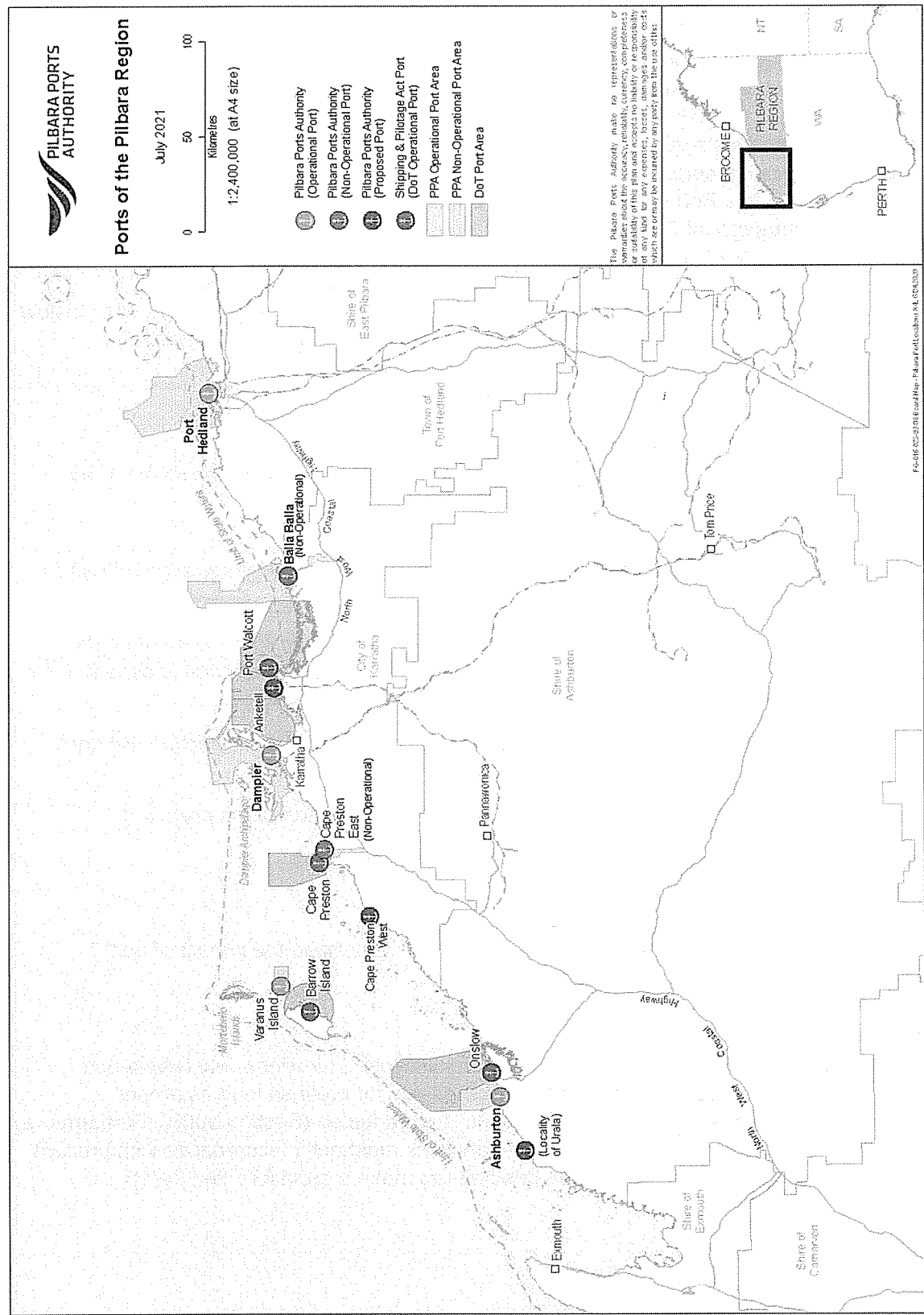
*30. The functions of a port authority are –*

- 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 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 (Section 30(2)). Furthermore, a port authority in performing its functions must act in accordance with prudent commercial principles and endeavour to make a profit (Section 34(1)).

STATEMENT OF CORPORATE  
INTENT 2022/23

Figure 1: Pilbara Ports Authority current and proposed boundaries



### **1.1 Assets and Port Facilities**

PPA currently manages over 14,000 hectares of land at Port Hedland, Dampier, Ashburton and Varanus Island 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, multi-user cargo facilities and port access roads. Where applicable, PPA also provides cargo laydown areas, bio-security facilities, ship loaders, conveying systems and other port infrastructure such as sheds, offices and amenities.

### **1.2 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.

### **1.3 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.

Highlights include renewable hydrogen and energy opportunities. In this space, PPA is 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.

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

## 2. MAJOR PLANNED ACHIEVEMENTS FOR 2022/23

### 2.1 COVID-19 Recovery

Several projects across the Pilbara form part of Western Australia's \$5.5 billion WA Recovery Plan. PPA based projects 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.

### 2.2 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 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, 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.

Construction works commenced in June 2021, with the facility anticipated to be operationally ready by December 2023.

### 2.3 Hedland Maritime Initiative

Hedland Maritime Initiative Pty Ltd (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.

In the 2022/2023 financial year HMI will continue engagement with eligible PHVBS participants to acquire properties from owners whom voluntarily participate. HMI will also continue the planning for and facilitating of the

redevelopment opportunities within the maritime precinct, including the progression of some of the more iconic development opportunities proposed such as the Pilbara Training College and the new Port Hedland Seafarers' Centre.

#### **2.4 Direct Shipping Services**

Despite less than one (1) per cent of PPA throughput comprising imports, the importance of direct freight services to the Pilbara is acknowledged, particularly cargo that facilitates development and growth within the region.

PPA continues to work with stakeholders on direct freight services and has obtained First Port of Entry (FPOE) status at the Port of Dampier and Port of Port Hedland to enable liner services between the Pilbara and Southeast Asia. PPA will also seek FPOE status for the Port of Ashburton.

The proposed development of new multi-user port facilities at Lumsden Point, Port Hedland, has the potential to further grow direct freight services to the Pilbara.

#### **2.5 Sustainability Strategy**

PPA has developed a sustainability strategy focused around four themes: people, planet, prosperity and partnership. These themes reflect the United Nations Sustainable Development Goals. Work is underway on implementing initiatives that deliver PPA's sustainability strategy.

#### **2.6 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 has completed a review of the Port Hedland Port Development Plan and the recommended future development pathway for the Port, including short-term and long-term development options to optimise export opportunities, has been endorsed by the Minister for Ports. The review involved vessel simulation studies and port capacity modelling for a range of development scenarios to determine safe navigational parameters and impacts of changes to the Plan on overall port capacity, port user allocations / throughputs and existing environmental approvals and applications.

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. This will facilitate additional export opportunities without impacting on common user berths and general cargo infrastructure owned and operated by PPA at the Port.



## **2.7 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 Port Hedland, Dampier and Ashburton. 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 is recognised by Infrastructure WA and 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.

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

The Lumsden Point General Cargo Facility and Logistics Hub is envisioned to become a multi-user facility and logistics hub that will facilitate forecast import and export trade growth in the Pilbara.

The development will provide enabling infrastructure for a number of proposed projects and Government initiatives. This includes the forecast growth in battery metals and minerals such as lithium concentrate and copper concentrate, the import of wind turbines to support renewable energy and hydrogen projects and the expansion of direct shipping services to the Pilbara.

Lumsden Point has been recognised by the Federal Government, with increased cargo capacity at Pilbara ports included on Infrastructure Australia's Priority List and as a strategic location under its Boosting Australia's Diesel Storage Program.

To date, \$144 million has been invested by PPA and port proponents to undertake dredging and land development at Lumsden Point. The next stage of development will be to build seawalls, bund walls and a causeway.

Construction of seawalls and bund walls is a pre-requisite to any dredging works being undertaken to enable deposit of dredge spoils. The causeway will connect the wharf and adjacent laydown area to the proposed logistics hub. These works are scheduled to commence in FY 2022-23.

### **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. Further development will create redundancy for aging infrastructure at the Port of Dampier.



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The full development of the facilities will provide a multi-user wharf capable of accommodating bulk carriers, cruise ships and general cargo vessels.

The business case for the extension of the DCW, including dredging a new berth pocket and vessel manoeuvring area, has been approved for funding through a combination of a Northern Australia Infrastructure Facility (NAIF) loan and WA Government contributions. Funding remains subject to a number of conditions, including the Perdaman Urea Project reaching financial close and all statutory and regulatory approvals being met.

# STATEMENT OF CORPORATE INTENT 2022/23



## 3. ACCOUNTABILITY

### 3.1 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). The half year report includes comments on PPA's trade and financial performance, financial statements and progress against major initiatives. The annual report includes:

- Report on the major operations and activities of PPA during the year
- Review and assessment of performance against targets contained in SCI
- Financial statements
- Other information required by legislation or the Minister

### 3.2 Key Performance Indicators

Table 1 summarises the KPIs from 2020/21 to 2022/23.

Table 1: Key Performance Indicators (KPIs)

KEY PERFORMANCE INDICATORS (KPIs)	2020/21	2021/22	2022/23
	Actual	Forecast	Budget
Rate of Return on Assets	9.8%	9.9%	11.9%
Economic Rate of Return	10.0%	10.0%	12.0%
Debt to Equity Ratio	0.36	0.37	0.38
EBITDA (\$'000)	314,001	363,967	485,856
<b>Ship Revenue Earned Per Ship Visit (\$)</b>			
Port of Port Hedland	121,079	140,773	154,605
Port of Dampier	20,655	19,987	19,431
Port of Ashburton	50,250	53,330	50,273
<b>Port Trade ('000 tonnes)</b>			
Port of Port Hedland	546,149	559,276	580,435
Port of Dampier	167,408	164,824	170,676
Port of Ashburton	11,195	10,512	11,012
Port of Varanus Island	-	182	182
<b>Total Port Trade ('000 tonnes)</b>	<b>724,752</b>	<b>734,794</b>	<b>762,305</b>
<b>Number of Vessel Visits</b>			
Port of Port Hedland	3,159	3,235	3,357
Port of Dampier	2,953	2,907	3,011
Port of Ashburton	198	186	195
Port of Varanus Island	-	5	5
<b>Total Number of Vessel Visits</b>	<b>6,310</b>	<b>6,333</b>	<b>6,568</b>
Maintenance cost/tonne shipped (PPA Berths)	1.02	1.01	0.93
Customer Satisfaction Score (TRIM Index)	77	>70	>70
Lost Time Injury Frequency Rate	0.94	2.06	2.06
Number of Reportable Environmental Incidents	0	0	0
<b>Employees Engaged Score (Gallup)</b>			
Participation Rate	72%	85%	85%
Actively Engaged (Gallup Australian Average is 40%)	45%	47%	49%
Actively Disengaged (Gallup Australian Average is 15%)	17%	10%	9%

**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

#### 4. FINANCES

##### 4.1 Financial Parameters

PPA's draft financial parameters reported to government for the period of this SCI are provided in Appendix 1. PPA's financials are prepared consistent with the accounting policies detailed in PPA's Annual Report available via PPA's website.

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.

##### 4.2 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 requirements and are paid via an interim dividend and a final dividend.

##### 4.3 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 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 strategic and operational objectives. Latest pricing is available on the PPA website.

##### 4.3.1 Sustaining Infrastructure Due (SID)

The Sustaining Infrastructure Due (SID) at the Port of Port Hedland funds critical capital works to the Nelson Point Tug Haven and the Inner Harbour Revetments. These projects are included in the Government's WA COVID-19 Recovery Plan.

##### 4.3.2 Port Hedland Voluntary Buy-Back Scheme (PHVBS)

A PHVBS Port Charge has been implemented at the Port of Port Hedland to fund the Port Hedland Voluntary Buy-Back Scheme.

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

#### 4.4 Operating Subsidy

##### 4.4.1 Dampier Bulk Liquid Berth

Construction of the Dampier BLB was completed in November 2005, with capital cost recovered from users. A State Facilitation Deed underwrites the unused portion of the facility with an operating subsidy and community service obligation payment, to the extent necessary to enable PPA to service the debt and cover the operating costs of the facility.

#### 4.5 Rate of Return

PPAs rates of return (Table 1) are dependent on several factors including trade volumes and levels of capital expenditure. These 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. PPA will seek to recover a financial return on all the assets that it owns and controls and will set prices accordingly.

#### 4.6 Asset Investment Program

##### 4.6.1 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.

##### 4.6.2 Approved Capital Works

PPA's Asset Investment Program for the period of this SCI is identified below.

Note: (\*) indicates government lead initiatives. (\*\*) indicates business cases that have been submitted for funding approval in the FY2022/23 State Budget process.

- COVID-19 WA recovery projects\*
  - Port of Port Hedland – inner harbour revetment upgrades\*
  - Port of Port Hedland – tug haven revetment Wall upgrades\*
- Election commitment – Port of Port Hedland – Spoilbank Marina\*
- Hedland Maritime Initiative\*
- Dampier Cargo Wharf Extension\*
- Port of Ashburton – Port Infrastructure Construction Projects
- Lumsden Point Seawalls, Bundwalls and Causeway
- Lumsden Point Dredging and Wharf\*\*
- Pile upgrade and refurbishment project\*\*

5. APPENDIX 1: DRAFT FINANCIAL PARAMETERS 2022/23

PILBARA PORTS AUTHORITY CONSOLIDATED  
DRAFT FINANCIAL PARAMETERS  
2022/23

	\$'000
Total Revenue	716,136
Total Expenses	332,398
Profit/(Loss) Before Tax	383,738
Notional Income Tax	115,121
Profit/(Loss) After Tax	268,617
Dividends	210,681
<hr/>	
Asset Investment Program	339,366

Notes:

*To the extent that the financial parameters within the 2022/23 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 were current as at March 2022, reflecting the relative increases on fees and charges effective 1 July 2022.*

