

Geraldton Port Authority —

Mr P.B. Watson, Chairman.

Mr T.R. Buswell, Minister for Transport.

Mr I. King, Chairman.

Mr P. Klein, Chief Executive Officer.

Ms S.J. McCarrey, Deputy Director General, Policy, Planning and Investment, Department of Transport.

The CHAIRMAN: This estimates committee will be reported by Hansard staff. The daily proof *Hansard* will be published at 9.00 am tomorrow.

Members may raise questions about matters relating to the operations and budget of the off-budget authority. Off-budget authority officers are recognised as ministerial advisers.

It is the intention of the Chair to ensure that as many questions as possible are asked and answered and that both questions and answers are short and to the point.

The minister may agree to provide supplementary information to the committee rather than asking that the question be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information he agrees to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the committee clerk by Friday, 10 June 2011, so that members may read it before the report and third reading stages. If the supplementary information cannot be provided within that time, written advice is required of the day by which the information will be made available. Details in relation to supplementary information have been provided to both members and advisers and, accordingly, I ask the minister to cooperate with those requirements. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice with the Clerk's office. Only supplementary information that the minister agrees to provide will be sought by Friday, 10 June 2011.

[Witnesses introduced.]

Mr T.R. BUSWELL: I thank my advisers for coming down from Geraldton.

The CHAIRMAN: I give the call to the member for Midland.

Mrs M.H. ROBERTS: I expect that the minister will be aware that there has been some discussion in other parliamentary committees about the profitability of Geraldton port. Treasury is using different figures. We heard from Mr Marney yesterday in the estimates hearing. There was also an upper house committee hearing with Hon Simon O'Brien. It appears that Treasury anticipates a much higher profit than the Geraldton Port Authority anticipates. The figures vary so markedly that, over the period of the forward estimates, there is nearly a \$100 million difference between what the Geraldton Port Authority is saying and what Treasury is saying. I wonder whether the minister can explain why Treasury is using one set of figures and the Geraldton Port Authority is using another, and whether he can reconcile those figures.

Mr T.R. BUSWELL: I can have a go at it. I have information that was provided to me yesterday by Treasury, so I will read it with a moderate degree of interest as I work through it. It basically states that the dividends paid by public corporations to government in each year are based on the projected profit of the preceding year. The Geraldton Port Authority's estimated dividend of \$17.6 million for 2010–11, as published in the 2011–12 budget papers, is not consistent with the 2009–10 actual operating profit after tax published in its annual report, which would have equated to a dividend of about \$6.5 million. I think that is what the member has just said. Treasury's view of this is that, following completion of its reporting obligations for 2009–10, the Geraldton Port Authority submitted adjustments to the Treasury information management system—TIMS—to reflect the 2009–10 actual financial outcomes for the year. For some reason, which Treasury has not explained to me, at that time no adjustment was made for the impact of the 2009–10 actual result on the 2010–11 dividend. I have not had a chance to follow up with Treasury on why that did not happen.

Mrs M.H. ROBERTS: Treasury is standing by its figures. It is really, I suppose, challenging the minister and the port authority.

Mr T.R. BUSWELL: What I am saying is that the advice I have is that the 2009–10 actual results of the port authority were submitted by way of adjustment to TIMS. However, at that time, for some reason that I am yet to dig down into and understand, no adjustments were made for the impact of the change in the 2009–10 actual result on the 2010–11 dividend estimate. As I understand it, the GPA included a revised dividend payment to Treasury as part of the 2011–12 budget process, which also updated its operating projections from 2010–11 until

2014–15. As I understand it, that information was provided from the GPA to Treasury as part of the budget process for this year's budget. Again, this is my advice. Those adjustments were not picked up, as I understand it, and TIMS was not adjusted. As a result, the data in TIMS is the data that was published in the budget papers. Treasury goes on to point out that, across the forward estimates from 2011–12 to 2013–14, dividend revenues from the port authorities of \$202.4 million is 0.19 per cent of total general government revenue over the same period. Clearly, there has been an error in that the revised figures supplied to the budget process on the operating position of the Geraldton Port Authority have not been picked up by TIMS and, subsequently, have not been represented in the budget papers. I do not have any other information that I can provide the member on that matter, except to say that the port authority would be of the view that it has presented the information as required in the time required and in a suitable format.

Mrs M.H. ROBERTS: The figures provided in the Geraldton Port Authority's statement of corporate intent for 2010–11 bear no relation to the budget papers and Treasury's position. How could this have happened? The minister has said that clearly a mistake has been made. Who has made the mistake?

[10.10 am]

Mr T.R. BUSWELL: I have not had a chance to have a discussion with Treasury about that. Of course, I would be reluctant to point the finger of blame at Treasury or anybody.

Mrs M.H. ROBERTS: Treasury has told me that it is right. Mr Marney presented it.

Mr T.R. BUSWELL: That is often its view of life.

Mrs M.H. ROBERTS: What is the Geraldton Port Authority's response?

Mr T.R. BUSWELL: The port authority's response is as I outlined earlier: the port authority provided the adjustment to the Treasury information management system at the time that its actual 2009–10 operating profit was reported. It also provided, as part of the 2010–11 budget process, an adjustment that included the revised dividend payments. Those adjustments were not recorded in TIMS, and subsequently were not reported in the budget papers.

Mrs M.H. ROBERTS: If the port authority is right, there is a significant hole in the budget.

Mr T.R. BUSWELL: I imagine that if there is a matter that needs to be clarified, it will be done well ahead of the midyear review and will be brought to account. I can assure the member of one thing: there has been an error. There was no intent. There is clearly a process issue here that needs to be better understood by all involved.

Mrs M.H. ROBERTS: How does the minister intend to resolve it and when?

Mr T.R. BUSWELL: I will be getting some additional advice from the port authority and Treasury to understand how it was that the information the port authority is firmly of the view it provided to the process was not reflected in TIMS.

Mrs M.H. ROBERTS: When does the minister anticipate that being resolved? The midyear review is a long way away.

Mr T.R. BUSWELL: The next time the government financials are presented in a consolidated form is at the time of the midyear review. I would expect that this adjustment will be made at the time of the midyear review. To be fair —

Mrs M.H. ROBERTS: Assuming that there is a need for an adjustment, because Treasury does not believe there is a need.

Mr T.R. BUSWELL: Well, there was definitely a disparity between the reported dividends from the Geraldton Port Authority as they appear in the *Economic and Fiscal Outlook* and the anticipated dividend payments of the Geraldton Port Authority as they appear in the Geraldton Port Authority's documents. The member has pointed out that those disparities are not insignificant. They will have to be picked up at the time of the midyear review. I acknowledge the point —

Mrs M.H. ROBERTS: The minister cannot wait that long, surely.

Mr T.R. BUSWELL: That is the next time the government's financial position will be published. At the time of the midyear review, there will also be adjustments in a range of other variables. I suspect that some other government corporations may report back at the time of the midyear review that there have been changes in their anticipated dividends; there may have been changes in the exchange rate. One never knows; the exchange rate forecast in the budget may not be that which is picked up. I do not know!

Mrs M.H. ROBERTS: I was saying that yesterday!

Mr T.R. BUSWELL: That is why I reflected on that particular variable, and I think the member was right to highlight that it is a set of assumptions at a point in time. This is a matter that I need to follow up on with Treasury. Clearly, it is the port authority's very strong view that it complied with all its requirements as part of its reporting into the budget process. The revised dividend forecasts were not picked up by an adjustment to TIMS. That is not an acceptable outcome, and we will have to understand why it happened and put in place processes to make sure it does not happen again.

Mr C.J. TALLENTIRE: Following on from that, when will the port authority make the sorts of profits that have been projected?

Mr T.R. BUSWELL: Dividend payments are a reflection of profit and are reflected in the forward estimates in the *Economic and Fiscal Outlook*; they are not the dividend payments that are forecast in the longer term planning of the Geraldton Port Authority. There is a significant point of difference. I have the figures in front of me. The port's forecast dividend for 2011–12 is \$6.7 million; the amount that appears in the budget is \$17.49 million, so there is a disparity there.

Mr C.J. TALLENTIRE: Of \$10 million.

Mr T.R. BUSWELL: Yes, that is next year. The forecast dividend for 2012–13 is \$18.96 million in the budget papers and the port authority's expected dividend is \$11.05 million. For 2013–14, the forecast dividend is again \$18.96 million and the anticipated dividend to the port authority is \$17.1 million and \$17.4 million. The disparity shrinks in the out years, but in the earlier years is in the quantum I outlined earlier.

Mr C.J. TALLENTIRE: There is currently a serious difference of \$10 million, and in the next financial year it is about \$7 million.

Mr T.R. BUSWELL: Well, there is a difference; whether it can be called serious is a matter of conjecture. To put this into perspective, the port is currently running ahead of its budget for this year by a quantum of about \$5 million, so some of that will flow through as well.

Mrs M.H. ROBERTS: Does the minister think Treasury might be right?

Mr T.R. BUSWELL: There has definitely been a process error here; make no mistake about that. We need to fix it up, and it will be brought to account at the time of the midyear review. I am sure the member will make sure it is, as will we.

Dr G.G. JACOBS: I refer to miscellaneous new works for 2011–12. What will be the nature of the new works, and were any of the works previously done in relation to any remedial work on the port in response to the lead issues in Geraldton? With regard to the lead issue in Geraldton, what were the results of the investigation into lead levels in the community?

Mr T.R. BUSWELL: That is a really important issue. Late last year there was a shipment of lead in a form known as high precious metal by a company called MMG. That shipment of some 5 388 tonnes left Geraldton on 22 October 2010; it was loaded onto a ship, the name of which escapes me. At that time the port's recently installed high-volume air monitors detected a high level of lead reading relative to the approved limit. The approved limit for a lead reading over a 24-hour period is 0.5 micrograms per cubic metre. At that time, one of the high-volume monitors located on the north west corner of the port, near the boat harbour, recorded a level of 4.2 micrograms per cubic metre, which is eight times the limit. That was of concern to the port, to the government and, I have to say, to the operator, MMG. The behaviour of both the port and the mining company has been fantastic in relation to this issue. In the short term, the authority has suspended shipments of this high precious metal through Geraldton while we resolve these issues.

The other thing we did was ask the Department of Health to lead an investigation of residual lead levels in and around the port. That is very important given what happened in the member for Eyre's home town of Esperance. I should also point out that following the incident at Esperance, there had been a very thorough examination of lead build-up in and around Geraldton port, and none was found. Water tanks, gutters, soil and houses were checked. That was done on the back of what happened in Esperance and no lead was found, despite the fact that high precious metal copper concentrates and other materials had been shipped through Geraldton for just about as long as the port has been operating. Lead from the old Geraldine lead mine had been shipped through Geraldton; it has been going on for a long time. We conducted another investigation and the findings were good. There were a couple of high lead readings but they were not related to the lead being exported from the port; they related to other factors. There was not a public health issue, which was a good outcome. What have we done subsequently? The port has been working with the Minerals and Metals Group, the Department of Health and the Department of Environment and Conservation to look at the levels to determine whether the lead level at Geraldton is appropriate. Those organisations are also looking at the types of procedures that can be employed to reduce the creation of dust when the ships are loaded. MMG loads other products through Port Hedland,

including copper concentrate and zinc concentrate. MMG has been able to monitor the dust movements from those loadings with existing monitoring equipment and the new monitoring equipment that it put in place and it has made changes, in cooperation with the port, that have reduced the amount of dust created through those operations. This is a work in progress.

I anticipate that MMG will be exporting lead through Geraldton again in the not-too-distant future, but a number of matters need to be resolved with the Department of Health and the Department of Environment and Conservation to make sure that the operation does not lead to the limit being exceeded. I should also point out that one of the reasons the limit was detected in the first place is that post-Esperance, the Geraldton Port Authority put in place a best-practice process for public safety, including the introduction of high-volume monitors. If the port did not have those high-volume monitors, we probably would not have picked up the exceedence. I stress that the exceedence had no impact on public health. Because this is an important issue I will ask the chairman whether he has any other comments to make.

[10.20 am]

Mr I. King: We have added one more dimension to our improvement process, which is to cover the berth 4 conveyer system. The provision of capital has been approved for that. That will be a temporary measure while we look at the need to upgrade the whole berth 4 system. It was built in 1966 and is clearly outdated and not fit for the purpose, in our view. We can patch it up and stop the dust by putting in place all the other controls, but it continues to be an unmitigated risk. The only way to ensure that it does not pose a risk is to replace the entire berth 4 conveyer system. That may well take place when the amount of iron ore exported from the port diminishes in a few years time with the advent of the Oakajee port. There may well be spare, more modern equipment that we can use, or we might have to bring forward the plan to replace the conveyor and help out with the heavy precious minerals before then. Other than that, the minister has covered it pretty well.

The CHAIRMAN: I have told every minister to keep their answers concise. This is not an opportunity for a press release; it is an examination of the budget papers. Member for Eyre.

Dr G.G. JACOBS: I thank the minister for his comprehensive run-down of this very important issue. Will the remedial works on some of the loading and conveyor infrastructure be covered by the \$2.5 million allocations over the next few years?

Mr T.R. BUSWELL: The initial temporary coverings are covered by that amount. The port has also tested the addition of foam. We have been looking at introducing alternate procedures and making minor modifications to the loading equipment to make sure that these products can be loaded within the limits that have been set. In addition, the port has its own operational procedures on high wind days and the like. Members know that Geraldton gets the odd blowy day.

I thank the Chairman for his guidance. I am sure that his colleagues opposite will concur that my answers have not been overly verbose, but this is an important issue.

Mr C.J. TALLENTIRE: I refer to income tax expenses on page 290 of the *Economic and Fiscal Outlook*. The income tax expenses for the Geraldton Port Authority are projected to be \$9.1 million in each of the financial years 2011–12 to 2014–15. That is very different from the statement of corporate intent in which we see income tax expenses for the financial year ending June 2010 of \$1.5 million and for the 2011–12 financial year it is expected to be \$3.3 million. There are some serious inconsistencies.

Mr T.R. BUSWELL: I am looking at the statement of corporate intent to June 2015 for income tax and page 290 of the *Economic and Fiscal Outlook*. I can see a couple of years in which the income tax expense is under the amount in the statement of corporate intent —

Mr C.J. TALLENTIRE: That is an understatement!

Mr T.R. BUSWELL: And it is over that amount in a couple of years.

Mr C.J. TALLENTIRE: Can we check that we are talking about the same thing? In 2010–11 the statement of corporate intent records \$3.3 million —

Mr T.R. BUSWELL: I am not sure what document the member is looking at. It is hard for me to reference it because it is not in the budget papers. I am looking at the Geraldton Port Authority's five-year strategic plan for 2010. That document shows that the authority's income tax is \$5.5 million for the 2010–11 financial year and will be \$4.4 million for the 2011–12 financial year, \$7.2 million for the 2012–13 financial year, \$11.3 million for the 2013–14 financial year and \$11.5 million in the last financial year of the forward estimates. As I said, some are over —

Mr C.J. TALLENTIRE: They are hugely different.

Mr I. King: We might have a second version.

Mr T.R. BUSWELL: I will get more advice on this. It is difficult when members refer to documents that are not part of the budget papers. Is it the right one?

Mr I. King: It is, except I am looking at the same page of two bound documents that read differently, but only for the first year.

Mr C.J. TALLENTIRE: The document I am quoting from is a publicly available document, of course.

Mr T.R. BUSWELL: I know. The other document referred to shows that the income tax that is paid in 2010–11 is about \$3 million, which is under.

Mr C.J. TALLENTIRE: That is right. It is \$3 million in that document, as opposed to \$9 million in the budget paper.

Mr T.R. BUSWELL: I will make sure both these documents are consistent, which they are. In 2014–15, it is \$11.5 million versus \$9.1 million; in the year before that it is effectively \$11.3 million versus \$9.1 million; and in the year before that it is \$7.3 million. There are some unders and overs. As to why Treasury put in a forecast of a flat amount, the member would have to ask Treasury.

Mr C.J. TALLENTIRE: I will focus on the 2011 financial year. Surely a \$6 million difference needs more explanation than a claim by the minister that there are some unders and overs.

[10.30 am]

Mr T.R. BUSWELL: That is related to the Treasury information management system issue I talked about earlier. The TIMS update flows through into dividends and income tax. The TIMS issue arose when the port authority provided information into the budget process as well as provided an update of its actual 2009–10 financial performance, which has not been picked up in TIMS. The income tax issue is an extension of the dividend issue, because they are both driven by the profit estimate.

The CHAIRMAN: Members, I will have to finish there; we have run out of time. That completes examination of the Geraldton Port Authority.