About this report

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Statement of Compliance

In accordance with Section 61 of the *Financial Management Act 2006*, I hereby submit for your information and presentation to Parliament, the Annual Report of the Department of State Development for the financial year ended 30 June 2015.

This Annual Report has been prepared in accordance with the provisions of the *Financial Management Act 2006*.

Stephen Wood
Director General
DEPARTMENT OF STATE DEVELOPMENT
10 September 2015
Executive summary

Strong growth in Western Australia’s business investment and economic infrastructure in recent years has left the State well placed to weather more challenging economic conditions.

A number of significant projects the department has assisted will reach completion in the near future, including the Roy Hill iron ore mine, rail and port project and the Gorgon and Wheatstone liquefied natural gas (LNG) projects.

In relation to the Gorgon LNG project, the Barrow Island Amendment Bill 2015 received royal assent on 8 May 2015. This amendment provides the Gorgon Joint Venture with post-closure indemnity from third party claims that may potentially arise from the operation of the carbon dioxide injection project under Barrow Island.

Two agreements negotiated by the department this year will contribute to the State’s energy security and foster important new gas developments. These agreements ensure LNG projects continue to supply gas into the State in line with the Government’s domestic gas policy.

The Government approval for export by the North West Shelf project of 86 million tonnes of LNG required the project proponents to make the equivalent of 15 per cent of LNG production available for the domestic market. Legislation giving effect to the changes passed through Parliament in February 2015. Some of the gas will come from new developments at Persephone and Greater Western Flank Two, which will underpin the project’s future production.

The Government also signed a Key Principles Agreement with the Browse LNG Joint Venture during 2014-15. In it, the proponents committed to establishing a supply chain in Western Australia and to supplying domestic gas. The agreement paved the way for the project to enter front-end engineering and design in June 2015.

Working with the Department of Mines and Petroleum, the department completed a major review of the State’s mineral royalty system, culminating in the release of the Mineral Royalty Rate Analysis in March 2015.

The department continues to work with industry and communities to ensure that the State secures long-term benefits from major projects, and that the supply and operation of industrial land for major industries is appropriate for the State’s development.

Through our International Trade and Investment team, and our network of overseas offices, we foster close relationships across the Asian region and beyond, and explore new markets and opportunities for the State. This has included importantly the Premier’s recent trip to India and Singapore.

In April 2016, Perth will welcome delegates to the 18th International Conference & Exhibition on Liquefied Natural Gas, also known as LNG 18. This is the world’s largest LNG conference, expected to attract 5,000 visitors. The conference underlines Western Australia’s prominence as a leading exporter of LNG, which by 2017 should be 12 per cent of global production capacity.

I would like to thank all of the department’s staff, who continue to display dedication and passion in their work. The achievements in these pages are yours, and I commend you.

I thank also the staff from many government agencies who have worked closely with us throughout the year.

Stephen Wood
Director General
About the department

The Department of State Development was established in 2009 under the *Public Sector Management Act 1994* and reports to the Premier and Minister for State Development, the Honourable Colin Barnett MEc, MLA.

Who we are

We are the Western Australian Government’s lead agency for the promotion, coordination and execution of responsible development in Western Australia.

We work to achieve growth for the State through building strategic infrastructure and by leading and coordinating Government and industry projects that create jobs and underpin Western Australia’s long term development.

The way we do business

Our key roles are to:

- develop and coordinate State significant projects;
- lead the coordination of approvals processes across Government for major resources and infrastructure projects;
- negotiate and manage agreements between development proponents and the Western Australian Government;
- enable the development of strategic industrial land and infrastructure to meet industry needs;
- assist the development of export markets; and
- provide strategic policy advice on state development issues.

Our organisation

Our organisational structure consists of three operational divisions and two areas that provide services across the department:

- Strategic Policy
- State Initiatives
- Resources and Industry Development
- Corporate Services
- Legal and Commercial Strategy.

Ord East Kimberley Expansion project. Photo: Department of State Development (DSD).
OVERVIEW

Minister for State Development
Premier
Colin Barnett

Department of State Development
Director General
Stephen Wood

Strategic Policy
Deputy Director General
Nicky Cusworth

Undertakes research and analysis and provides the Government with advice which promotes responsible development

State Initiatives
Deputy Director General
Joe Ostojich

Develops and leads the delivery of key Government resource, industry and infrastructure initiatives

Resources and Industry Development
Deputy Director General
Giles Nunis

Leads and coordinates the development and expansion of Western Australia’s resources and industry sectors along with the management of eleven international offices

Corporate Services
Director
Steve Melville

Provides efficient and appropriate corporate services to management and staff across the department

Legal and Commercial Strategy
Principal Counsel
Pamela Hass

Provides and coordinates specialist legal advice across the department
Executive teams

Strategic Corporate Executive
This group comprises the Director General and the five divisional heads.

Stephen Wood
B.Psych, MPub Ad
Director General
Steve joined the department as Director General in 2011. He has worked in three Commonwealth and three State public sector agencies and was a Commissioner of the Western Australian Industrial Relations Commission for 10 years.

Nicky Cusworth
BA (Hons), MA
Deputy Director General
Strategic Policy
Nicky joined the department in 2010. Previous roles include Director of Macro-Economic Policy for the Department of Treasury and Finance, and Chief Economist for the Chamber of Commerce and Industry of Western Australia.

Joe Ostojich,
Deputy Director General
State Initiatives
Joe has been with the department since 2006, and was appointed to his current position in 2014. Prior to joining the department, Joe worked for the Australian Government in the area of international trade, finance and risk management.

Giles Nunis
BBus
Deputy Director General
Resources and Industry Development
Giles has an extensive senior commercial and government information technology background, with prior senior roles in the Departments of Justice and Lands. He joined the department in 2010.

Steve Melville
BBus, FCPA, GAICD
Director
Corporate Services
Steve joined the department in 2011 from the Forest Products Commission of Western Australia. He has a range of financial, marketing and management experience in both government and the private sector.

Pamela Hass
LLB (hons), LLM, BA
Principal Counsel
Legal and Commercial Strategy
Joining the department in 2011, Pamela’s previous positions include University Secretary and Special Legal Counsel at the University of Western Australia and General Counsel at Curtin University.
Corporate Executive
The Corporate Executive comprises the senior leadership of the department and includes the members of the Strategic Corporate Executive, major project directors and communications staff.

Our Corporate Executive team members.
Performance management framework

Strategic Plan
Our Strategic Plan outlines our goals, objectives and targets. The plan has five priority strategic objectives, critical in achieving our goals:
1. Establish foundations for responsible development.
2. Develop frameworks and policies to support responsible development and infrastructure investment.
3. Coordinate and deliver significant projects and State initiatives.
4. Build capability and capacity to achieve objectives.
5. Communicate effectively and build robust internal and external relationships.

Shared responsibilities with other agencies
Operating under the lead agency framework, the department strives to achieve better cooperation and greater efficiency across Government for the delivery of projects that benefit the State. Formal governance arrangements and clear reporting frameworks assist in clarifying roles and responsibilities.
Summary

Our function is to support sustainable and responsible development and to promote Western Australia as a growing and dynamic economy in which to invest and operate.

As the Western Australian Government’s lead economic development agency, the department:

• administers more than 60 State Agreements and two State Development Agreements;
• negotiates new agreements to support major resource developments and infrastructure;
• oversees and develops the State’s Strategic Industrial Areas in key locations to support heavy industry and major projects;
• operates, in conjunction with the Department of the Premier and Cabinet, a network of overseas offices to promote the State and encourage trade and investment;
• acts as lead agency to coordinate the development of significant economic developments like the Roy Hill iron ore project, the Gorgon, Wheatstone and Browse LNG projects, and the Oakajee and Anketell ports; and
• develops key policies for the continued economic benefit of the State.

Report on operations

Lead agency overview

The lead agency framework was implemented by the State Government to support the approvals processes for major resource projects.

Under the framework, the department manages projects through negotiating agreements with companies, and by coordinating planning, environmental, Aboriginal heritage, native title and other relevant approval processes across Government.

The department is the lead agency for more than 35 significant projects, including developments for a range of mineral, oil and gas products, infrastructure projects including ports and rail operations, and industrial land.

Major resource projects

Ashburton North Strategic Industrial Area

The Western Australian Government continues to develop the Ashburton North Strategic Industrial Area (ANSIA) as a new precinct for hydrocarbon processing on the Pilbara coast.
Chevron Australia’s Wheatstone LNG project within the ANSIA is now around 60 per cent complete. Key industrial infrastructure for the new Port of Ashburton, built by Chevron for the State, became operational during 2014-15, including the shipping channel, breakwater and materials offloading facility.

Chevron has committed in excess of $250 million to the improvement of critical and social infrastructure in Onslow as part of its obligations under the Wheatstone State Development Agreement. Together with State Government contributions, projects either complete, underway or in an advanced stage of planning include a new airport, power plant, hospital, government employee housing, swimming pool, access road into Onslow and housing subdivision.

Land use planning was completed during 2014-15, with the Western Australian Planning Commission endorsing an Industrial Development Plan for strategic industrial sites in Stage 1B of the ANSIA.

An Indigenous Land Use Agreement for the Anketell Port and Strategic Industrial Area project was signed with Traditional Owners in 2014.

**Anketell Port and Strategic Industrial Area**

The Western Australian Government is progressing the development of a multi-user deep water port and industrial precinct at Anketell in the Pilbara. It is expected that the port, located 30 kilometres east of Karratha, will have an annual export capacity of at least 350 million tonnes at full development.

The department is the lead agency for the Anketell port project.

After signing an Indigenous Land Use Agreement with Traditional Owners in April 2014, a comprehensive Aboriginal heritage site assessment, conducted over 4,300 hectares of project land, was completed in December 2014.

In May 2015, the State Government issued taking orders and created reserved port lands, pursuant to the *Land Administration Act 1997*, providing certainty for potential proponents.
AGENCY PERFORMANCE

In September 2014, a consortium of major companies including Aurizon, AMCI, Baosteel and POSCO announced their intentions to proceed with a feasibility study for a port and rail development at Anketell, with an initial capacity of 40 million tonnes per annum of iron ore.

Geotechnical investigations on site commenced in June 2015.

Roy Hill
The Roy Hill project comprises an open pit iron ore mine, a processing plant, 344 kilometres of heavy haul railway, and export facilities at Port Hedland, with an annual capacity of 55 million tonnes at full development.

The department is working with the project proponents, both as lead agency for all project approvals and through the ongoing management of the Railway (Roy Hill Infrastructure Pty Ltd) Agreement Act 2010.

First shipments of iron ore are expected in 2015. At the conclusion of 2014-15, about $6.3 billion, or 73 per cent of total project expenditure, had been committed within Western Australia.

Oakajee
The Western Australian Government remains committed to using the Oakajee site, located about 25 kilometres north of Geraldton, for a future port and industrial estate to support the continued development of the Mid West. However, while long term planning continues, at this point in time there is insufficient demand and commercial interest for the project to progress.

During 2014-15, the department substantially completed work on concept plans identifying options for the development of Oakajee on a scaled and staged approach over time. The work will inform development plans for Oakajee in the future.

The department, together with the Department of Planning, is currently progressing plans for acquiring land for the Oakajee-Narngulu Infrastructure Corridor, which will link the Oakajee site with the Narngulu Industrial Estate to the south. In 2014-15, work focussed on land planning, further engineering and alignment refinement and identifying a preferred approach for undertaking the land acquisition.
Browse
The Western Australian Government has established the Browse LNG Precinct to provide a single location in the Kimberley for gas processing. The Precinct, located 60 kilometres north of Broome, is designed to accommodate at least two LNG processing facilities.

In developing the Precinct, the State aims to maximise benefits to the State while minimising adverse impacts on the environment, including significant cultural and heritage sites.

The department is also working closely with the Browse Joint Venture to ensure Western Australia realises substantial benefits from the development of the Torosa gas field, if floating LNG (FLNG) technologies are utilised.

During 2014-15, much work has been done to secure the State’s share of the Torosa gas field, following a change to maritime boundaries. This has been achieved through the passing of the Petroleum Titles (Browse Basin) Bill 2014 extending Western Australia’s territorial waters, and also through agreement between the Commonwealth, State and Browse Joint Venture as to the apportionment of Torosa. Sixty-five per cent of Torosa is now within State waters, while 35 per cent is within Commonwealth jurisdiction.

On 22 June 2015, the State Government and the Browse Joint Venture participants executed the Browse FLNG Development Domestic Gas and Supply Chain Key Principles Agreement. The Agreement includes a commitment by the Joint Venture to provide 15 per cent of LNG production from the State’s interest in the Torosa gas field for domestic use, and a commitment to leverage existing and emerging infrastructure and services to support a cost effective supply chain in Western Australia.

Gorgon
The Gorgon project involves the construction of a three-train, 15 million tonnes per annum LNG facility, and a 300 terajoule per day domestic gas plant, and is now more than 90 per cent complete.

In April 2015, the project celebrated the successful commissioning of the first gas turbine generator, which forms part of the process required to start-up the domestic gas plant. Train one commissioning and first shipments of LNG are expected towards the end of 2015. Trains two and three are expected to be commissioned in 2016.

Around $33 billion has been committed to Western Australian workers, suppliers and companies to date. By the time construction is complete in 2016, it is estimated that more than 60 per cent of the project’s total expenditure will have been spent within Australia.

Regulatory reform
The department plays an active role in the State’s regulatory reform agenda. Notable work in the past year included supporting the negotiation of a bilateral agreement between the State and Commonwealth Governments to create a single environmental assessment and approval process.
State Agreements

Proposals and projects
In October 2014, the Minister for State Development granted approval for the department to commence the negotiation of a State Agreement for the West Pilbara Infrastructure Project with Aurizon and its partners. These negotiations are ongoing.

In December 2014, the Minister for State Development granted approval for the department to commence the negotiation of a State Agreement for the Balla Balla Infrastructure project with proponent Rutila Resources.

Legislative program
The Barrow Island Amendment Bill 2015 received royal assent on 8 May 2015. The amendment provides the Gorgon Joint Venture with post-closure indemnity from independent third party claims that may arise from the operations of the carbon dioxide injection project under Barrow Island. The passage of this Bill also enlivened the State-Commonwealth agreement, whereby the Commonwealth will indemnify the State with a back-to-back indemnity of 80 per cent of any post closure claims, should they be made.

In June 2015, legislation was introduced into Parliament to terminate the Alumina Refinery (Mitchell Plateau) Agreement 1971. The termination of this State Agreement will allow more than 175,000 hectares of land on the Mitchell Plateau to be included in the proposed Kimberley National Park, which would extend over more than two million hectares across the Kimberley. The State Agreement was originally intended to facilitate the development of an alumina refinery and bauxite mine, when economic conditions were favourable.

In June 2015, legislation was introduced into Parliament to vary the Cement Works (Cockburn Cement Limited) Agreement 1971 for the purpose of removing Cockburn Cement’s obligation to manufacture clinker (a component of cement) at its Munster site. The cessation of clinker manufacturing at Munster will have environmental benefits with the closure of limestone quarries in the area and a reduction in dust emissions. Cockburn Cement’s strategy reflects an Australia-wide trend in the use of imported clinker to manufacture cement.

Iron Ore Processing (Mineralogy Pty Ltd) Agreement Act 2002
The State, through the department, has sought leave to intervene in two court matters regarding the Sino Iron project, involving Mineralogy Pty Ltd and parties related to the Citic Group.

These interventions have been made to ensure the courts have an understanding of the proper construction and operation of the Iron Ore Processing (Mineralogy Pty Ltd) Agreement Act 2002 and State Agreements in general.
AGENCY PERFORMANCE

International trade and investment activities

The department, in conjunction with the Department of the Premier and Cabinet, operates a network of overseas operations in Shanghai, Hangzhou, London, Dubai, Nairobi, Mumbai, Tokyo, Kobe, Seoul, Jakarta and Singapore.

The department’s International Trade and Investment division coordinated 101 international trade activities during 2014-15, with a focus on promoting, attracting and developing export markets and investment linkages for Western Australia.

These included coordinating the annual Western Australia-Korea Energy and Resources Forum in Seoul, with 11 business leaders from Perth joining the Minister for Mines and Petroleum and 110 Korean delegates to explore opportunities for future investment and collaboration.

The department also assisted in Japanese Prime Minister Shinzo Abe’s visit to Western Australia and supported a seminar delivered by China’s State-owned Assets Supervision and Administration Commission on doing business in Western Australia.

Outside of Asia, the department organised a week-long program on innovation and education in Western Australia for representatives from 26 European Union nations, and hosted members of the Common Market for Eastern and Southern Africa in Perth to advance a Memorandum of Understanding signed in February 2014.

This year, the department coordinated the recruitment of two new offshore representatives for Western Australia. Department executive Peter Baldwin was appointed as Regional Director, India, while Chris Barnes, former national president of the Australia Indonesia Business Council, was appointed Regional Director, Indonesia.
Minister’s mission

In April, Premier and Minister for State Development Colin Barnett travelled to India and Singapore in a visit coordinated by the department.

During the trip to India, Mr Barnett’s first as Premier, export opportunities in the fields of energy, mining expertise, agricultural and fishing practices, and education and training for the rapidly developing Indian market were explored.

In Singapore, the Premier engaged with key Government and industry representatives, and fostered the State’s ties with the community by extending assistance to the Singapore Hockey Federation. He also met with the Prime Minister of Singapore Lee Hsien Loong, and delivered the keynote address at the University of Western Australia’s ‘In the Zone – Venture Asia’ conference.
AGENCY PERFORMANCE

LNG 18 conference
In April 2016, Perth will host the 18th International Conference & Exhibition on Liquefied Natural Gas, known as LNG 18. This triennial event is expected to draw more than 5,000 participants, including leaders from the world’s most influential and significant oil and gas companies.

During 2014-15, the department established the Perth Host Committee and a number of Government working groups to consider security, transport, community engagement, events and communications in the lead-up to the event, and promoted the conference internationally.

Investment leads
Over the past two years, the department has assisted 20 international companies which then established a presence in Western Australia. The department also continues to assess sectors and industries across the State to identify and promote opportunities for international investment.

The Australia-China Natural Gas Technology Partnership Fund
The Australia-China Natural Gas Technology Partnership Fund (LNG Fund) was established in 2002 as part of a historic agreement to supply LNG to China. A joint initiative of the Western Australian Government, Australian Government and North West Shelf Joint Venture, the LNG Fund supports activities aimed at establishing genuine, long-term partnerships within the energy sector and enhancing the relationship between Australia and China.

During 2014-15, the LNG Fund successfully trained in Perth 32 managers and government officers involved in China’s oil and gas sector, and supported the Chinese Training Centre in Guangdong which trains technicians.

The LNG Fund also hosted a health, safety and environment workshop in China for the National Development and Reform Commission and oil and gas company participants, and managed a gas business delegation visit to China comprised of department, Federal Department of Industry and North West Shelf representatives.
AGENCY PERFORMANCE

Strategic Industrial Areas

The department is the lead agency responsible for developing Strategic Industrial Areas (SIAs) in key locations around the State. SIAs support the development of major projects and heavy industries.

The department works to ensure SIAs are made project-ready by undertaking studies, obtaining approvals, and conducting appropriate zoning. Project-ready land provides greater certainty and takes less time for proponents to develop.

The department works with proponents to identify suitable sites and obtain the approvals necessary to undertake investigations, construction and operation, as well as promoting investment opportunities to potential investors.

Improvement Plans and Schemes

Improvement Plans are strategic instruments used to facilitate the development of land in areas identified as requiring special planning. Improvement Schemes are statutory instruments used to regulate the planning and development of an Improvement Plan area.

The department has made significant progress through the preparation and lodgement of Improvement Plans for the Anketell and Ashburton North SIAs, with both Plans gazetted in early 2015. Improvement Schemes are now being prepared for these SIAs and are expected to be gazetted in early 2016.

Boodarie SIA

The department has made significant progress through the preparation and lodgement of the Boodarie SIA development plan and supporting scheme amendment to the Town of Port Hedland’s local planning scheme. These changes were adopted by the Town of Port Hedland in June 2015.
The department has secured the Boodarie Infrastructure Corridor to provide access between the estate and the Port Hedland Port, at the inner harbour and future outer harbour.

**Maitland SIA**
The department is undertaking investigations to help inform the Improvement Plan and Improvement Scheme for the Maitland SIA, and to ultimately progress estate-based approvals and project-ready land. An Improvement Plan for the Maitland SIA is expected to be gazetted by the end of 2015.

**Kemerton SIA**
The department has prepared and lodged the Kemerton SIA Structure Plan and supporting local scheme amendment with the Shire of Harvey.

The department is also preparing a region scheme amendment that is expected to be lodged with the Western Australian Planning Commission in 2015.

Following adoption of the structure plan and local scheme amendment by the Shire of Harvey, these documents will then be referred to the Western Australian Planning Commission for its endorsement during 2015-16.

**Burrup SIA**
The department has completed infrastructure servicing reports and other studies, incorporating recent industrial developments, to ensure the remaining sites on the Burrup are project-ready.

**Western Trade Coast**
Together with the Department of Planning, the department has drafted legislation to protect Western Australia’s most significant industrial precinct, located in Perth’s southern suburbs, by formalising the boundaries of the Western Trade Coast in the form of a Protection Area.

This will provide clarity about permitted land use within the Protection Area and protect residential populations into the future from potential impacts of industry, including reduced air quality, risk, noise, odour and amenity.

It will also ensure that industries which provide jobs and play an important role in the economy are not faced with future restrictions on their operations due to encroachment by other developments.

**Strategic policy**

**Mineral Royalty Rate Analysis**
A three-year review of the State’s mineral royalties concluded in March 2015, with the Minister for Mines and Petroleum tabling the final report in Parliament. The review was undertaken jointly with the Department of Mines and Petroleum and found that Western Australia’s mineral royalty system has successfully delivered a return to the community while providing industry with a straightforward, transparent and predictable cost structure.

The review recommended some adjustments in the royalty structure to reflect changes in mining and processing technology, and to ensure the community receives a fair return for its minerals.

**Local government rating of resource projects**
On 1 July 2012, the Government implemented a three-year trial for rating land associated with mining and petroleum activity. The trial means that local governments can apply rates based on gross rental valuation to improvements such as accommodation, recreation and administration buildings.
The department initiated a review of the policy in conjunction with the Department of Local Government and Communities, in preparation for the trial ending on 30 June 2015. The Chamber of Minerals and Energy, the Association of Mining and Exploration Companies and the Western Australian Local Government Association provided feedback on the trial policy.

The trial period was extended to 30 September 2015 to allow time for further consultation with affected groups.

Port Hedland dust
The department leads the Port Hedland Dust Management Taskforce, which is made up of industry, State, and local government representatives. During the year, studies on the distribution of dust in Port Hedland under different scenarios were completed. Due to an assessment of health risks from dust in the town being delayed, the Taskforce will not finalise its advice to government on noise and dust in Port Hedland until the second half of 2015.

Infrastructure and Services Assessment
The Infrastructure and Services Assessment framework (ISA) is an initiative developed by the department to improve project facilitation and project planning across Government to support major projects. The ISA gives major project proponents the responsibility to assess the potential infrastructure and services impacts of their projects, and provides the opportunity for Government and local communities to assist through effective coordination and planning. It enables Government and industry collaboration to achieve mutually-beneficial outcomes.

The ISA has helped underpin discussions with the Browse Joint Venture and other oil and gas companies regarding developments in the Kimberley.

Bunbury to Albany Gas Pipeline
The Bunbury to Albany Gas Pipeline project aims to support economic growth in the South West and Great Southern, and to address the gap in energy supply through the delivery of secure, reliable and safe natural gas.

As lead agency for the project, the department continues to progress due diligence work on the Bunbury to Albany Gas Pipeline, including planning for the statutory approvals of the land corridor along the preferred route through Donnybrook, Bridgetown, Manjimup and Mount Barker to Albany.
Corporate services

New website
The department successfully launched its new website in early 2015. The website is more dynamic and provides users with current information about the department’s activities together with advice and guidance on how the department can assist local and overseas companies to invest in Western Australia.

Performance overview
The department’s goal of driving responsible development makes a major contribution to the Government’s strategic objective State Building – Major Projects. We also make contributions to other State Government goals, particularly a stronger focus on the regions, and social and environmental responsibility.

<table>
<thead>
<tr>
<th>State Government’s strategic goal: State building - major projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Build strategic infrastructure that will create jobs and underpin Western Australia’s long-term economic growth</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Agency-desired outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsible industry development and resources investment</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry development and investment facilitation</td>
</tr>
</tbody>
</table>
Key Performance Indicators

Through the Outcome Based Management Framework the department measures its performance through agreed Key Performance Indicators (KPIs). These KPIs have been used to measure the department’s performance since 2009 and help evaluate our performance in achieving desired outcomes. The following is a summary of the department’s performance against those KPIs for 2014-15.

**Effectiveness KPI #1**

<table>
<thead>
<tr>
<th>Extent to which agreed milestones for projects where the department is the lead agency are achieved within the reporting period</th>
<th>Target</th>
<th>Actual 2014-15</th>
<th>Actual 2013-14</th>
<th>Actual 2012-13</th>
</tr>
</thead>
<tbody>
<tr>
<td>85%</td>
<td>75%</td>
<td>81%</td>
<td>76%</td>
<td></td>
</tr>
</tbody>
</table>

This indicator measures the extent to which agreed milestones across major projects where the department is the lead agency were achieved. The department achieved 75 per cent of these milestones against a target of 85 per cent. There are many external variables involved in achieving these milestones including the decision making process of the various proponent companies associated with these projects.

**Effectiveness KPI #2**

<table>
<thead>
<tr>
<th>Extent to which State Agreement proponents comply with their reporting obligations and meet the agreement objectives</th>
<th>Target</th>
<th>Actual 2014-15</th>
<th>Actual 2013-14</th>
<th>Actual 2012-13</th>
</tr>
</thead>
<tbody>
<tr>
<td>95%</td>
<td>95%</td>
<td>99%</td>
<td>98.5%</td>
<td></td>
</tr>
</tbody>
</table>

This indicator measures the extent to which companies subject to State Agreement Act reporting requirements met their annual reporting obligations. The result of 95 per cent meets our target and indicates that the department has ensured companies perform against their reporting obligations under the various State Agreement Acts.
Audited KPI efficiency indicators

The efficiency indicators measure the cost efficiency of the department in delivering the projects where it is the lead agency. The department has two efficiency indicators.

The first indicator measures the average cost incurred by the department in facilitating major resource projects proposed by industry and State-promoted resource development projects.

The second indicator measures the average cost incurred by the department in facilitating the development of five major resource development initiatives where the State, through the department, is the proponent for the project. The five projects are:

- Browse LNG Precinct
- Oakajee Mid West Development
- Bunbury to Albany Gas Pipeline
- Anketell Port and Strategic Industrial Area
- Ashburton North Strategic Industrial Area.

### Efficiency KPI #1

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Average cost per project facilitated</td>
<td>$468,750</td>
<td>$458,000</td>
<td>$499,000</td>
<td>$466,000</td>
</tr>
</tbody>
</table>

The actual cost per project facilitated was favourable, with a result 2.3 per cent lower than budgeted for the year. The number of projects for the year was slightly down on budget (53 actual compared to 60 budgeted). This acted to push up the average cost per project, but this was more than offset by the department maintaining overheads well below budget for 2014-15.

### Efficiency KPI #2

<table>
<thead>
<tr>
<th>Efficiency KPI #2</th>
<th>Target 2014-15</th>
<th>Actual 2014-15</th>
<th>Actual 2013-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average cost per major State initiative</td>
<td>$5,045,800</td>
<td>$3,531,800</td>
<td>$2,243,200</td>
</tr>
</tbody>
</table>

The original target for average cost per major State initiative included the spending of $4 million for the Bunbury to Albany Gas Pipeline, which was subsequently moved to 2015-16 consistent with project timelines. Spending of $4.2 million for the Macedon community development fund was also moved to 2015-16, along with $1.8 million in planned spending for three other major projects.

Offsetting the deferrals, an additional $5.8 million was brought forward from future years in the Wheatstone Onslow Community Development Fund to complete the Onslow airport project. Spending on Oakajee was under budget for the year and allocated overheads were maintained at lower than budget levels.
Financial performance

The department operates in a project-based environment. Consequently, timing and variation in funding for specific projects determines that financial results, as reflected in total cost of services, will not necessarily demonstrate consistency on a year-to-year basis, or to budget. The department carefully monitors project milestones against its budget to ensure funds are appropriately allocated and controlled over the life of each project.

The department entered the 2014-15 financial year with a cost of services budget of $53.4 million, including significant funding for major state projects. The department’s actual cost of services for 2014-15 was $41.9 million.

The original budget estimate was initially adjusted following the reassessment of timelines for major projects, moving some expenditure planned for 2014-15 to 2015-16 on major State projects including the Anketell Port project, the Bunbury to Albany Gas Pipeline, and the community development funds for Onslow in respect to the Wheatstone and Macedon projects.

The prime driver of the variance between budget and actual was expenditure on community projects in Onslow which were $5.8 million over original budget after planned spending from future years was brought forward to 2014-15 to complete the Onslow airport. The Macedon project for Onslow deferred $3.7 million of budgeted expenditure to 2015-16. Funding for other projects, amounting to $3.2 million, was deferred from 2014-15 to 2015-16. Discretionary expenditure, comprising the department’s core non-project budget, including employee benefits expense, travel and general operating expenses, were held at below budget levels, contributing favourably to the budget variance. See note 33 Explanatory Statement for more detail.
### AGENCY PERFORMANCE

Cost of services by expense category $’000

<table>
<thead>
<tr>
<th></th>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Employee benefits</td>
<td>20000</td>
<td>20000</td>
<td>20000</td>
<td>20000</td>
</tr>
<tr>
<td>Supplies and services</td>
<td>15000</td>
<td>15000</td>
<td>15000</td>
<td>15000</td>
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<tr>
<td>Accommodation</td>
<td>10000</td>
<td>10000</td>
<td>10000</td>
<td>10000</td>
</tr>
<tr>
<td>Grants and subsidies</td>
<td>5000</td>
<td>5000</td>
<td>5000</td>
<td>5000</td>
</tr>
<tr>
<td>Depreciation / Other</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
Our people

Senior staff changes

In September 2014, Joe Ostojich was appointed to the position of Deputy Director General, State Initiatives. In April 2015, Giles Nunis, Deputy Director General, Resources and Industry Development, was seconded to the Department of Finance to establish the new Office of the Chief Information Officer.

Workforce planning

The department continues to develop its people through a range of initiatives from the Workforce and Diversity Plan including:

- Continued provision of capability enhancing sessions for managers on workplace adaptability, developing staff, negotiation and human resource standards. These development needs were identified through a department-wide analysis conducted in 2012.
- Mandatory equal opportunity training for staff in May and June 2015. The training comprised of an interactive play followed by a short workshop on the topics of bullying, sexual harassment and inappropriate workplace behaviours.

Agency performance

- Our successful internal mentoring program, which was conducted again this year with 28 participants.
- Continued development of leadership capability by supporting four potential leaders to participate in leadership development programs.

In 2014-15, 32 fixed-term or permanent vacancies were advertised.

Career development

Career development assistance is identified and provided through our performance management system (known as Employee Development Plans). Emphasis this year was placed on ensuring individual development and training aligned with the agency’s Training and Development Framework and Leadership Development Strategy.

Financial assistance and support was also available through the department’s Career Development Support Scheme, which provides subsidies to staff to undertake higher education or attend professional conferences and other learning programs.
The department also continued to provide staff with access to information sessions on various topics, including legal professional privilege; State Agreements; Western Australia’s planning framework; and the *Mining Act 1978*. Other targeted training has been offered on a range of topics including impact assessments, Tengraph; finance for projects; Prince 2 project management; job application and interview skills; and Plain English writing skills.

**Comparative FTE allocation by category**

The department managed its resourcing requirements within the constraints of its approved salary budget for 2014-15.

**Industrial relations**

Most departmental staff are employed under the Public Sector and Government Officers General Agreement 2014, with three staff employed under the *Salaries and Allowances Tribunal Act 1975*.

The department’s payroll services are delivered by the Department of Mines and Petroleum under a Service Level Agreement.

There were no significant industrial relations issues in 2014-15.

**Employee performance and review**

The department is committed to managing and developing its people through a performance management system, known as Employee Development Plans. The plans underpin the department’s approach to individual learning, career development and succession planning which are aligned to the agency’s strategic and operational objectives.

**Youth employment initiatives**

In January 2015, two graduates commenced with the department through an initiative undertaken with three other government agencies. This is an 18 month program that offers the graduates an opportunity to work across participating agencies to build their skills and knowledge, and participate in the Graduate Future Leaders Program coordinated by the Public Sector Commission.

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### Employment Status

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Permanent full-time</td>
<td>127.5</td>
<td>127.74</td>
<td>128.34</td>
</tr>
<tr>
<td>Contract full-time</td>
<td>15</td>
<td>17</td>
<td>13.7</td>
</tr>
<tr>
<td>Part-time – permanent &amp; contract</td>
<td>14.08</td>
<td>12.1</td>
<td>13.8</td>
</tr>
<tr>
<td>Seconded in</td>
<td>2</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Seconded out</td>
<td>2</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>160.58</td>
<td>160.84</td>
<td>158.84</td>
</tr>
</tbody>
</table>
SIGNIFICANT ISSUES IMPACTING THE AGENCY

Economic conditions
Western Australia’s economy has been transformed in the past decade by extraordinary investment in the resources sector. As major projects reach completion, exports are likely to overtake investment as the main driver of the State’s economic growth. Business investment has fallen since its peak in 2012-13, while the State’s mineral and petroleum exports are growing.

In 2014, the volume of Western Australia’s exports rose by 12.5 per cent, the strongest growth in 17 years. With commodity prices declining, however, the value of exports is now growing less strongly.

The total value of resources projects under construction at the end of 2014-15 was $179 billion, but this will fall once the Gorgon and Wheatstone LNG projects are completed over the next two years.

The department expects future business investment to be directed towards the expansion of existing projects, with less investment in major new projects.

Lower commodity prices, particularly lower iron ore prices, have prompted companies to find ways to reduce their operating costs. This has included renegotiating supplier contracts, improving the efficiency of plants and equipment, and reducing the number of employees.

Combined with the transition of some projects from construction to production, which is less labour intensive, these changes caused mining employment to fall by 12 per cent in 2014-15.

Overall employment in the State is still growing, however, although the unemployment rate rose from 4.8 per cent in 2013-14 to 5.4 per cent in 2014-15.

Energy security
Secure and competitive energy supplies underpin Western Australia’s economic development. The department works with coal and gas producers to ensure the State’s energy needs are met.

In 2014-15, the department negotiated amendments to the North West Gas Development (Woodside) Agreement Act 1979. The revised agreement secures 100 terajoules a day of new gas supply for the State from the North West Shelf Joint Venture. It also requires developers of other fields, who use the North West Shelf’s facilities to export gas, to supply domestic gas equivalent to 15 per cent of their LNG production.

In addition, the department negotiated a Key Principles Agreement with the Browse Joint Venture which includes the supply of domestic gas. This is the first time the State’s domestic gas policy has been applied to an FLNG processing facility.

Freedom of Information
On 8 May 2015, the department lodged an appeal in the Supreme Court against the decision of the Information Commissioner regarding a Freedom of Information request from Latro Lawyers.

The Commissioner’s decision requires release of two documents containing confidential commercial information, provided under those conditions, by the proponent of a major project. The proponent objected to their release.

The department is of the view that, if allowed to stand, the Commissioner’s decision will have a substantial adverse effect on the willingness of commercial entities to provide such information to Government in the future and on the department’s ability to effectively manage its interactions and agreements with business.