

**Update by Independent Consultant Ross Love on the Port Hedland
Voluntary Buy-back Scheme (PHVBS) Information and Engagement
Session 1**

Held in Port Hedland, 24 October 2019

Summary

As the first engagement session, the purpose of this meeting was for me to listen to and understand from attendees what they thought the relevant issues, questions and concerns were in the development of a Port Hedland Voluntary Buy-back Scheme (PHVBS), as well as to share information on the objectives of the scheme.

The meeting was attended by more than 200 property owners, interested people and media.

The following is my summary of the statements and questions made by attendees at the meeting and the answers I gave at the time. In some cases, I have also added some updated information that I have gained since then.

All answers and responses in this report can be attributed to myself, and indicate my understanding or thoughts on the situation at that point in time. As I made clear at the meeting none of my comments should be interpreted as representing a Government or industry view.

Ross Love

Statement 1 – Industry should spend the money to reduce the dust to an acceptable level to retain residential population (rather than the buy-back).

Question 1 – Is the PHVBS looking at the dust or the expansion of the Port?

Answer – We are dealing with the implications of the Dust Taskforce and related environmental regulation and planning decisions for residential property owners, given current levels of iron ore exports through the port and anticipating increases in the future .. We have no reason to believe that additional land in the West End will be required to support increased export volumes.

Question 2 – Is the PHVBS going to use market value or unaffected property value?

Answer – Any buy-back scheme establishes an underlying base value and a premium. The final offer made to property owners is the sum of the two, plus potentially compensation for certain transaction costs and that is what I would recommend property owners focus on.

Question 3 – A property was purchased with the ability to develop three units. A year later it is unable to be developed. How will its value be determined?

Answer – There is a need to look at this situation, however, generally changes in value that are attributed to changes in planning requirements as a result of the Dust Taskforce recommendations will be taken into account in establishing the base value. However, changes in value that are not

attributable to this factor such as overall market conditions (in the rest of Port Hedland outside of the West End, or other similar residential areas in the Pilbara) will not form part of the base value

Question 4 – What is going to happen to the properties that are bought back?

Answer – This is under discussion and will come out through the engagement process. Some important commercial, leisure and tourism, maritime services and training uses are being considered. The scheme is about creating something of a residential buffer for the port, in the interests of both current residents and the port, but not a wasteland. It is also not about releasing industry from its obligations for dust mitigation under current and future environmental regulations

Question 5 – When is the dust monitoring going to be centralised?

Answer – I will request the information from the relevant agency and provide an update at the next meeting.

Updated answer: The Department of Water and Environmental Regulation (DWER) will take control of the dust monitoring in the next 6 months.

Statement 2 – People should request the PHVBS to use unaffected value as the base value.

Response – I will provide an update at the next engagement meeting, however please refer to the answer to question 2.

Statement 3 – Changes in business practices have influenced the market situation e.g. conversion to FIFO and stopping rental assistance.

Response – That may be true, although those changes (except perhaps rental assistance for the West End) are likely to have affected all Pilbara communities. On the question of FIFO versus resident workers, my understanding is that 80 per cent of BHP's current Port Hedland-based workforce is residential.

(Some meeting attendees then said 'don't believe BHP'.)

Further response – Ok, I will follow up. It should be noted that this number of 80 per cent is likely to refer specifically to jobs that are based in Port Hedland. It is quite likely that some of the examples you have raised refer to jobs that have been transferred out of Port Hedland.

Statement 4 (Kevin Michel MLA) – Parliament is working hard to ensure miner's production staff are residentially based. Similar to the agreement struck with Woodside for their production workforce to be residentially based by 2024.

Response – It is hard to develop Port Hedland to its maximum benefit (to property owners and industry) with ongoing land use friction at the borders between these activities. A desired outcome of the PHVBS is to stimulate the overall growth of Port Hedland as a great place for increasing numbers of people to live, as well as to allow for the expansion of the volumes handled by the port.

Statement 5 – More than half the residents want to stay in their houses.

Response – This is acknowledged, and people will have the option under the PHVBS to stay, as it's a voluntary buy-back scheme.

Question 6 – How long until the PHVBS makes offers, as 20 years is too long?

Answer – There is an intention for offers from the PHVBS to be made as early as 1st Quarter 2020.

Question 7 – What other options are available under the PHVBS?

Answer – The PHVBS may consider options like property purchases, property swaps, property purchases with rent back opportunities, purchases with residential rights to occupy the property for an agreed amount of time, and other variations yet to be considered and/or recommended.

Question 8 – Where are people going to go?

Answer – Potentially more land needs to be developed in Port Hedland's East End and South Hedland.

Question 9 – Who is going to pay for the PHVBS?

Answer – The major iron ore exporters using the port – discussions are underway with BHP, FMG, and Roy Hill.

Question 10 – Changes in zoning allowing R15 to R80 to “no residential”. What's going to happen next?

Answer – It's acknowledged that this has occurred and is occurring under the West End Improvement Plan No 50 (IP50). Although the PHVBS is a separate exercise it is also closely related and will provide recommendations to the IP50. The Department of Planning, Lands, and Heritage (DPLH) will determine the future zoning of the land within IP50.

Question 11 – How was the area of IP50 expanded, to include the area between Taplin and McGregor Street, without any consultation?

Answer – I am afraid I don't know the answer to that question. I believe the Department of Jobs Tourism Science and Innovation (JTSI) developed the earlier recommendations and I can imagine they wanted to make sure the maximum area that might possibly be affected was being considered. But you raise an important question and I will follow it up.

Question 12 – How do we ensure the boundary doesn't change again?

Answer – Once again a fair question that I will follow up with the Department of Planning, Lands and Heritage. It seems to me that even if we agree on the boundaries at this stage, we should be aware of whether there are any legitimate reasons why they may change again in the future – perhaps with experience of the more stringent management of dust levels being required of industry (and how well they work) as well as possible future changes in medical sciences understanding of the health impacts.

Question 13 – What uptake numbers are required to ensure the PHVBS proceeds?

Answer – Not sure at this stage. This is something I will need to work on because it will have a big impact not only on the eventual cost of the scheme, but also on how land in the West End is developed in the future.

Statement 6 – Is the PHVBS baiting people with its comparison of a voluntary and compulsory buy-back scheme?

Response – Not intended. There is currently no requirement to empty the West End of residents and therefore no requirement for a compulsory buy-back. I only mentioned the comparison to point out that voluntary schemes are generally much more generous than compulsory schemes, however I hear your concern and will endeavour to ensure that by time the scheme is finalized you will have a clear view on what may or may not happen in the future, and specifically what those decisions will be based on.

Question 14 – Proposed areas of expansion in the East End are significantly impacted by water inundation and future coastal planning restrictions. How is this to be accommodated?

Answer – Noted. I am not yet fully conversant with these other constraints on developing properties in the East End. I will need to find out because it will be important that more residential land is made available in the East End in the future, not only to accommodate those West End property owners who wish to relocate, but also to support the general growth of Port Hedland.

Updated answer – Development WA (former Landcorp and Metropolitan Redevelopment Authority), and the Town of Port Hedland (ToPH) are developing the structure plans and locating fill options for the development of the East End. The ToPH has recently committed over \$300,000 to the completion of structure plans over land in the East End that may be included in PHVBS land swap options. We are working with Development WA to establish cost and timing estimates of the various development sites for potential inclusion within the PHVBS.

Question 15 – What uses have been discussed for the West End Improvement zone?

Response – One proposal being considered is the development of administrative offices for BHP and other suppliers to industry. You will be aware of the proposed Spoilbank Marina which could also generate a wider set of leisure and tourist opportunities. In addition, there are other tourist, commercial and relevant marine or port based light industrial developments which would make sense in the West End. It is important that these are developed alongside the Buy-back Scheme not only so that current property owners can know more about other options for their properties, but

also for residents who are inclined to stay, so that they can assess changes that might affect (positively or negatively) their preference for staying. Although I am primarily focused on the design of the buy-back scheme itself, I appreciate the importance of these issues and will do my best to understand them and share with you what I learn.

Question 16 – Is the old boat ramp going to be used for a future tug pen? Is the navy coming to Port Hedland?

Answer – Not as far as I know, but I will check and get back to you. *(Crowd disbelieving.)*

Question 17 – Health Guideline 70 µg/m³. Why not 50 µg/m³ as per Federal Environmental Legislation?

Answer – The change was the result of the Health Risk Assessment. The PHVBS understanding is that the increase may impact 0.5 persons up to 30,000.

Updated answer – I now understand that the level of 50 µg/m³ in the NEPM guidelines is actually a trigger for detailed further assessment, rather than a limit per se. That was why the most recent health assessment was undertaken, and the finding of that assessment is that dust levels up to 70 µg/m³ is considered to not materially affect the level of risk. This is the process that would be followed in any other part of Australia where particulate levels were found to exceed 50 µg/m³.

Question 18 – Why is Port Hedland the only place at 70 µg/m³?

Answer – Possibly because of the proximity of the Port, but further investigation will be undertaken, and an updated response provided at the next meeting.

Updated answer – My current understanding is that the requirements for a detailed health assessment has not been triggered in residential areas adjacent to other iron or exporting ports, but that it potentially would be if levels exceeded the national guideline of 50 µg/m³

Statement 7 – The possibility of a 35 per cent premium on top of a value doesn't consider individual circumstances which may be greater than a 100 per cent premium.

Response – Noted. I am not at this stage committing to any particular level of premium above some sort of adjusted base value (as mentioned earlier.) 35 per cent was the premium offered in the Wagerup scheme as you know. The important thing is that we can come to total figures in offers that are considered fair and reasonable by property owners, but also by others in Port Hedland, the Pilbara and across the state who are not getting this opportunity.

Question 19 – Is it safe or not?

Answer – My understanding from the health experts is 70 µg/m³ is generally safe, while levels greater than 70 µg/m³ is a concern for old and young people. And that this is the basis on which the Improvement Plan and this buy-back scheme are being prepared. It is the fundamental question

here and we need to make sure the advice in all the various circumstances, especially for those who choose to continue to live in the West End, is as clear as possible. I am also aware that there are some people with individual reactions to dust at almost any level, and just as with people in the city for example, it is important that we all as individuals monitor our own health and seek professional advice.

Question 20 – How are empty properties going to affect existing properties?

Answer – It will depend partly on how many there are based on the uptake on the offers from the PHVBS, on where they are located exactly, and how the land is developed. It is quite likely that the agency administering the buy-back will end up owning many properties and it may choose to continue to operate them under their current residential use, subject of course to the health advice mentioned just now.

Question 21 – How will costs such as Land Taxes, Stamp Duty, and Capital Gains be dealt with?

Answer – These costs will be considered in designing the the PHVBS process, but the general intention is to acknowledge transaction costs like these, particularly if they are State Government charges.

Question 22 – How will negative values be dealt with?

Answer – In those cases where the offer from the scheme crystalizes a significant loss (for example if the offer even with the premium is less than the outstanding debt on the property) independent financial advice will be recommended and may even be provided as part of the PHVBS. It will be important for lenders to assess their alternatives at this time, just as the property owners will be and I would have thought it prudent for them to co-operate, as many of them are already doing in situations of genuine stress. Part of the objective for the scheme is to make sure no property owners feel like they don't have the choice to leave, and exit their investment, if that is what they want to do.

Question 23 – Is there an opportunity for people to make an easy profit if they buy properties at current values?

Answer – I think that we are going to have to think hard about this in the design of the PHVBS. Creating windfall gains for speculators is certainly not something we want to do.

Updated answer – We could decide to cap offers under the scheme at the purchase price in these situations (where the purchase has been made after the scheme was announced) for example. I would strongly advise investors, and agents, not to proceed on the assumption that they will be able to generate large short-term profits as a result of the scheme. We are also thinking about the position of the sellers in these situations if it is clear they sold under conditions of genuine financial stress. But this is only an update on our thinking – no commitments at this stage.

Question 24 – What are the plans for the school and church?

Answer – The school and church are outside the scope of the PHVBS as it currently stands, as are all properties east of Taplin St up to McGregor St, but within the scope of Improvement Plan 50. It's an important question you ask though and I will follow up because it doesn't make sense to me at the moment that the government would change the planning regime in this area without it being included in the PHVBS. Or if this area is not in the PHVBS there is an argument for not changing the planning regime there.

Question 25 – Do residents who decline the PHVBS offer also lose their right to claim against future health issues?

Answer – Not as far as I understand it. Health liabilities can't be waived by individuals ahead of time the way changes in amenity can be. But that being said we all still have a personal responsibility for monitoring our own health, regardless of where we live.

Question 26 – Why was Gratwick Street included within the IP50 area but not the PHVBS?

Answer – Taken on notice, and response to be provided at the next meeting.

Updated answer – We are now actively considering, with the Department of Planning, Lands and Heritage who have carriage of Improvement Plan 50, how we can get better alignment between the buy-back scheme and the emerging plan. The current position on the IP50 can be found on the Department of Planning, Lands and Heritage website: <https://www.dplh.wa.gov.au/information-and-services/district-and-regional-planning/improvement-plans-and-schemes/port-hedland-west-end> although note the apparent difference between the coverage of proposed new planning scheme and the PHVBS has not yet been resolved.

Question 27 – Why was the IP50 area expanded to include the area between Taplin Street and McGregor Street? Further, why was this done without any consultation?

Answer – As advised earlier, I am not clear on the reasons for that decision. It may have been because it was thought a larger residential buffer might be needed in the future – not necessarily anticipating great levels of dust, but changes in our medical scientific understanding of the health risks. But either way I personally think the two zones need to be aligned for all of this to make sense.

Question 28 – Pressure is being put on residents. What about on industry?

Answer – Well I think industry is being put under pressure to improve its management of dust, both now and especially as volumes increase. That is my clear understanding of the effect of the regulations in place and being developed for the future by the Department for Water and Environment Regulations as a result of the Dust Taskforce Report. It is just that industry is not in a position to guarantee no exceedances above 70 µg/m³ and the regulation does not, at least not yet, require that. What it does require is that every exceedance is reported and acted on with further mitigation (what they call applying world's best practice.) I guess future regulation, and the ability to further grow volumes through the port, will depend on how well that goes and what industries and

the regulators learn about what is possible. In the meantime, however the health assessment says that such conditions are not ideal for long term residence – and that is what we are dealing with here.

Question 29 – Why is Port Hedland the only place in Australia not required to comply with the Federal Environmental standard of 50 µg/m³?

Answer – As outlined in question 18, the 50µg/m³ is a measure which triggers the requirement for further investigation. This further investigation resulted in the Health Report and the adoption of the 70µg/m³ standard for Port Hedland’s West End. The same process would be adopted in any other location. I am not aware of other residential locations in Australia that have reached the level of 50µg/m³, and therefore whether any other detailed health assessments such as the one done for Port Hedland have occurred. It stands to reason that if they had, they would have reached the same conclusion – at least in relation to the sort of impact iron ore dust has. It might be different for different types of emissions.

Question 30 – Will the PHVBS reduce the likelihood of objections?

Answer – Well I guess possibly in so far as they may be fewer residents in the West End who might object, given that all residents will have been given an option to exit. But I don’t think that is the point of the scheme honestly.

Updated answer – I have been able to establish that the current regulatory regime (current 5-year period) is not subject to further review-based complaints, at least as far as they relate to the activities and emissions currently subject to regulation. I am sure the experience of those who choose to live in the West End regardless of this voluntary scheme will be taken into account in future reviews, but equally sure that the outcome will depend on health assessments based on the best science available at the time.

Question 31 – Can BHP substantiate their 80 per cent residential workforce claim?

Answer – To clarify, 80 per cent of their port operations staff. This will be followed up with BHP and reported back to the next meeting.

Question 32 – Are the residential land owners being ripped off?

Answer – That is not the purpose or intention of the PHVBS. It is a voluntary scheme and property owners will have plenty of time to assess their best option. Hopefully, there are some good things to come both in terms of the offers under the scheme and alternative options.

Question 33 – Can people meet individually?

Answer – Yes, people can make individual appointments both in Port Hedland and Perth.

Statement 8 – BHP needs to do something with their already vacant houses.

Response – Agreed. I will follow this up and report back to the next meeting.

Question 34 – Who will own the houses purchased by the PHVBS?

Answer – This is yet to be determined.

Question 35 – Will the land be used for stockpiles?

Answer – No, that is not the intention at all. But I appreciate the question and that government and industry will need to be definitive on this.

Question 36 – Where will the alternate land be made available?

Answer – Working on that.

Updated answer – I am working with Development WA (formerly known as LandCorp) to establish cost and timing estimates of the various development sites for potential inclusion within the PHVBS.

Statement 9 – Everyone should put in \$100 each to ensure a professional response is put in by the landowners.

Response – I am happy to receive inputs from property owners either individually, or in groups. The contact details for the PDC are up on the screen so you can follow up.

ENDS.