

**ESPERANCE PORT AUTHORITY
STATEMENT OF CORPORATE INTENT 2003/2004**

PORT AUTHORITY'S OBJECTIVES

The Ports objectives are:

1. To provide efficient and reliable services that meet the needs of port users.
2. To provide and maintain port facilities such as wharves and associated infrastructure that will meet user needs.
3. To promote the development of trade through the port.

NATURE AND SCOPE OF OPERATIONS

The port of Esperance consists of three wharves. Two of which are land backed with a dredged depth along side of 14.5m with the capacity to load or discharge Panamax* size vessels and the third a purpose built berth to load mineral products with a dredged depth along side of 19m capable of handling Cape** size vessels.

No.1 berth is leased to Co-operative Bulk Handling and is used for loading grain with the ship loading facility being owned and operated by Co-operative Bulk Handling. No.2 land backed berth is used for loading nickel concentrates and the discharge of petroleum, fertilizer and other minor cargoes. The ship loader on No.2 berth is used for loading nickel and it can, should the need arise, load iron ore. The No.3 berth is a purpose built berth and ship loader for the loading of mineral products. Connected to berth No.3 are conveyors and sheds used for the storage and handling of iron ore, these are owned by the Authority with the exception of iron ore shed No.2 and associated conveyors which Portman Ltd. have constructed.

The Authority provides stevedoring labour for all cargoes and is directly responsible for loading of iron ore, nickel concentrate and dimension stone granite.

MARKET OUTLOOK

Grain exports have been around 1.1 to 1.4 million tonnes per annum in recent years. The drought conditions in 2002 will result in lower tonnages being available for export in 2003/2004.

Nickel concentrate exports are expected to remain at about 200,000 tonnes per annum. Lionore commenced exports from its Emily Anne nickel mine in 2002. This activity has offset the lower production levels from the Black Swan Mine.

Iron ore exports are anticipated to be around 4.5m tonnes for the year.

Petroleum imports are budgeted at similar levels to 2002/2003.

**Panamax vessel – The maximum size capable of transiting the Panama Canal. Approx.65,000 to 75,000 DWT*

***Cape Size vessel – Approximately 180,000 DWT*

**ESPERANCE PORT AUTHORITY
STATEMENT OF CORPORATE INTENT 2003/2004**

MAJOR INITIATIVES

The Port Authority in 1999 commenced a process to identify a suitable site within 25km of the Port for the development of an Industrial Park. The Esperance Shire has joined forces with the Port Authority and jointly they have been successful in attracting a Federal Government Grant to further explore the location of an Industrial Park. A preferred location has been identified and negotiations have commenced with the lands owners.

The Port Authority is working with the Esperance Shire and the Department of Planning and Infrastructure to come up with a long term strategy to address the issue of foreshore erosion along the towns major beaches. The Port Authority placed 90,000 cubic meters from the Harbour along the foreshore and lengthened a rock groyne on the foreshore to assist in the retention of the sand. In the longer term the participants are evaluating a number of permanent fixtures to ensure that the foreshore is able to be readily renourished with sand.

TRADE FACILITATION

In order to continue to improve its trade facilitation role the Port Authority has been pursuing a number of strategies to enhance the performance of the Port and improve the services it provides to its clients.

1. *Supply Chain*

The Esperance Port Authority combined with the principal users of the Leonora to Esperance railway line with the aim of ensuring that the optimum use of the rail. This alliance was successful in that the line has progressively been improved to a standard that makes it competitive with the east west line.

2. *Community Consultation*

The Port Authority established during the environmental approval process for the Port upgrade a Port Developmental Consultative Committee. The committee is independently chaired and includes representatives from a variety of community groups from the shire and chamber of commerce to the local environmental action group and coast care. The committee has met regularly during the upgrade as a forum to ensure community participation in the process. It is intended to continue the consultative group as a permanent feature of the Port consultative process.

The Port Authority publishes a quarterly news letter that is circulated in the local paper as a further mechanism for keeping the community informed on developments at the Port.

The Port Authority also supports the local Apex club who conducts bus tours of the Port facilities on weekends.

**ESPERANCE PORT AUTHORITY
STATEMENT OF CORPORATE INTENT 2003/2004**

3. *Port Development*

The \$54 million Port upgrade completed in the first quarter of 2002 represents the largest capital works project under taken by the Port Authority. No developments are planned for the 2003/04 year. An announcement on the Ravensthorp nickel project is anticipated during the period which will be the catalyst for the next major development activity at the Port.

4. *Land Transport Access*

The Port Authority has been party to three studies involving land transport access to the Port. The studies have recommended measures that the Esperance Shire should adopt to protect the transport corridor to the Port. Other recommendations have involved short and long term improvements to address the immediate and future needs of transport to and from the Port.

5. *Industrial Park*

The Esperance Port Authority and the Shire are jointly working to identify a block of suitable freehold land approximately 25 kilometres from the Port that can be developed as an Industrial Park.

It is intended that the Shire and Port Authority would ultimately become joint owners of any Industrial Park.

PLANNED ACHIEVEMENTS FOR 2003/2004

RECRUITMENT AND TRAINING

The Port upgrade combined with the dramatic increase in trade through the Port has resulted in the Port increasing its workforce by approximately 25%.

The Port Authority has recruited a training officer and is in the process of implementing a comprehensive training program to ensure that all employees are fully trained in the operations of the new plant and facilities.

FINANCIAL INFORMATION

Revenue and expenditure in the Authority's operating budget for the year 2004 is on a par with the year 2003. Revenue for 2004 is budgeted at \$22.852m, \$65,000 less than 2003. Budgeted income from each source of income is in line with the previous year.

Budgeted increased expenditure on administration, interest charges and power generating costs account for most of the change between the years 2003 and 2004.

**ESPERANCE PORT AUTHORITY
STATEMENT OF CORPORATE INTENT 2003/2004**

ESPERANCE PORT AUTHORITY OPERATING BUDGET		
	BUDGET 2002/03	BUDGET 2003/2004
	\$ Million	\$ Million
Total Revenue	22.92	22.85
Total Expenditure	19.52	20.15
Operating Profit before Tax	3.40	2.70
Income Tax Expense	1.00	0.80
Operating Profit after Tax	2.40	1.90

Budgeted trade for the years 2003 and 2004 are 6.21m and 6.28m tonnes respectively. The greatest variation in trade is Iron ore being budgeted to be 0.24 m tonnes greater in 2004 with grain being 100,000 tonnes less.

CAPITAL WORKS

Proposed capital works expenditure for 2003/2004 is \$1.2m for minor works. Funding for capital works is from internal funds.

PRICING POLICY

The Authority is not proposing any changes to its pricing structure in the year 2003/2004.

DIVIDEND POLICY

Dividend payments have been set by the current Government at 50% of the after tax profit. The Authority would be liable for a dividend of approximately \$ 951,000 in respect of operations during 2003/2004. Also the Authority is committed to pay an efficiency dividend for the year of \$167,000. The payment of the dividend is to be made according to the terms of Port Authorities Act of 1999.

COMMUNITY SERVICE OBLIGATIONS

The Authority has no prescribed community service obligations. However, the Authority is committed to the principle that the port activities in facilitating trade are done in a way that meets the community and client expectations. The Authority recognises community, economic, social, cultural and environmental requirements that are expected of any corporate citizen.

ACCOUNTING POLICIES

The accounting policies of Esperance Port Authority are consistent with Australian Accounting Standards.

**ESPERANCE PORT AUTHORITY
STATEMENT OF CORPORATE INTENT 2003/2004**

INFORMATION TO BE GIVEN TO MINISTER

The Port Authorities Act 1999, division 2 section 60 (2) (j) requires the Authority in the Statement of Corporate Intent to provide information that is to be given to the Minister annually and half yearly.

Annual information requirements are:

- Copy of the Financial Statements, Balance Sheet, Profit and Loss Account and Cash Flow Statement;
- Directors Statements as per schedule 5 division 8;
- Directors Reports as per schedule 5 division 9;
- Copy of the Auditor Generals Report;
- A copy of any order of the Treasurer under schedule 5, division 10, clause 33; and
- A report on the code of conduct.

Half yearly information requirements are:

- Copy of Financial Statements, Balance Sheet, Profit and Loss Account and Cash Flow Statement;
- Directors Report on operations;
- Directors Declaration and
- Authority's progress against planned achievements.

**ESPERANCE PORT AUTHORITY
STATEMENT OF CORPORATE INTENT 2003/2004**

PERFORMANCE INDICATOR TARGETS

OBJECTIVE 1.

To provide efficient and reliable services that meet the needs of port users.

Effectiveness

Time at Berth 45 Hours

This is the average period of time from the first line ashore to the last line off when departing from the port. The lower this figure the faster vessels are loaded and the more effective is the use of wharf space.

Total Time 65 Hours

This is the average time elapsed from the arrival of a ship at the port boundary to departure from the port. The lower this figure the more productive is the ports through put.

Efficiency

Cargo handled per time in port 600 Tonnes per ship hour in port

This is the average cargo handled for total time from port arrival to departure. The higher this figure the more productive are cargo handling operations.

Cargo handled per hour at berth 900 Tonnes per ship hour at berth

This is the average cargo handled per ship hour at berth. The higher this figure the more productive are cargo handling operations.

Cargo handled per shift hour 1300 Tonnes

This is the average tonnes of cargo, excluding fuel, handled per shift hour worked. The higher this figure the more productive are cargo handling operations.

OBJECTIVE 2.

To provide and maintain port facilities such as wharves and associated infrastructure that will meet user needs.

Effectiveness

Berth occupancy 35 %

Average berth occupancy measures the time ships are actually along side the berth as a percentage of the total time available. The higher this figure the greater the use of the berth.

Time awaiting berth 25 Hours

Is that time from arrival at the port boundary to the first line ashore. This indicator can reflect berth congestion, however, vessel often remain the anchor for a number of varied reasons. A lower figure would normally indicate reduced queuing problems ships experience.

**ESPERANCE PORT AUTHORITY
STATEMENT OF CORPORATE INTENT 2003/2004**

Average ship alongside time (hour)

Petroleum	30
Fertiliser	45
Grain	40
Nickel	30
Iron Ore	59

The period of time alongside for each of the cargoes is dependent on the nature of the cargo, the number of tonnes handled and the equipment to load or discharge the cargo.

Efficiency

Total Expenditure per Tonne of cargo \$3.21

This is all expenditure items divided by the total trade.

Total cost per ship visit \$134,368

This is the total expenditure divided by the number of ship calls.

OBJECTIVE 3.

To promote the development of trade through the port.

Total trade comparison

Effectiveness

Year	% Change on prev. year	Tonnes
1997	+11.9%	3,082,361
1998	-0.08%	3,079,911
1999	+1.2%	3,116,911
2000	+10.7%	3,449,883
2001	+24.4%	4,291,021
2002	+44.1%	6,184,212
2003	+0.5%	6,212,632 Est
2004	+1.2%	6,285,000 Est

This is the movement and the expected movement in total annual trade.

**ESPERANCE PORT AUTHORITY
STATEMENT OF CORPORATE INTENT 2003/2004**

**DEPARTMENT OF PLANNING & INFRASTRUCTURE
PERFORMANCE INDICATOR TARGETS**

Targets set by the Port:

	2003/2004
<i>Rate of Return Target</i>	8.1%
<i>Revenue form Wharfage Charges/Total tonnes (REPUT)</i>	2.53
<i>Revenue from Vessel Charge/No. of Vessels (REPS)</i>	35174
<i>Total Expenditure/Total Tonnes (PACPUT)</i>	3.21
<i>Total Tonnes/No. of Berths (CUB)</i>	2095000
<i>Berth Occupancy as a Percentage of Time Available (SUB)</i>	35
<i>Average Turn Around Time by cargo type in hours (ASTT)</i>	
Petroleum	30
Fertiliser	45
Grain	40
Nickel	30
Iron ore	59
<i>Average Waiting Time in hours (ASDT)</i>	
Pilotage Unavailable	Nil
Towage Unavailable	Nil
Labour Unavailable	Nil
Equipment Failure	Nil
Industrial Relations	Nil

**ESPERANCE PORT AUTHORITY
STATEMENT OF CORPORATE INTENT 2003/2004**

<i>Cargo Tonnes by commodity/Total Hours At Berth (APP)</i>	2003/2004
Petroleum	700
Fertiliser	140
Grain	850
Nickel	480
Iron Ore	1550

**ESPERANCE PORT AUTHORITY
STATEMENT OF CORPORATE INTENT 2003/2004**

APPENDIX G

**ESPERANCE PORT AUTHORITY
STATEMENT OF FINANCIAL PERFORMANCE**

<u>REVENUE</u>	2002/2003	2003/2004	2003/2004 HALF YEAR TO 31.12.2003
WHARFAGE	4,524,353	4,379,800	2,189,900
VESSEL CHARGE	5,237,604	5,276,080	2,638,040
CARGO HANDLING REVENUE	5,952,259	6,099,000	3,049,500
PIPELINE, EQUIPMENT, POWER & WATER	1,195,000	1,343,000	671,500
LABOUR RECOUP	600,000	600,000	300,000
PILOTAGE, INTEREST & SUNDRY RECPTS	5,407,598	5,153,749	2,576,874
TOTAL REVENUE	22,916,814	22,851,629	11,425,814
<u>EXPENDITURE</u>			
ADMINISTRATION , SALARIES & INSURANCE	1,710,000	1,810,000	905,000
GENERAL MAINTENANCE & WAGES	2,750,000	2,750,000	1,375,000
POWER & WATER	1,015,000	1,463,000	731,500
RECOUP WAGES	350,000	400,000	200,000
CARGO HANDLING COSTS	4,100,000	4,150,000	2,075,000
PILOTAGE & OTHER COSTS	620,000	620,000	310,000
SUPERANNUATION	250,000	250,000	125,000
STAFF LEAVE	205,000	205,000	102,500
DEPRECIATION	4,695,000	4,815,000	2,407,500
INTEREST	3,821,292	3,692,175	1,846,088
TOTAL EXPENDITURE	19,516,292	20,155,175	10,077,588
NET PROFIT/(LOSS)	3,400,522	2,696,454	1,348,227
Less			
TAXATION	1,001,562	794,191	337,057
DIVIDEND PAYMENT	1,350,480	1,118,131	
SURPLUS/(DEFICIT)	1,048,480	784,131	1,011,170

**ESPERANCE PORT AUTHORITY
STATEMENT OF CORPORATE INTENT 2003/2004**

APPENDIX H

ESPERANCE PORT AUTHORITY
STATEMENT OF FINANCIAL POSITION

<u>ASSETS</u>	2002/2003	2003/2004	2003/2004 HALF YEAR TO 31.12.2003
CURRENT ASSETS			
CASH AT BANK	2,269,089	4,865,485	1,653,025
DEBTORS	2,908,079	2,941,976	1,246,000
STORES	700,000	710,000	110,000
GST PAID ON PURCHASES	110,000	120,000	65,000
FUTURE INCOME TAX BENEFIT	908,000	1,268,000	312,000
	6,895,168	9,905,461	3,386,025
FIXED ASSETS			
ASSETS	80,549,279	76,934,279	78,741,779
TOTAL ASSETS	87,444,447	86,839,740	82,127,804
CURRENT LIABILITIES			
CREDITORS	850,000	840,000	950,000
ACCRUED EXPENSES	857,392	920,912	364,850
UNEXPIRED INCOME	135,000	135,000	135,000
BORROWINGS	1,837,255	1,768,841	452,000
EMPLOYEE ENTITLEMENTS	738,005	750,000	646,000
PROVISION FOR INCOME TAX	-1,057,000	-1,417,000	855,389
PROVISION FOR DEFERRED INCOME TAX	2,242,938	3,351,839	105,000
GST COLLECTED ON SALES	206,756	188,889	120,000
PROVISION FOR DIVIDEND	1,350,549	1,118,131	
	7,160,895	7,656,612	3,628,239
NON CURRENT LIABILITIES			
WA TREASURY CORPORATION	54,212,520	52,231,439	53,221,980
EMPLOYEE ENTITLEMENTS	553,474	650,000	650,000
	54,765,994	52,881,439	53,871,980
TOTAL LIABILITIES	61,926,889	60,538,051	57,500,219
NET ASSETS	25,517,558	26,301,689	24,627,585
RESERVES			
GOVERNMENT CONTRIBUTION	2,208,720	2,208,720	2,208,720
ASSET REVALUATION RESERVE	4,143,415	4,143,415	4,143,415
UNAPPROPRIATED PROFITS	19,165,423	19,949,554	19,557,489
TOTAL RESERVES	25,517,558	26,301,689	25,909,624

**ESPERANCE PORT AUTHORITY
STATEMENT OF CORPORATE INTENT 2003/2004**

APPENDIX I

ESPERANCE PORT AUTHORITY
STATEMENT OF CASH FLOWS

	2002/2003	2003/2004	2003/2004 HALF YEAR TO 31.12.2003
CASH PROVIDED BY OPERATING ACTIVITIES	7,359,628	7,312,922	2,127,091
CASH USED IN INVESTING ACTIVITIES	(1,820,000)	(1,123,509)	(561,755)
CASH PROVIDED BY FINANCING ACTIVITIES	(1,881,483)	-1,981,081	-990,540
NET CASH PAID TO GOVERNMENT	(2,155,791)	(1,611,936)	(805,968)
NET INCREASE/(DECREASE) IN CASH HELD	1,502,354	2,596,396	(231,172)
OPENING BALANCE OF CASH	766,735	2,269,089	2,269,089
BAL. AT THE END OF THE FINANCIAL YEAR	2,269,089	4,865,485	2,037,917