

**ESPERANCE PORT AUTHORITY
STATEMENT OF CORPORATE INTENT 2006/07**

PORT AUTHORITY'S OBJECTIVES

The Port Authority's objectives are to:

1. Provide efficient and reliable services that meet the needs of Port users.
2. Provide and maintain wharves and associated infrastructure and facilities to meet the needs of clients and sustain the Port's operations and environment.
3. Increase trade through the port.

NATURE AND SCOPE OF OPERATIONS

The Port of Esperance consists of three wharves. Two are land backed berths with a dredged depth along side of 14.5 metres and are capable of loading or discharging Panamax* size vessels. The third berth is a dolphin berth, purpose built to load mineral products. This berth has a dredged depth along side of 19 metres and is capable of handling Cape** size vessels.

No.1 berth is leased to Cooperative Bulk Handling and is used to load grain with the ship loading facility being owned and operated by the company. No.2 berth is used for loading nickel concentrates and discharging petroleum, fertilizer and other minor cargoes. The ship loader on No.2 berth is used for loading nickel. The No.3 berth and ship loader are used to load mineral products. Connected to No.3 berth are conveyors and sheds used to store and handle iron ore, which are owned by the Authority with the exception of No.2 iron ore shed and associated conveyors that Portman Ltd. has constructed.

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

MARKET OUTLOOK

Grain exports have consistently been around 1.1 to 1.5 million tonnes per annum in recent years. The 2003 harvest was the largest recorded at more than 2.0 million tonnes. The 2005 harvest is predicted at 2.2 million tonnes. The consistently large grain tonnages being harvested have established grain as the second largest commodity being handled by the Port behind iron ore.

Nickel concentrate exports are expected to remain at about 200,000 tonnes per annum. Shipments from Nickel West's Mt Keith mine have ceased for the time being. Exports continue from Jubilee Mines' Cosmos mine, Lionore's Emily Ann mine and Black Swan mines. The current strong nickel price has resulted in increased exploration activity.

**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*

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BHP Billiton's Ravensthorpe laterite nickel project is currently under construction and due to commence production in early 2007. This project will significantly increase trade through the Port by adding 500,000 tonnes of sulphur and 40,000 tonnes of magnesium imports annually and 220,000 tonnes of nickel hydroxide exports annually to the trade base.

The Port has budgeted for Iron ore exports to increase from 7.0 to 8.0 million tonnes for the year 2006/07. This is the planned peak production by Portman Iron Ore Ltd from their Koolyanobbing mine.

Exports of lead concentrate from the Magellan mine near Wiluna commenced in July 2005. Exports at a rate of up to 100,000 tonnes per annum are predicted for the next two years. During this time the company will construct a lead smelter on the site leading to the export of lead ingots potentially in 2007/08.

Woodchips exports of 40,000 tonnes per annum are scheduled to commence in 2007/08 with annual production predicted to peak at 300,000 tonnes per annum by 2009/10.

The Port Authority continues to talk with Lynas Corporation about the potential exports of rare earths.

Petroleum imports are budgeted at 260,000 tonnes and inline with 2004/05.

MAJOR INITIATIVES

The Port Authority and the Esperance Shire Council are jointly involved in a proposal to develop an industrial park at Shark Lake, approximately 15km north of the town. The land has been rezoned from rural to special purpose and planning approval is currently being progressed. The Environmental Protection Authority has given its approval to proceed. Cooperative Bulk Handling intends to use the Industrial Park as its principal grains aggregation site away from the Port terminal. The Shire and the Port Authority will ultimately own their own super lots within the Industrial Park.

The Port Authority is working with the Esperance Shire and the Department of Planning and Infrastructure to develop a long-term strategy to address the issue of foreshore erosion along the town's major beaches.

The Port Authority is also involved with the Shire in developing a master plan for the Esperance Foreshore. The plan aims to link the town's commercial center with the foreshore.

TRADE FACILITATION

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

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1. *Community Consultation*

The Port Authority established a Port Development Consultative Committee during the environmental approval process for the recent Port upgrade. The Committee is independently chaired and includes representatives from a number of community groups, the Esperance Shire Council, Chamber of Commerce, and local environmental groups. While the Committee met regularly during the upgrade to ensure the community participated in the upgrade process, it is intended that the consultative group continue to meet regularly as part of the Port's consultative process.

The Port Authority publishes a quarterly newsletter that is circulated in the local paper as a way to keep the community informed about Port developments.

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

2. *Land Transport Access*

The Port Authority is involved with the Esperance Shire Council and Main Roads WA to improve and further develop the Harbour Road transport corridor. This process has received extra impetus with a Government Working Party involving a range of agencies being established.

PLANNED ACHIEVEMENTS FOR 2006/07

RECRUITMENT AND TRAINING

During 2005/06 the Port Authority's work force remained relatively stable, with the Authority recruiting to replace people leaving the workforce. The Authority has employed an Employee Relations Manager and the Board recently approved the appointment of a Training Officer. The Authority currently employs five apprentices.

The Port provides a wide range of special training for employees to enhance the flexibility of the Port's multi-skilled workforce.

FINANCIAL INFORMATION

The Port Authority has increased both revenue and expenditure in the 2007 operating budget. Revenue for 2007 is budgeted at \$38.16 million, \$7.51m more than 2006. Wharfage, vessel charges, cargo handling activities and infrastructure revenue are budgeted to increase over the previous year, while other income sources are expected to remain constant.

Budgeted 2007 expenditure is forecast to increase by \$4.04 million over the previous year to \$31.21 million. Most expenditure areas are anticipated to be in line with 2006, while administration general maintenance, cargo handling, interest and depreciation charges are expected to increase.

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ESPERANCE PORT AUTHORITY OPERATING BUDGET		
	BUDGET 2005/06	BUDGET 2006/07
	\$ Million	\$ Million
Total Revenue	30.65	38.16
Total Expenditure	27.17	31.21
Operating Profit before Tax	3.48	6.95
Income Tax Expense	1.04	2.08
Operating Profit after Tax	2.44	4.87

Budgeted trade is 8.921 million tonnes for 2006 and 10.11 million tonnes for 2007. The greatest variation in trade is iron ore, which has been budgeted to increase by 1.0 million tonnes, with lead, sulphur, magnesia and nickel hydroxide making up the balance.

CAPITAL WORKS

Proposed capital works expenditure for 2006/07 is \$3.2 million. The Port Authority is to spend \$2.0 million on container handling equipment and \$1.2 million on minor works and plant. These items will be funded from internal funds.

PRICING POLICY

The Port Authority is not proposing any changes to its pricing structure in 2006/07.

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 \$2.0 million in respect of operations during 2006/07. The payment of the dividend is to be made according to the terms of Port Authorities Act of 1999.

COMMUNITY SERVICE OBLIGATIONS

The Port Authority has no prescribed community service obligations. However, the Authority is committed to the principle that the Port's activities in facilitating trade are undertaken in such a way as to meet the expectations of both the community in which it operates and its clients. The Authority recognises and supports the economic, social, cultural and environmental requirements of the local community.

ACCOUNTING POLICIES

The accounting policies of the Esperance Port Authority are consistent with Australian Accounting Standards. The Port Authority is preparing financial statements compliant with

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International Financial Reporting Standards (IFRS) to meet financial reporting requirements from July, 2006.

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 General's 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.

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PERFORMANCE INDICATOR TARGETS

OBJECTIVE 1.

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

Effectiveness

Time at Berth 40 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 60 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 Port's throughput.

Efficiency

Cargo handled per time in Port 800 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 1100 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 1700 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.

Provide and maintain wharves and associated infrastructure and facilities to meet the needs of clients and sustain the Port's operations and environment.

Effectiveness

Berth occupancy 28 %

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 22 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 for ships.

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Average ship alongside time (hour)

Petroleum	30
Fertiliser	45
Grain	50
Nickel	30
Iron Ore	45

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 \$3.09

This is all expenditure items divided by the total trade.

Total cost per ship visit \$167,814

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

OBJECTIVE 3.

Increase trade through the Port.

Total trade comparison -

Effectiveness

Year	% Change on prev. year	Tonnes
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	-2.8%	6,009,535
2004	+21.4%	7,297,131
2005	+6.5%	7,774,123
2006	+14.8%	8,921,000 Est.
2007	+13.3%	10,110,000 Est

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

	2006/07
<i>Rate of Return Target</i>	6.3%
<i>Revenue form Wharfage Charges/Total Tonnes</i> (REPUT)	2.70
<i>Revenue from Vessel Charge/No. of Vessels</i> (REPS)	46018
<i>Total Expenditure/Total Tonnes</i> (PACPUT)	3.09
<i>Total Tonnes/No. of Berths</i> (CUB)	3370000
<i>Berth Occupancy as a Percentage of Time Available</i> (SUB)	28
<i>Average Turn Around Time by Cargo Type in Hours</i> (ASTT)	
Petroleum	30
Fertiliser	45
Grain	50
Nickel	30
Iron ore	45
<i>Average Waiting Time in Hours</i> (ASDT)	
Pilotage Unavailable	Nil
Towage Unavailable	Nil
Labour Unavailable	Nil
Equipment Failure	Nil
Industrial Relations	Nil
<i>Cargo Tonnes by Commodity/Total Hours At Berth</i> (APP)	
Petroleum	480
Fertiliser	140
Grain	850
Nickel	440
Iron Ore	2050