



BROOME PORT AUTHORITY STATEMENT OF CORPORATE INTENT 2012 - 2013



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STATEMENT OF CORPORATE INTENT 2012 - 2013

1. INTRODUCTION

Broome Port Authority's Board of Directors, in accordance with the Port Authorities Act 1999 (WA) has pleasure in submitting the Port's Statement of Corporate Intent for the period 2012-2013.

The Port of Broome is a small seaport serving as a logistics gateway for the remote communities of the Western Kimberley region. The port's provision of services is vital for the communities' welfare as all fuel supplies pass across the wharf, the port provides integral support for regional landside and offshore industries, and it is a source of business and employment opportunities across the community. The Port has a one hundred and twenty three year history and its earliest trade supported the growth of the Broome township and the regional pearling and pastoral industries. The WA State Government managed the Port from 1889 until the Broome Port Authority (BrPA) was gazetted on 1 January 2000 at which time the Board of Directors assumed responsibility for the strategic management and development of the Port.

Strategic deliberations for the port's future development were conducted in 2011 against a backdrop of the Minister for Transport's review of all WA port authorities and the State's logistics infrastructure (WA Ports Review, WA State Freight Strategy). A major consideration was the Minister's assignment of the BrPA Board of Directors with new project and operational management responsibilities for a proposed new port to be located at James Price Point – see figure 1. This proposed new facility will provide multi-user production and export support for the offshore BrowseLNG oil and gas resources companies. When this arrangement is formalised by the Minister the port authority is expected to embrace a name change to Kimberley Port Authority, with a wider regional scope of responsibilities and functions. To manage multiple ports under the Port Authorities Act 1999 (WA) the port authority intends to trade as 'Port of Pearls' at Broome, and by an alternate name as approved by the Minister for James Price Point.

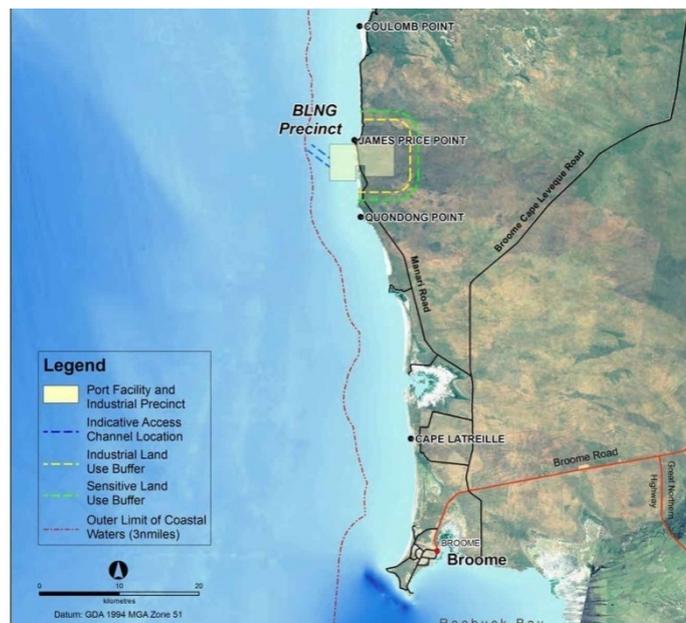


Figure 1: James Price Point Proposed LNG Production/Export Facility (DSD Strategic Assessment Report 2010)

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In relation to the Port of Broome, the port authority's business method is that of a services model with income primarily derived from stevedoring operations and wharfage. Commercial, government and recreational vessels serviced at Broome range from 3,000 to 40,000 tonnes berthing displacement. Broome Port supports much of north-western Australia's Browse Basin oil and gas industry (oil and gas support currently constitutes 47% of Port business) while maintaining its traditional support of Kimberley region break-bulk shipping, livestock exports, tourist shipping, fishing and aquaculture industries, and fuel tanker operations.

The following corporate intent document defines the port authority's mission; reviews its organisational capabilities, processes and the environment in which it exists; defines and prioritises goals; sets objectives; provides indicative costs and operational statistics; and outlines how management might implement the Board's strategic directions.

1.1. Vision

Broome Port's vision towards achieving the State Government objectives for WA ports is:

To facilitate economic growth and commercial opportunities within the Kimberley maritime logistics sector in a sustainable manner.

In realising this vision, the Port adheres to the following goals:

- a) *Safety*: to maintain demonstrably high levels of Health Safety and Environment (HSE) achievement and compliance.
- b) *Sustainability*: to operate in an economically, socially and environmentally sustainable manner (triple bottom line).
- c) *Logistics Integration*: to develop improved lines of communication, and to effectively integrate ship/shore transport and labour systems.
- d) *Port Management*: to continuously improve the management of commercial operations and port development projects.
- e) *Training*: to train and motivate employees to realise their full potential.
- f) *Security*: to continuously improve security management and integrity within all port and ship activities.

1.2. Mission

Broome Port Authority's mission statement was drafted in consultation between the Board of Directors and management, taking into account a July 2011 stakeholder survey. The Mission Statement is an essential long term perspective to guide the port authority's expansion and lay the milestones for its functioning, and provides a broad qualitative statement of how the organisation aims to evolve over a 15-20 year timeframe:

The Port of Broome will proactively grow its levels of trade and performance while strongly supporting the growth of new and existing regional maritime business. In so doing the Port will:

- a) Strive to be always financially viable,
- b) Be competitive in all facets of its operations when benchmarked against other ports,
- c) Develop marine commerce,
- d) Engage in economic development,

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- e) Maintain facilities,
- f) Provide for a prudent level of reserves, and
- g) Produce capital for future development.

Accordingly, broad strategic direction and prioritisation set by the Directors is to address issues as identified with the most potential to impact performance and reputation. These crucial issues are:

- a) Management of human resources/managing industrial relations environment;
- b) Exploiting growth opportunities/land development;
- c) Ability to prepare for and manage growth opportunities such as establishment of a James Price Point port authority role;
- d) Government regulatory changes and compliance imperatives;
- e) Fulfilling safety, cultural & heritage and environmental obligations;
- f) Reduce public liability exposure; and
- g) Securing and managing appropriate funding to enable the port authority to meet major commitments, including replacement of the aging wharf infrastructure.

1.3. Objectives

Broome Port Authority's Board of Directors has two primary and over-riding objectives in ensuring the safety of life and sound financial governance. Commercial imperatives are listed as either management, business and financial objectives.

1.3.1.Key management objectives:

- a) Achieve 30% increase in revenue and 8% return on assets;
- b) Achieve 5% savings within discretionary spending areas;
- c) Resource and implement a broader Kimberley Port Authority capability; one that is initially aligned with James Price Point BrowseLNG development.
- d) Bring 54 Hectares of land to a project-ready status by July 2013; and
- e) Achieve positive Human Resource indicators such as reduction in lost time injury and an increase in employee satisfaction.

1.3.2.Key business and financial objectives:

- a) Promote Port of Broome maritime industries – inclusive of logistics support, general cargo, livestock exports, fuel imports, cruise shipping, regional projects, fishing and aquaculture industries, vessel maintenance and repair, charter boating, recreational boating, and other harbor services;
- b) Increase the volume of general cargo shipping;
- c) Efficiently manage, maintain and improve all port authority property;
- d) Improve customer service to Port tenants, customers and the public;
- e) Achieve integrated, well-planned and financially viable land development consistent with BrPA's strategic directions;
- f) Cultivate and maintain a high level of public understanding and confidence in the Port;
- g) Maintain sound and appropriate environmental management practices for all Port property;

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- h) Meet obligations for compliance with State Government efficiency dividend payment; and
- i) Increase revenue flow as necessary to remain self-supporting and to fund improvements, asset holdings, maintenance, and to maintain prudent cash reserves.

2. COMPETITIVE STRATEGIES

BrPA's competitive strategies are aimed towards improving port capabilities, activities and cargo categories with desired outcomes ranging from the construction and maintenance of infrastructure, to the effective marketing and management of port services. These strategies and the Port's mission statement are shaped in accordance with its WA Port Authorities Act (PAA) obligations to ensure that the Port remains environmentally and socially responsible, economically viable, safe and secure.

Four crucial strategies in support of key management objectives are outlined as follow:

2.1. Funding sources for development purposes

- a) Ensure responsible management of debt whilst endeavoring to seek appropriate levels of funding for both essential capital works and a wider port authority role within the region.
- b) Investigate availability of funding from diverse potential sources including Infrastructure Australia and take steps to source this funding by the following means:
 - i. Develop short and long form business cases in support of finance, and
 - ii. Develop appropriate engagement strategies to garner support for funding from Industry and Government.

2.2. Responding to WA Government and other stakeholder requirements

- a) Develop a marketing strategy to ensure that Broome remains the port of choice for existing industry stakeholders and becomes port of choice for appropriate new stakeholders;
- b) Identify and strive to meet BrPA's holistic obligations within the evolving James Price Point (JPP) port management project, including early development of master and management plans;
- c) Prepare a long form business case to secure funding for the port authority's JPP roles and responsibilities from both the State Government and the initial Proponent;
- d) Employ a project team leader and core staff members who will be dedicated to the evolving JPP project; and
- e) Consult with key proponents regarding their future requirements for additional wharf space at Broome.

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2.3. Meeting safety, cultural and heritage, and environmental obligations

The Directors require management to meet all safety, cultural & heritage and environmental obligations and to ensure that exposure to public liability is reduced across all areas of BrPA's responsibility. In so doing, management is obliged to:

- a) Identify, analyse and manage statutory and general duty of care regulatory and common law obligations;
- b) Develop appropriate engagement strategies with Government and stakeholders;
- c) Develop and refine core management competencies towards compliance with regulatory obligations,
- d) Engage specialist staff in parallel with developing existing staff capabilities and competencies;
- e) Align BrPA governance practices with State Government and commercial standards;
- f) Review the current risk assessment processes and implement new controls;
- g) Maintain a close engagement and informational program with port authority insurer RiskCover;
- h) Review and monitor public access to port infrastructure, facilities and land; and
- i) Continue the maintenance program for major infrastructure and public access areas.

2.4. Grow a stable and harmonious Human Resources environment

- a) Within 2012/13 develop a stable and harmonious Human Resources environment and personnel management capabilities;
- b) Develop core Human Resources capacity and competencies to exploit workplace opportunities and endeavor to:
 - i. Reduce Lost time Incident (LTI) occurrences,
 - ii. Increase employee satisfaction,
 - iii. Increase staff retention, and
 - iv. Minimise the potential for industrial action.
- c) Develop a quality management plan and system that will empower and improve BrPA's personnel management processes and practices.

3. EXTERNAL ANALYSIS

3.1. Political and Societal Influences

Broome Port Authority complies with the Port Authorities Act 1999, which regulates the functions of port authorities, the areas that they are to control and manage, the way in which they are to operate and related matters. The Port also complies with the Environmental Protection Act 1986, and other relevant legislation including financial and non financial statutory reporting requirements.

Specific objectives as stipulated in the *Port Authorities Act 1999 (WA)* are:

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- a) To facilitate trade and to plan for growth and development of the port;
- b) To control business and other activities in the port;
- c) To be responsible for the safe and efficient operation of the port;
- d) To maintain and preserve property controlled by the port;
- e) To protect the environment in which the port operates;
- f) To use port assets for profit; and
- g) To act in accordance with prudent commercial principles.

A number of political and regional developments are likely to shape Broome Port Authority strategic deliberations during the next five years. In particular, the Department of Transport documents WA Ports Review 2011 and the WA State Freight Strategy recommendations are expected to affect the governance, roles and processes of all Western Australian ports, whether managed by port authorities or by the Department of Transport.

Regional commercial activities include the offshore Browse Basin development and the proposed construction of an LNG processing facility at James Price Point, the Shell floating LNG processing plant (FLNG) project to tap the offshore Prelude and Concerto gas fields, and ongoing BrowseLNG activities by energy resources companies Inpex, Santos, Murphy Oil, Apache Energy, and Total. These companies' offshore exploration activities have been supported from the Port of Broome for the past decade, and their support needs are beginning to broaden as they enter their project development phases.

In conjunction with the Browse Basin developments, the Defence White Paper 2009 highlights the need for an increased Defence presence to enhance regional maritime security, and ongoing discussions between BrPA and Defence managers indicate that Broome is expected to play a larger role in supporting Navy and Border Protection maritime units. The White Paper 2009 sums up the importance, value and vulnerability of Australia's north-west resources industries: '...Northern Australia, with its long coastline, remote population centres, substantial economic resources, and relatively underdeveloped infrastructure, will always command a significant place in our military contingency planning. Most of Australia's reserves of oil and gas are concentrated offshore in the north-west of Australia and the Timor Sea. Many of our key resource extraction facilities are remote and would be vulnerable to interference, disruption or attack'.

The State Government is involved with the establishment of new Kimberley marine parks that will encompass 48 per cent of Kimberley coastal waters, and almost treble the area of marine parks and reserves in WA (from approximately 1.5 million hectares to 4.1 million hectares). The Port of Broome's gazetted water boundaries encompass extensive high value and world benchmark environmental/cultural and heritage benthic areas that incorporate Ramsar Wetlands, the wading bird aspect of the Asia-Australia migratory bird flyway, mangrove stands, creeks, and turtle nesting beach and dunal areas. BrPA is not staffed to manage such high value areas, nor is it funded to do so. Responsibility without the means of managing these world-class environmental/cultural and heritage resources constitutes a management risk.

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3.2. Economic Overview

The port's medium and long term objectives are influenced by government plans and directives, the changing face of logistics commerce within the Kimberley region, and imperatives to perform essential works related to the age and condition of the port's critical infrastructure and assets. Within this constrained budgetary environment, loan funding has been obtained towards essential capital works. Further business cases will be submitted for funding of a wharf extension of life project, and for the evolution of a Kimberley Port Authority with a regional rather than the present community focus.

Within this operational and financial environment, the State Government requires BrPA to set its rate of return on assets to meet the desired 5 - 8% average rate of return as advised by the Treasurer. Additionally, the 2011 WA State Budget introduced an Efficiency Dividend for Government Trading Enterprises for the period 2011-2015, involving a 5% saving in discretionary expenditure thus increasing annual profits that will return to Government in the form of increased income tax equivalents and dividends. An implementation plan detailing where savings are intended was provided to both the Minister for Transport and the Treasurer, and quarterly progress reports will be forwarded to the Ministers from 10 October 2011 in accordance with the efficiency targets at Table 1.

Efficiency Targets	2011-12	2012-13	2013-14	2014-15
\$,000	583	607	634	666

Table 1: Intended Efficiency Savings

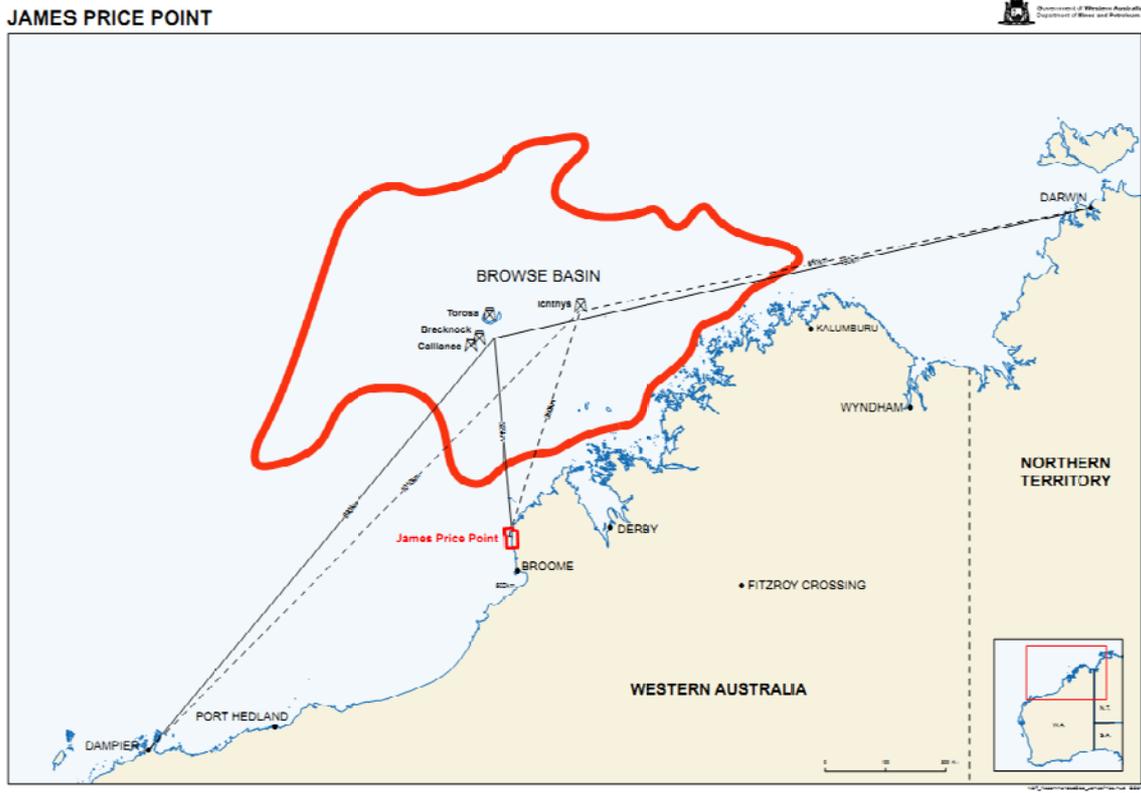
3.3. Main sectors of Activity, Markets and Customers

Broome Port is situated on a sheltered peninsula halfway between the Pilbara Ports and Port of Darwin. Broome is the only naturally occurring commercial deep water port in the Kimberly and is linked to the main NW coastal highway by a logistics corridor adjacent to the town of Broome. Broome Port Authority is a logistics services provider to a range of industries, and has supported the WA offshore oil and gas industry since 1965. The Port business consists of providing a largely 'services model' range of support and infrastructure for port users and stakeholders. The Port supports livestock export, offshore oil and gas exploration supply vessels, pearling, fishing charter boats, cruise liners and is the main fuel and container gateway for the region. Figure 2 shows Broome Port's location in relation to surrounding ports and road networks.

The port and township of Broome hosts a proficient logistics industry that supports regional shipping activities. These logistics enterprises include:

- a) Logistics services providers;
- b) Fuel tank farms (diesel, ULP & Jet A1 fuels);
- c) Bulk and container chemicals storage and handling facilities;
- d) Warehousing and workshops;
- e) Trucking industry, cranes and forklifts;
- f) Water and fuel storage, and delivery infrastructure;

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There has been significant development of offshore activities in the Browse Basin in recent years. Oil companies are forecasting exploration and development campaigns in the Browse Basin, and during 2012-2017 the Port expects at any one time to support 2-3 rigs operating offshore, which should result in a significant increase in Supply Vessel requiring visits to Broome Port. Woodside Petroleum ('Woodside'), who have been involved in the Browse Basin since the 1960s and were one of the original customers of BrPA, are currently planning to develop a production facility at James Price Point linked to the gas fields within the basin. Upwards fluctuations during the period 2012 to 2013 are increasingly likely as the result of regional projects such as the proposed Kimberley LNG precinct, Browse Basin development, and the increasing general cargo trend at Broome. Figure 3 demonstrates Port of Broome's strategic location to its customers and their offshore projects within the Browse Basin hydrocarbon province, and the proximity of James Price Point as a subsea pipeline destination.

Broome has supported the Kimberley live cattle export industry for the past century and has developed proficiency in intermodal cattle handling between trucks and ships, plus built up a range of plant and equipment in support of this regional industry. Approximately 100,000 head of cattle have been exported per year making Broome the third largest cattle export port in Australia. This activity faltered in 2011 with the Federal government's suspension of cattle exports to Indonesia. Cattle exports in FY2010-11 provided 13% of Port of Broome shipping business (approximately 10% of the port's gross revenue) however this level of trade diminished by approximately 25% during the second half of 2011.

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A breakdown of Port of Broome shipping activity by industry for 2010-11 is shown at figure 4.

3.4. Emerging Markets and Other Potential Opportunities

Port of Broome future business is expected to encompass the initial logistics support for the James Price Point LNG production and export port, involving additional equipment and break bulk visits, and to include additional large cruise ships with flow-on benefits to the regional tourism and hospitality industry.

Land developments at or near the Port of Broome are likely to provide logistics surety to the commercial and government entities that utilise the port now and in the future, and the expansion of land areas earmarked for port business will encourage the growth of transshipment cargoes (cargoes that arrive by sea, are temporarily stored adjacent to the port, and then proceed outbound to sea). Growth in transshipment cargoes is expected to play an increasing role in port business and has the benefit of placing minimal strain on existing community roadways since the primary focus of the transportation process is at or adjacent to the port.

Once development land has been brought to project ready status and leased to new users, then the port authority will begin to receive new and regular sources of income. This land development is anticipated to gain the port an estimated \$2.4M p.a. in rental value, plus increased gross revenue from extra business over the wharf. The Port of Broome occupies a central strategic position between the alternative supply hubs of Dampier and Darwin, thus enabling shorter road and sea logistics transits for NW oil and gas field operators. Service support and engineering companies related to the offshore oil and gas industry stretching from North West Cape to the Timor Sea are therefore expressing interest in establishing bases and agencies at Broome.

An early land development is expected to incorporate a Quarantine Approved Premises for the inspection, treatment and certification of imported goods. Until now the Kimberley region has lacked an approved facility for the quarantine assessment of goods imported by sea or air, and the obligation for such a facility is expected to become an essential requirement for all Australian seaports, dryports, and airports wishing to hold or retain a licence to import

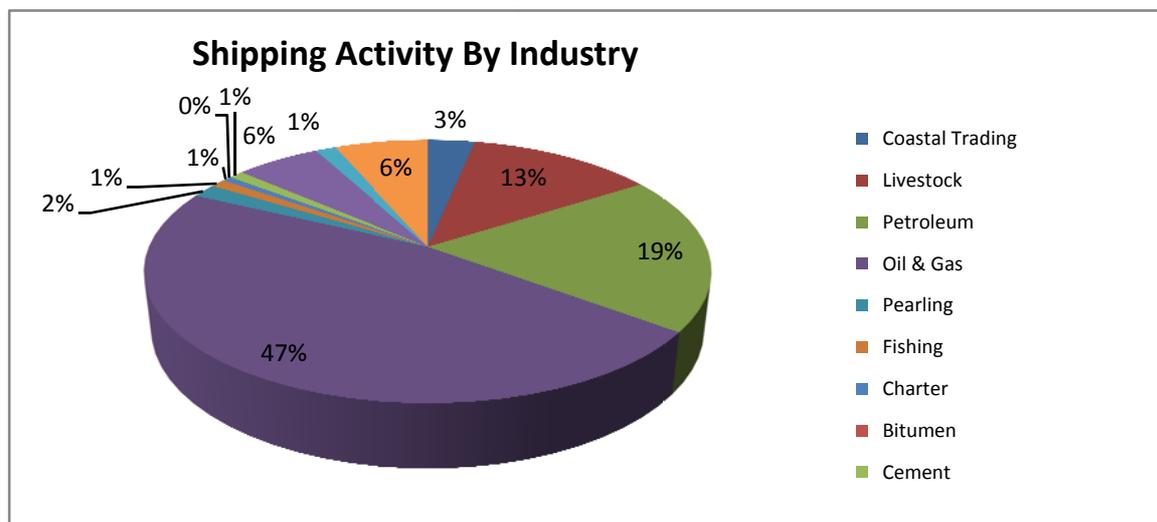


Figure 4: Port Business by Sector

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goods.

Broome has become a major regional port of destination for large cruise ships with up to 30 ship visits scheduled per year. These large ships occupy between 250-285 metres of wharf frontage and therefore the visits need to be managed with care to avoid impacting other vessel schedules. These cruise ships are tall and slab sided and are therefore affected by strong wind conditions. BrPA planning considerations therefore include investigating at what point in cruise ship growth should a second tug be sought in order to manage more safely these large cruise ships plus an increasing number of handy sized tankers and break bulk vessels.

3.5. Maritime Technology Influences

3.5.1. Sizes and types of ships

The largest vessels presently visiting the Port are:

- a) Cruise ships, typically of some 260m LOA and 77,000 gross tonnes;
- b) Based on the 'average freight rate assessment' (AFRA) system which classifies tankers of different sizes, Broome receives medium size fuel product tankers of 25,000 – 44,999 deadweight tonnage (DWT);
- c) Largest cattle ships are up to 176m LOA with 13,400 DWT;
- d) Platform supply vessels (PSV) are generally of 75m LOA and approximately 16m beam width, however new generation PSV's of 100m LOA and 20m beam are now calling at Broome - the largest of these new generation PSV's is 120m LOA and 20m beam but none have yet been stationed in Australian waters;
- e) Seismic survey vessels to 89m LOA and 19m beam;
- f) Breakbulk vessels are generally of 160m LOA and 24m beam.

Ship sizes are increasing over time, and the longer length vessels occupy increasingly more berth space at the wharf, which is likely to create shipping congestion issues. Ship size also impacts upon the Port's cranaage capabilities because a wider ship beam requires greater extension of the 100t crane jibs which reduces maximum lift weight due to leverage effect. In particular this issue arises with the new generation Platform Supply Vessels (PSV) where maximum weight for deck cargo is 40t for subsea equipment. In order to lower the item onto or to hoist the item off the PSV deck, the crane will need to jib out 25m to reach the far side of the new generation PSV deck, given the requisite setback distances of the wharf and the crane spreaders. At 25m extension the present 100t cranes have only a 7t lifting capability due to the effects of leverage.

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Effectively, the changing ship design technology is driving the Port towards sourcing a 250t crane in order to provide this crucial lifting capability. A similar crane lifting issue arises with the increasing sizes of seismic survey vessels and their maximum lifts of 26t.

3.5.2.Types of goods in cargo traffic

In addition to the present range of goods passing across the wharf, customers are in discussion with Port managers regarding:

- a) Transshipment of rock aggregate from a local quarry to the Chevron Gorgon project that is based from Barrow Island;
- b) Import of ammonia nitrate from Kwinana and perhaps from overseas, with the product destined for the Pilbara iron ore mines – this trade was conducted through Broome earlier in the decade;
- c) Project construction materials for both setting up the initial stages of James Price Point, and for regional development sites;
- d) Increased fuel supplies related to the increasing pace of development within the Kimberley region; and
- e) Increased break bulk shipments related to offshore development projects within the Browse Basin.

3.5.3.Equipment for Handling Trade Goods

Previous discussion highlighted the need for a review of crane lifting capability in relation to vessel size and cargo weight. Additionally, BrPA shall be required to purchase an inventory of ancillary lifting equipment capable of safely lifting these heavier weights.

The two 45t Grove cranes are almost at their 10-year half life maintenance refit points, and given that the recent half life refit for the 100t Demag crane cost near half replacement value, Board deliberations include the economic effectiveness of trading the two smaller cranes on new machines as they reach their 10-year half life point rather than refurbish. Some ancillary plant and equipment such as compressors and forklifts are reaching the end of their economic lives and requiring replacement within the coming twelve months.

The Port has three pipelines associated with hydrocarbon throughput – a 14-inch import line for diesel, aviation fuel, and petrol; and, two 8-inch pipelines for providing diesel bunkers to the wharf for refuelling purposes. One of the 8-inch lines from the fuel tank farm is blanked off at the base of the wharf and only one of the 8-inch lines extends out onto the wharf. All three pipelines are to be examined by competent engineers to establish their expected available working lives and to estimate the cost of replacing each pipeline in due course.

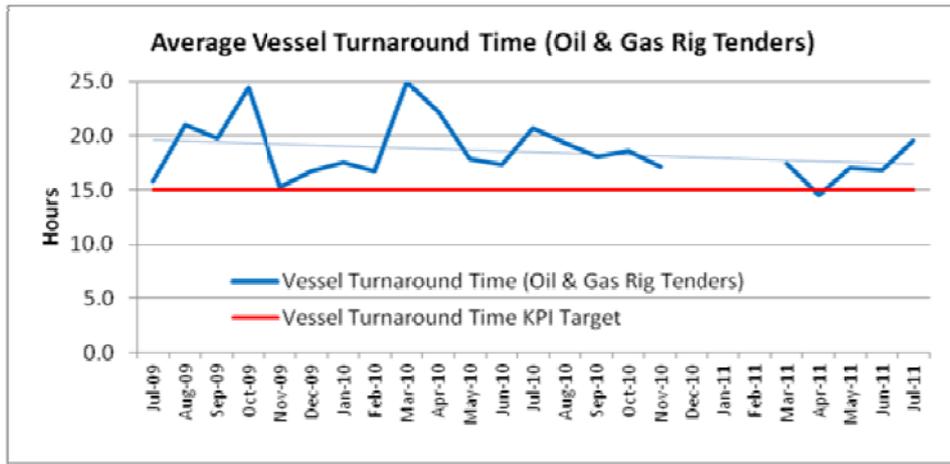
3.5.4.Labour Productivity

Key performance indicators for labour productivity measure the operational performance of a port in terms of the speed with which a vessel is despatched, the rate at which cargo is handled and the duration that cargo sits in port prior to shipment or post discharge. The KPI's for Port of Broome are shown at figures 5-7. Internal and external variables and influences on labour productivity include weather (rain, strong winds, or extreme heat and humidity), fatigue, equipment availability, number of workers in a gang, truck availability, ship

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type,
type,
cargo

cargo
mixed



complexity, the effectiveness
and socio-political affects.

Figure 6: PSV Turnaround Time

of imported cargo stowage,

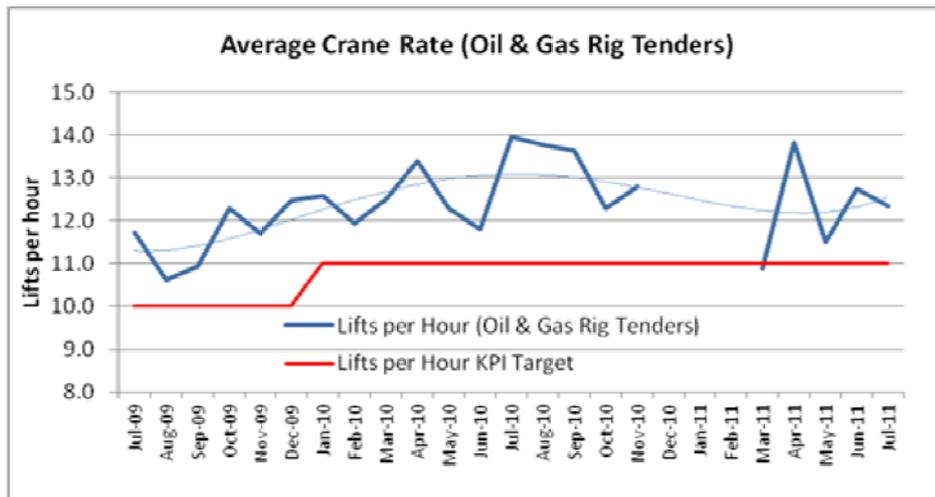
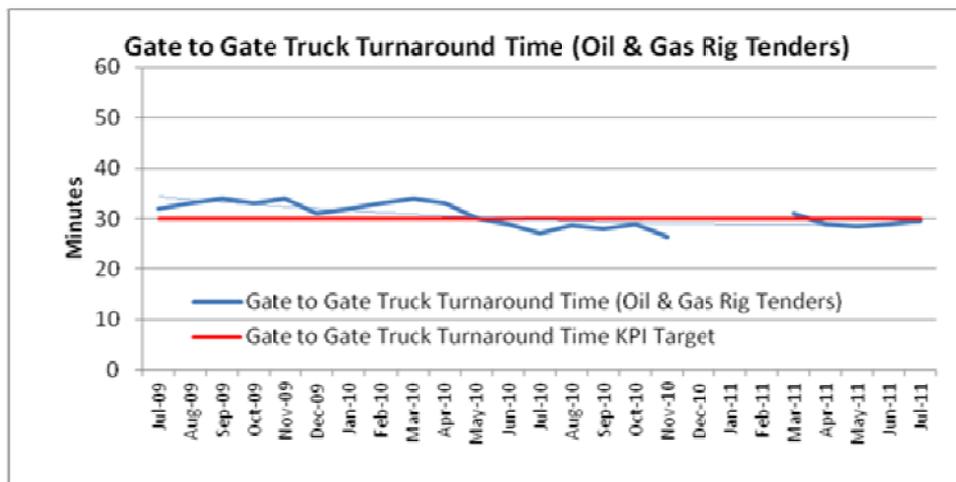


Figure 5: Crane Rate - Labour Productivity



3.6. Crucial

Figure 7: Gate to Gate Truck Throughput

Infrastructure

3.6.1. Wharf Facilities

In general, the existing Broome wharf is the port authority's primary infrastructure asset; it has reached the 46th year of its 50-year design life and the Port Authority aims to conduct an extension of life refit that might enable the wharf to function at present levels of capability until 2020. A concept plan has been prepared to establish how best to replace the existing facility and meet the anticipated stakeholder demands for wharf access over the next half century.

The present wharf construction began in 1965 with an anticipated infrastructure design life of 50 years; an extension at its southern end doubled the available berthing face in 2006. The entire structure has a safe working limit of 100 tonnes, with crane loads limited to 40 tonnes weight on an extended jib. This wharf load limitation and crane lifting ability is currently considered adequate for all present routine use, however if offshore operators require a greater lifting ability on a prolonged basis to cater for large loads in excess of what is now available, this will place further pressure on requirements for a new wharf.

BrPA is unable to finance such a large project and therefore if the project were to proceed it would need to be funded either by government supplied equity, a public private partnership, or the cost wholly borne by commercial entities.

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Accordingly, the Board's 5-year plan incorporates three alternative potential strategies towards the provision of crucial wharf facilities:

- a) Extension-of-life for the current wharf plus provision of a new wharf to complement and eventually replace the current wharf infrastructure.
- b) An extension-of-life refit to ensure that the existing facilities are able to continue business as usual for the next decade. This option does not provide for any additional berthing space but would allow BrPA to continue to service its current levels of demand past the expiry of the wharf's remaining design life. This upgrade is expected to take two years to complete at a cost of around \$21.5M. Strategically this option offers some flexibility as it will allow BrPA to meet forecast near-term levels of demand, but it does not deliver any additional capacity to cater for realistic growth expectations, and comes at a substantial cost to BrPA and the WA Government.
- c) Care and maintenance allowing the wharf to continue operation at its current capacity. While this option is initially relatively less costly than an extension of life refit, it will involve maintenance costs increasing yearly and within three years the older section of wharf and the landside link bridge will have deteriorated to the point where their load bearing capabilities will need to be downgraded.

The alternative strategy a) is preferred by BrPA Directors. An extension-of-life for the current wharf plus provision of a new wharf to complement and eventually replace the current wharf infrastructure would recognise the strong shipping growth that is expected across general shipping categories and in particular the growth expected to result from the new generation of larger platform supply vessels. The combination of a wharf extension of life program plus new wharf construction will permit the Port to meet future stakeholder demands both in terms of berth space alongside the wharf plus the increasing size and load weights of cargo throughput.

Key details from the draft concept plan for a proposed new wharf are listed below. Importantly, the new wharf concept plan is presently only a document that underpins strategic deliberations – it has neither official imprimatur nor funding recognition:

- a) The proposed new wharf will equip BrPA with an additional six berths capable of servicing the new generation supply vessels (LOA 95m) and will be rated to a 700 tonne wharf deck loading.
- b) The new wharf construction project (calculated to be in the order of \$400M plus \$21.5M for the old wharf section extension-of-life) is expected to take approximately 3 years to plan and implement.
- c) BrPA has project-ready land available to attract oil and gas customers to Broome with 50 hectares of port land under existing leases and the potential to increase this area by a further 54 hectares in the near term. This land in proximity to the wharf would underpin increased cargo and logistic operations at the new wharf.
- d) The new facility would have a useful life of 50 years and also be of strategic advantage in relation to the security and defence of regional offshore assets and infrastructure.
- e) Construction of the new wharf is likely to require Infrastructure Australia funding, and in the event of lesser funding becoming available than is necessary, then the concept design allows for modular construction in 100m sections.

3.6.2. James Price Point Project

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In 2009 Woodside Petroleum announced details of the proposed development of a liquefied natural gas plant at James Price Point, 60km north of Broome, and in June 2011 a consent agreement was signed between the traditional owners, WA State Government, and Woodside towards the project proceeding. This plant will be used to process gas from the Browse gas fields including the Torosa, Brecknock, and Calliance fields which contain a combined contingent resource of 14 trillion cubic feet of dry gas and 360 million barrels of condensate (public domain information).

Woodside's multi-million-dollar investment in front-end engineering and design studies on this Browse liquefied natural gas project is expected to culminate in the company making a final investment decision in late 2012. The State Government strongly supports this project. According to a Woodside press release, the James Price Point Development is expected to have a peak construction workforce of about 5,000 (onshore) and 1,500-2,000 (offshore). Woodside has plans to build an accommodation facility adjacent to the Browse LNG Precinct to house the onshore construction workforce. Broome Port is the closest deep water port to James Price Point by a considerable margin and as a result will be considered a strategic supply port for development of this plant. BrPA will be required to provide maritime oversight inclusive of marine environmental management, conservancy and provision of shipping management and administrative facilities throughout construction and into operational activities of this plant, putting further demand on the current capabilities of BrPA.



3.6.3.Port Land Figure 8: James Price Point - Facility Site **Developments**

Port land use planning takes into account the important aspect of the urban interface, where trucks to B-treble size share the access roads to the port with local commuters. The main

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access road is Gubinge Road which was completed in 2006 as an intended truck bypass around the town of Broome. While certain types of port related cargo must be transported along this intermodal corridor (fuel supplies to the region, cattle coming to port for export), it is possible to develop land adjacent to the port for cargo terminals that handle and store transshipment goods.

Due to Broome's specialised logistics support for offshore oil and gas, an increasing number of breakbulk ships discharge cargo that is taken to a storage yard and then brought back to the wharf when required and then back loaded onto PSV's for carriage out to the offshore platforms. If these yards are located adjacent to the port and thereby minimise use of Port Drive/Gubinge Road, then an almost complete truck separation can be made from local commuter traffic. This process is likely to be enhanced if the State and Federal Governments' initiatives in promoting coastal shipping reduces the number of trucks that presently utilise the North West Coastal Highway from either Perth or Darwin. Figure 9 shows land being brought to project ready status for logistic development purposes.



Availability of near- is also a key factor proponents and in entities in support of BrowseLNG projects. BrPA, the WA government and the Yawuru Aboriginal Corporation have entered into arrangements for the port to sublease 54 Ha of land for use by the Port stakeholders.

Figure 9: Land Identified for Light Commercial Purposes

port project ready land in retaining existing providing for logistics

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Capital works to date in support of land development including provision of power, water and telecommunications are underway, and various plans including stormwater management and an adjunct to the port's environmental management plan have either been completed or are in train.

The value of this new business to the community is thought to be significant, where for example the Northern Territory Chief Minister estimates that the Darwin oil and gas support industry is already worth about \$150 million a year to Territory business and is expected to grow strongly at Darwin within the next few years.¹

Intermodal Cargo Activity	Proponent Designation	Land Area Required	Land Use
Pipe Threading , Coating and Storage, Machining	Engineering Services	10 Hectares	Lay down area for limited duration (aligned with offshore project duration).
Offshore Project Freight and Machinery	Ship Agents and Freight Forwarders	10-20,000sqm	Office spaces, under cover storage, wash down area.
Logistics	Oil and gas majors	2 – 4 Hectares	Support for Oil and Gas development and exploration, general cargo
Oil and Gas development and exploration	Logistics Providers, sub-sea technicians and equipment	4 – 10 hectares	Lay down areas, warehouses, office space
Maritime Services Industry	Vessel operators, ship repairs and stores, chandlers, regulators, corrosion control	1 - 4 Hectares	Lay down areas , warehouse, workshop, and administration
Transport Industry	Trucking, logistics storage and machinery companies	10 Hectares	Lay down areas, sheds, workshop, and administration
Large Engineering Projects	Heavy lift and transport providers.	10 hectares	Lay down areas, assembly and management

Figure 10: Expressions of Interest for Near-Port Land

By engaging with these logistics companies to construct their commercial premises at Broome, the Port foresees the following strategic advantages:

- a) Based on consultant discussions with resources and logistics companies, the onshore support facilities for large offshore developments are likely to generate an estimated 17 direct jobs at the port, a further ~80 onshore jobs with logistics operators and other service providers, and 350-400 flow on jobs within the community. These jobs will help to reduce the current heavy reliance on the tourism industry to support the Broome economy, and provide year round long term employment and greater community stability.

¹ http://www.ntnews.com.au/article/2010/08/18/172891_nt-business.html

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- b) Environmental management would significantly benefit by selection of Broome as a support base - over the ~30years life of a single offshore field because deploying vessels over the additional distance to either Darwin or Dampier will result in an incremental 100,000 tonnes of extra fuel oil being combusted and an incremental 300,000 tonnes of Greenhouse Gas Emissions (GGE) discharged from supply vessels alone. Over the likely life of the Browse fields currently undergoing development planning the incremental GGEs are estimated to be in the order of 1,000,000 tonnes.
Additionally, the incremental fuel usage for helicopter support to a single offshore field, relative to Broome, over the field life is estimated to be ~8,000,000l with incremental GGEs of 200,000 tonnes.²
- c) Incremental marine and aviation operating costs involved in utilising a support base other than Broome would amount to ~\$620M over the life of a single field, with a commensurate loss in Petroleum Resource Rent Tax (PRRT) and Corporation Tax (CT) to the Commonwealth Government of ~\$230M.
- d) Capital investment by offshore operators and service providers on land leased from the BrPA is estimated to be in excess of \$120M over the course of the next few years. Annual expenditure by these investors into the community is estimated at \$20M.
- e) Economic analysis indicates that at current land rental levels the initial upgrade investment by the BrPA will generate a 25% IRR.
- f) Making the commercial estate adjacent the Port more accessible to freight movement and better equipped in terms of services is expected to attract new businesses to the town within the context of a logistics park urban expansion. These businesses might be related more to services such as engineering, design and fabrication than logistics/transportation entities requiring access to the port terminal.

3.7. Legal and Statutory Evaluation

3.7.1.State Government's role in port activities

The State Government's Minister for Transport the Hon. Troy Buswell commissioned a governance review of Western Australian Ports, including Port Authorities and non-Port Authority ports in 2011. This review is intended to be a high level review of port governance, rather than of port operational processes. Underlying concepts that led to this review included:

- a) The increased demands on port services resulting from the renewed mining growth;
- b) The need for coordinated planning and effective participation in the Commonwealth Government's development of a National Ports Strategy and National Freight Strategy;
- c) The increased demand on State and Federal Governments for infrastructure funding; and
- d) The proposal for amalgamation of Port Authorities and other recommendations in the state's 2010 Economic Audit Committee report.

² Emissions figures, financial implications, and national/state revenue derivatives calculated by consultant Risc Management, a Perth based firm servicing the global offshore oil and gas industry.

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BrPA awaits the release of final document to provide impetus to future planning and budget allocations.

From FY 2009-10 the State Government requires a 65% dividend payment upon government agency surpluses and during 2010-11 Government introduced a 5% efficiency dividend upon which tax equivalency and the 65% dividend is to be paid.

The Minister advised all WA Port Authority Chairmen that he seeks a more collegiate role for WA's port authority ports and in particular, a more active role involving the peak industry Ports WA organisation. This collegiate role will include the development of uniform funding proposals, industrial relations policies, environmental management processes, and community interactions.

3.7.2. Regulatory authority influences on port operations

Office of Transport Security (OTS)

The Federal Department of Infrastructure and Transport has reviewed the risk profiles of different types and sizes of passenger ships, and the security measures to be emplaced at ports commensurate with these risks. The Department is currently reviewing the requirements for High Volume Regional Port Operators in respect of providing dedicated screening points and cleared zones established for landside passenger screening. Broome is currently assessed as a High Volume Regional Port on the basis that at least 10 large passenger ships visit the port each year (large in this case equates to more than 151 passengers). Small passenger ships (150 or less passengers) will be responsible for their own security screening.

This review includes OTS considerations towards requiring regional port operators such as Broome to provide costly secure screening areas for passengers and personal effects, X-ray screening machines, and metal detection walk-through frames. BrPA is not funded for the level of security monitoring required under these actual or proposed changes.

Landside security zone monitoring systems

Under the Port's Maritime Security Plan and MTOFSA the security gate watchkeepers are required to monitor personnel and vehicle thoroughfare at the beginning of the landside security zone. This process is regularly reviewed for effectiveness by OTS inspectors.

The associated Siemens swipe card monitoring system and software were introduced to service in 2005, however, this entire security system including IT computer hardware and software is now defunct and requires replacement. Similarly the Port's video surveillance system which was introduced at the same time has deteriorated due to soft metal and electronic component corrosion from salt laden air. A recent risk analysis of the Port's security system highlights the urgent need to replace these systems and software as soon as funding becomes available.

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3.8. Social evaluation - concerns of the port community

3.8.1. Port operations

BrPA commissioned a survey of its primary Users, in order to determine general satisfaction levels in relation to the Port's facilities and services, and also to gauge Port customers' perspective of the future development of the Port in relation to the emerging development of the massive Browse Basin offshore oil and gas province.

The majority of respondents interviewed, specifically the Oil and Gas Users, indicated that their sole reason for utilising Broome Port is its location in proximity to the Browse Basin offshore oil and gas province. The Users other than Oil and Gas either have a vested commercial interest in the region including livestock export (25%), general fuel distribution and supply (19%), pearling (6%) or tourism (6%). Twelve percent of respondents said that they are based in Broome because Broome offers a ready, established support base.

The significant majority of Users (88%) indicated that their preferred location for WA's proposed regional oil and gas services hub is Broome, while 6% chose Derby and a further 6% did not have a firm opinion.

3.8.2. Use of port public domain

Respondents were asked if Broome's tourism industry could continue to co-exist alongside increasing industrial development in the region. The response was overwhelmingly in favour (observing however that the majority of respondents represented industry). Excerpts from respondents' comments in this matter included:

- a) Opportunity for synergy between the industries, for example an increased development of local facilities.
- b) The oil and gas industry offers the community year-round revenue, whereas tourism is seasonal.
- c) Can't see why not.
- d) May need to look at Port traffic control, but certainly, yes they can co-exist.
- e) Need a dedicated operational wharf for the oil and gas industry separate from cruise ships and cattle ships or it will get to a point where they can't operate together.
- f) Yes, but need a separate, dedicated industrial hub, aligned to the oil and gas industry and that won't impede on the tourism industry in particular.
- g) Don't see why not.
- h) If (industrial development) takes place out of town it won't affect tourism one little bit.
- i) There are more positive than negative impacts.
- j) Can continue to grow together.
- k) Don't see why they can't.
- l) No valid reason why not.
- m) The oil industry already helps Broome survive in tourism's quiet season – there is no reason to clash.
- n) The oil and gas industry is a clean industry. Also – the oil and gas industry activities are out of sight of tourism attractions.
- o) Most definitely.
- p) Without question, e.g. James Price Point location would offer a fair separation between industry and the tourism attractions in town.

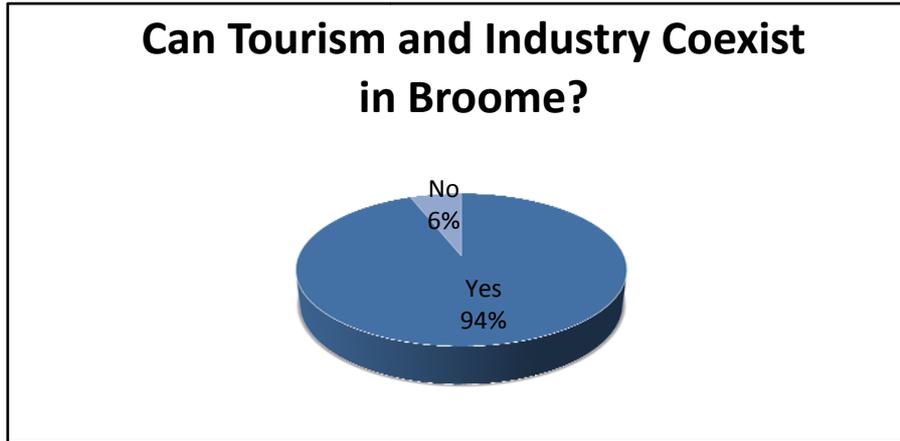


Figure 12: Coexistence of Tourism and Industry

3.8.3. Trade and transport

Respondents generally rated the Port's service offerings and provision of facilities as 'Good' - see figures 13 to 15 below. Notably, 70% of Port Users said that they experienced delays in berthing due to the limited wharf space available, and their perception was that the wharf congestion is worsening. These respondents ideally would like to have dedicated wharf space per industry, or at least additional berthing facilities to alleviate delays.

Oil and Gas industry users were emphatic in asking for a 150t – 250t crane to meet their industry's specific lifting weight requirements. Present cranes are of 100t lifting capacity.

The survey respondents made favourable mention of the Port's tide-suitable gangways.

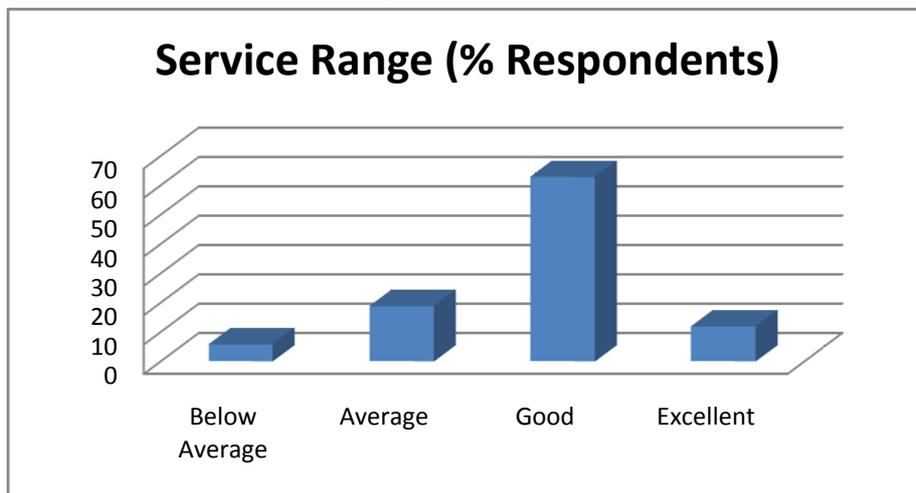


Figure 13: Perception of Port of Broome Service Offerings

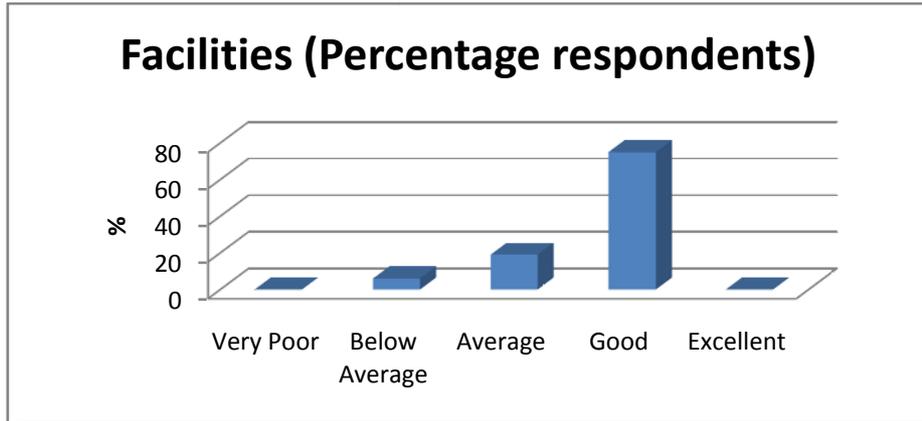


Figure 14: Perceptions of Facilities Provided at the Port

Respondents rated the Port's quality of service as 'Good' – see figure 15.

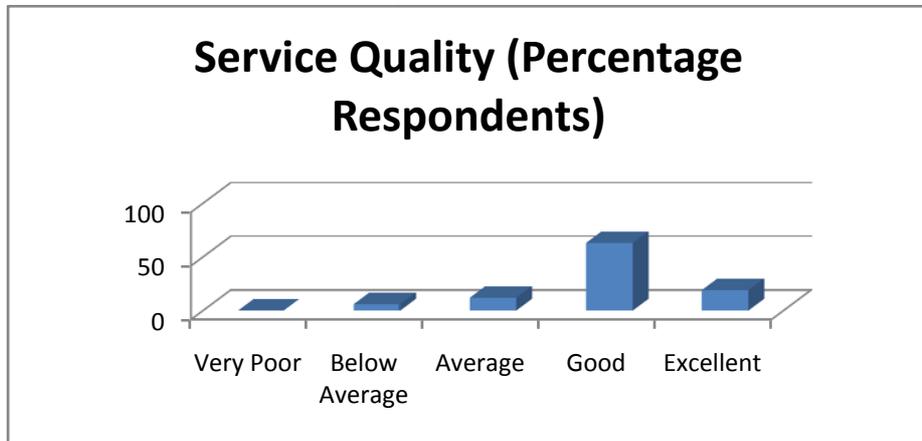


Figure 15: Perceived Service Quality

Respondents rated the Port's achievement against promised turnaround times as 'Good' and that when delays were experienced, these generally resulted while waiting on sufficient tidal height to make a transit, adverse weather, or waiting for a berthing facility when the Port is busy. See figure 16 below.

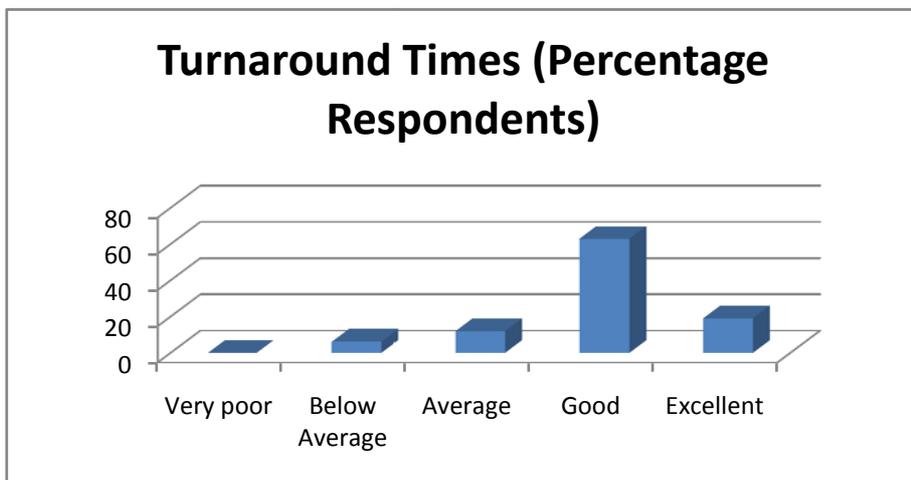


Figure 16: Port's Achievement against Promised

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The Port's administrative functions including the timely distribution of accurate invoices were rated as 'Very Good' while communications efficiency was rated 'Good' – figures 17 and 18 refer.

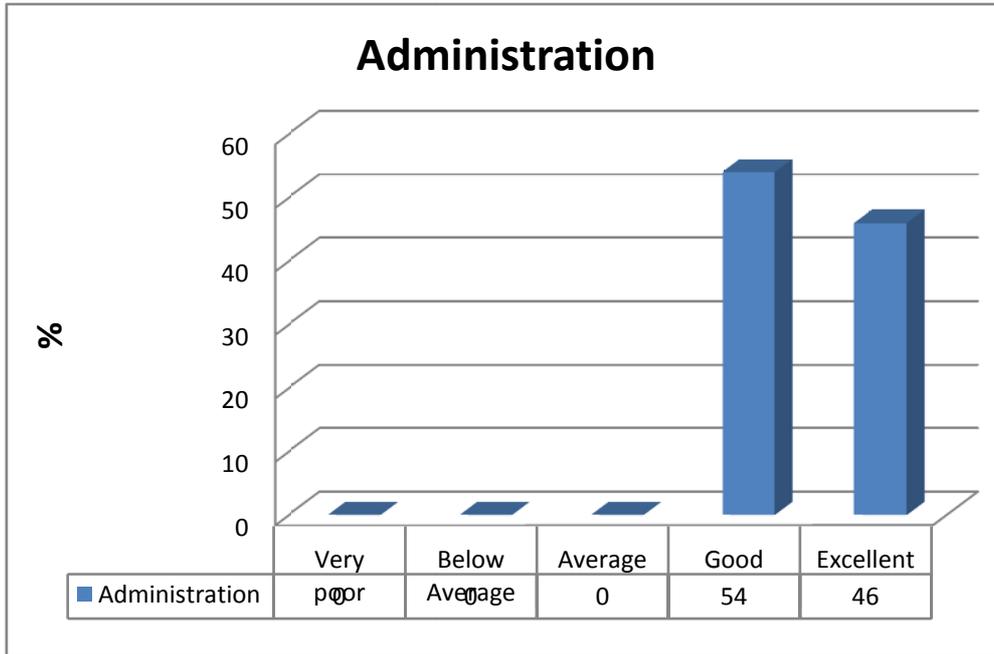


Figure 17: Port Administrative Functions

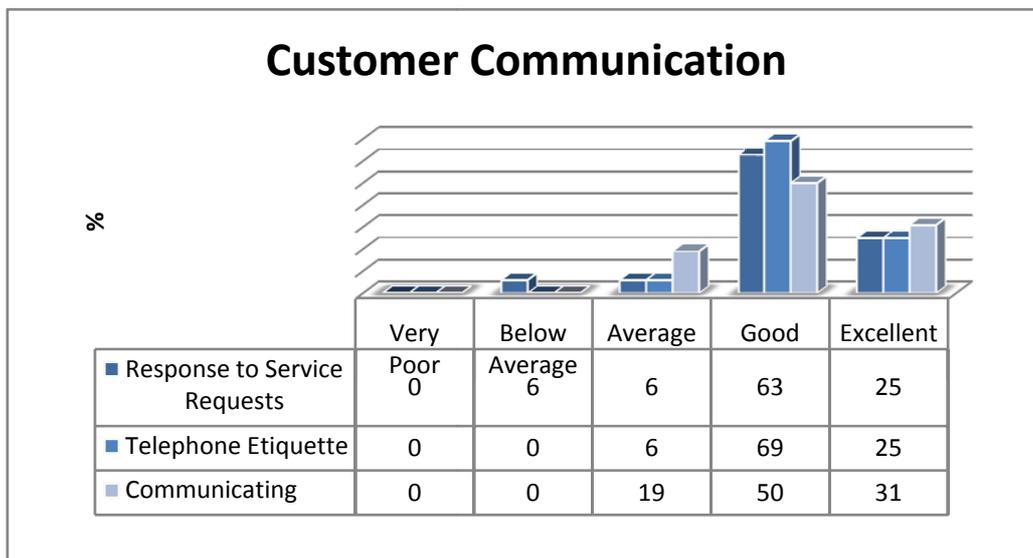


Figure 18: Efficiency of Customer

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Conclusions from the evaluation of customer perceptions of the port and its management are that:

- a) The Port's Users are generally satisfied with the Port's facilities, services and customer communication efforts.
- b) The majority of customers across a range of industries have commented on their perceived need for additional wharf space / berthing facilities. In particular, respondents advised that given the increasing marine traffic from the oil and gas industry in the Browse Basin, the Port should give consideration to ensuring the continued expansion of its facilities to meet medium and long-term demand from this sector.
- c) Overwhelmingly, the Port's Users would like to see Broome as WA's regional oil and gas services hub going forward. Broome's location in proximity to Browse Basin, its head-start in terms of development, and the support for additional local economic development in Broome, are the main drivers for this sentiment.
- d) The Port's Users are confident that industry and tourism can continue to co-exist in Broome, to the mutual benefit of all.

3.8.4. Safety and environment within the port

Broome Port is subject to multiple HSE and quality audits from its major proponents who demand from their logistics partners the highest standards in health, safety, environment and quality (HSEQ). Considering that drilling a single exploration well may cost US\$20M or more, and developing a gas field can cost billions of dollars, any harm, delay or social consequences from an accident or failure of equipment when delivering a key good or service is very costly. Broome safety standards complement and underpin these stakeholder requirements.

Environmental management requires engagement in a number of aspects. Noise levels at the Port have not been an issue, partially because the general-user industrial park adjacent the Port's northern boundary provides a buffer zone against urban encroachment which might be sensitive to industrial noise, particularly at night. Also, the types of trade practiced at the Port do not generate much more than diesel engine noise. At major ports, particularly with the growth in containerisation, local and regional atmospheric pollution occurs from the amount of diesel exhaust particulates and the nitrogen and sulphur oxides emitted by cranes, lifting machines, trains and the ships alongside. Broome as a small regional seaport is not exposed to this level of trade and associated emissions.

A recent 'carbon footprint' analysis of the Port's annual emissions provided a negligible outcome – the pilot study was conducted across three scopes of emission sources:

- a) Scope 1: (Controllable) Fuel for energy use (e.g. petrol, gas, diesel), industrial processes, onsite waste, etc.
- b) Scope 2: (Controllable) Electricity purchased.
- c) Scope 3: (Not Controllable) Carbon emissions embedded in goods and services purchased (e.g. plant and equipment purchases, waste disposal, etc.

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Pollution potential for Port land and waters is managed closely, and particularly so against the hazard of oil spill. Stringent measures and procedures are required for any oil transfer operations, and a number of test bores are located near the major oil tank farm storage facility to monitor against any release into the ground. The Port has developed an extensive Tier 1 oil spill response capability with equipment purchases, personnel training, and equipment drills.

Cattle trucks spill waste along the roadway of the Port and upon the wharf, and after each ship visit the Port employees spend considerable time and effort in cleaning roadways and infrastructure so that minimal amounts of waste enter the waters or into road verge areas within Port lands.

The Port arranges for periodic whole of port environmental audits by a third party consultant.

4. PORT PLANNING CONSIDERATIONS

Funded project work is directed towards the provision of a 10-year Master Port Plan supported by ancillary sub-plans related to the provision, replacement or relocation of critical services such as drainage, sewage, power and water, plus the ongoing essential maintenance of key port infrastructure. The required planning documentation incorporating sub-plans and surveys that are crucial to sound port management consist of:

- a) 10-Year Master Plan;
- b) Master Drainage Plan;
- c) Stormwater Management Plan;
- d) Master Services Plan – water, power, sewerage, communications;
- e) Land Use Master Plan;
- f) Topographical Survey;
- g) Cultural and Heritage Register;
- h) Traffic Management Plan;
- i) Roads and Crossovers Design and Alignment Plan;
- j) Essential Services Plans and Mapping – fuel and water pipelines, telecommunications lines, underground power cables;
- k) Environmental Surveys; and
- l) Maintenance Surveys and Planning.

4.1. Information Technology

The Port operates four server systems to provide general IT services and operate the domain, plus standalone provision of the SynergySoft financial and accounting software system and records. Two subsidiary computer systems provide Automated Identification System (AIS) services towards Port navigation, and a Siemens security system that manages the Ports ID cards and induction records. Internet provision is achieved through a national services provider. IT security and backup provision is managed in accordance with BrPA's IT policy.

Port computers are linked to the servers by a fibre optic local area network; BrPA's computer assets comprise of desktop and laptop units, with laptop units primarily issued to senior managers who are required to work at home or on the road.

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Statistical records are maintained within the electronic record keeping system towards the following purposes:

- a) External communication of the results of port activities;
- b) Planning, management and control of port operations;
- c) Verifying operational events in case of dispute;
- d) Planning of port infrastructures;
- e) Control of financial management; and
- f) Control and planning of human resources of the port.

BrPA's hardware and software replacement plan has the objective of replacing servers at four-yearly intervals, computers at three-yearly intervals, and software replacement subject to review, all with the aim of minimising IT changes and costs.

5. PORT PERFORMANCE AND PRODUCTIVITY

Port performance and productivity is measured across a range of factors and statistics due to the complexity of interaction with ships, logistics services suppliers, berthing space, labour availability, and the region's seasonal weather conditions. Further performance and productivity variations occur because of Broome's 10-metre tidal rise and fall, plus the differing types of cargo and ships worked throughout the year. BrPA's performance measurements are extracted from records, observations, and customer satisfaction surveys.

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Performance Measure	Indicator	2010-11 Actual	2011-12 Forecast	2012-13 Forecast
Quantity	Total trade throughput (M tonnes):	342,944	360,000	400,00
	Berth occupancy rate:	30%	35%	40%
	Total trade growth:	-3%	5%	11%
Quality	Customer satisfaction survey	62%	64%	66%
Financial	RoR on assets	1.3%	4.0%	6.2%
Navigation	Number pilotage tasks:	495	550	650
	New Navigation buoys:	0	1	2
	New electronic nav aids:	0	0	0
	Hydrographic surveys:	1	1	1
	Local marine notices:	25	25	30
Vessel Calls	Oil & gas:	202	244	384
	Tankers:	15	16	18
	Break-bulk:	16	26	40
	Cruise ships:	31	35	35
	Livestock vessels:	31	30	30
	Fishing & aquaculture:	235	235	235
	Defence & other government:	43	45	50
Vessel efficiency	Average turnaround time	17.8	17.0	16.0
Crane Efficiency	Lifts Per Hour	12.8	13.0	13.5
Logistics Efficiency	Truck turnaround time	29	30	20
Safety	Lost time incidents p/a	1	0	0

Table 2: Performance Indicators at a Glance

5.1. Present Services Capabilities and Constraints

5.1.1. Wharf infrastructure and crane capabilities

The 2006 wharf extension is presently 30% utilised at current berth usage with 60% peak usage experienced during the intensive shipping phases experienced at the commencement and completion of drilling campaigns. Since 1997 larger trading vessel visits to the Port have increased from ~20/year to more than 300/year during the last 4 years, and despite a several month downturn in shipping expected as a result of the economic downturn, this larger size shipping is expected to gradually increase at the port. This shipping will include seismic vessels, product tankers and break bulk vessels involved in providing services, stores and equipment related to Browse Basin work.

A stakeholder survey established that major customers considered that the wharf infrastructure would not be sufficient to match their medium to long term intermodal logistics demands. Consequently the Board of Directors commissioned a high level study that reviewed operational and economic considerations related to wharf infrastructure in Broome, and had a concept design of a new wharf prepared by an engineering firm.

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The proposed project was then taken to the port's major customers to ascertain their level of interest in making financial contributions, however while all customers acknowledged that the proposed project was what is required, none were prepared to contribute. The project was recently aired at an Infrastructure Australia team regional visit and again the project attracted interest without gaining financial commitment.

The main section of the existing wharf structure (figure 19) was constructed in 1967 with an intended life of 50 years. The wharf and its jetty access is limited in weight bearing capacity to 100 tonnes, effectively providing a net 40 tonnes crane lifting capacity for work close in to the wharf edge. It is normal for an ageing structure to become progressively downgraded in load bearing capacity in order to preserve the facility and to allow for a gradual age-related reduction in structural integrity. This wharf and its load bearing capabilities is presently adequate for all routine cargo operations however the offshore resources industry has an occasional need to move heavier loads.

Customer advice is that offshore development operations will necessitate the port acquiring a 250-tonne crane in order to lift circa 40-tonne loads at a radius of 25 metres at the wharf edge. The feasibility studies for developing this capability are being conducted by competent engineers, and preliminary advice is that a 250-tonne rough terrain crane might perform such a task if the spreader arrangement is situated precisely over piles below the concrete decking of the new section of wharf. When the crane is not employed with heavier lifts it might be de-rated by removing counterbalance weights and operated as a 100-tonne crane elsewhere on the wharf.



Figure 19: Port of Existing Broome Jetty Schematic

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5.1.2.Vessel Traffic Management

The increasing number of vessel visits requires an improved traffic monitoring for safety, commercial and security imperatives. BrPA intends to develop the capability to provide a limited vessel traffic service incorporating a 24/7 operational radar and radio watch, maritime security overview and CCTV monitor system, a vessel logging service plus a maritime services contact point. Vessel traffic management will involve recruitment of approximately five new personnel to man the VTS service 24/7.

5.1.3.Water

Consideration was given to sinking a deep bore to a significant aquifer that might provide water of slightly less than potable water quality for commercial purposes. Engineering investigation has shown that this water is some 400 metres deep and is likely to be of such a pressure and supply that it will reach the surface while still under significant pressure. When levels of demand increase sufficiently, then employment of this water will reduce demands on the town's water supply and be in keeping with the State's 'water-wise' campaign. Sufficient customer support for the use of this water is required before the expensive project (circa \$1M) might be programmed.

5.1.4.Roads, Road Transport and Port Land Development

BrPA is working with WA State Government departments in order to arrange a traffic study along the arterial Gubinge Road/Port Drive access to the Port. This traffic study is intended to examine the effects of interspersing heavy trucks with tourist and private community vehicles along Gubinge Road, and to measure existing levels of heavy traffic. From its statistical findings, the study conclusions will include a predictive estimate of future heavy haul vehicle road usage and the consequences for other road users.

Gubinge road was constructed in 2006 in order to divert road trains away from the town centre, inclusive of cattle trains and quad fuel tankers delivering regional fuel to outlying areas. Urban encroachment has occurred along the path of the new road in the wake of LandCorp suburban developments and some community opposition to trucks utilising this road was reported by DSD as the result of one of their social impact studies for James Price Point. BrPA community relations work will emphasise the original rationale behind the Gubinge Road construction.

BrPA is planning to develop 54 Ha of land adjacent to the Port for light industrial uses related to maritime logistics and transshipment cargoes. This project should not result in increased truck traffic along Gubinge road because freight terminal-Port transport will utilise Port Drive within Port limits and then divert by a short access road into the new light industrial area adjoining the existing town industrial site. Logistics planning by major Port users involves making greater use of short sea shipping rather than road trains between Broome and Perth or Darwin.

The Port plans to spend \$175,000 on a traffic management system and road rerouting within the Port to prepare the site for an expected increase in heavy vehicle traffic. This work is being conducted in compliance with proponent safety surveys that highlighted previous inefficiencies in traffic control; for example the intermingling of tourist caravans and mobile homes into the commercial trucking thoroughfare between the supply yards and the wharf.

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5.1.5. Maritime and Logistics Services

The Port is able to provide a wide range of services and stores items, and the town now hosts major service firms such as Schlumberger, MI SWACO, and Baker Hughes. Several services firms are also now considering centering their operations on Broome as the town is strategically located between the NW Shelf and Timor Sea operations. The 54 Ha development site that the Port is bringing to project ready status is already oversubscribed by expressions of interest towards acquiring industrial near-Port land.

5.1.6. Personnel and Management

Broome Port Authority has developed an efficient and capable management structure that readily meets the present requirements of shipping operations and commensurate demands on the Port to maintain essential services and Port administration. Coupled with this 'normal' workload, Broome will shortly require the ability to assess, advise and oversee large projects and will need to source competent commercial, environmental and engineering staff.

During the past year both the Safety Officer and Harbourmaster left for positions within commercial organisations. Their exit interviews indicated that both required a work base in Perth for family reasons, plus both received salary increases in their new positions. The recruiting process for replacement managers took longer than expected in the face of competition from resources projects for high caliber candidates.

6. INFRASTRUCTURE & EQUIPMENT CONSIDERATIONS

6.1. Capital Works

Table 3 lists the ongoing capital works and associated costs that are required to refurbish, upgrade and expand the Port capabilities to safely, effectively and efficiently support customer requirements. The projects were forwarded to the Minister in a collective Business Case format and then subsequently incorporated into an EERC proposal for submission through the Minister to that Committee. These projects have been approved and are funded through loans from WATC.

The Port's 5-tonne forklift is 25 years old and has reached the end of its operational life and is beginning to require extensive maintenance. A replacement unit is required in order to provide logistics surety at the wharf and to enhance operator safety against machinery or structural failure. The other forklift is an 8-tonne unit and if the 5-tonne forklift is replaced with an 8-tonne unit then the Port has redundancy arrangements to enable maintenance tasks without downtime for logistics work. The replacement is required during 2012-13. The cost of an 8-tonne forklift is \$100,000, which is unfunded.

In summation, the most pressing of these needs is funding to for critical works, plant and equipment on the wharf and to make land project ready for customers who require land proximate to the wharf for laydown areas, warehousing and workshops. Other aspects of Broome's ability to meet future customer needs and capacity constraints are identified as:

- a) Maintaining sufficient berth space,
- b) Terminal productivity,
- c) Having available sufficient area of useable land adjacent the Port,
- d) Availability of efficient operational machinery,

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- e) Efficient port/road interfaces,
- f) Provision of storage and laydown areas,
- g) Sufficient and self reliant funding aided by land rentals, and
- h) Drainage measures sufficient to cope with tropical weather parameters.

No	Action	Cost	Description/Assumptions
1	Wharf Essential Works	\$1000,000	OS&H; Replace pipe hangers and suspension rails, fender replacement, refit & test bollards, electrical maintenance including sub-station replacement.
2	Navigation & Security facilities	\$255,000	Refurbish navigation aids and electronic systems.
3	100 Tonne Crane	\$1,800,000	Replace a hired crane.

Table 3: Essential Infrastructure and Equipment Purchases

6.2. Projects - Approved

Projects have been approved for the provision of crucial infrastructure and the conduct of essential works during the next two years – table 3 refers.

7. TRADE FORECASTS

7.1. Overview

During FY 2012-13 the oil companies forecast drilling campaigns and project development works that will provide the Port with support work for the Browse Basin. The offshore drilling and development work is expected to involve at least three companies for periods of 2 – 5 years and much of the logistical support will be based from Broome. Once this forecast work commences, Broome Port Authority is likely to be afforded revenue surety for the first time in its decadal existence.

The BrowseLNG developments bring a diverse range of vessels to the Port – breakbulk ships, seismic vessels, dumb barges, jackup barges, platform supply vessels, anchor handling vessels, accommodation vessels, survey craft and chase boats.

Despite this potential for a flourishing offshore resources support role, two other areas of port business face uncertain futures:

- a) The number of cruise ship visits to Broome from 2012 onwards will largely depend on the outcome of deliberations by the Federal Office of Transport Security towards stricter security compliance constraints, requiring the introduction of expensive infrastructure, equipment and security officer measures that the Port is unable to afford.
- b) Following the Federal government's 2011 suspension of cattle exports to Indonesia and subsequent regional advisory meetings with the Federal Minister for Agriculture, the future of the Kimberley's live cattle export industry cannot be viewed with total certainty.

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Regional developments both on and offshore are requiring increasing quantities of diesel fuel and consequentially the product tankers visiting Broome while not increasing in numbers are discharging greater volume cargoes.

7.2. Non-Commercial Vessel Visits

The Defence White Paper 2009 highlights the need for an increased Defence presence to enhance northwestern Australia's maritime security, and Broome is expected to play a larger role in supporting Navy, Border Protection, Customs, and Immigration vessels. Government vessels compete for berth space with those of commerce and while commercial vessels contribute on a 'user-pays' basis for maintaining the wharf and navigational infrastructure the Federal government does not. Given Broome's increasingly important role stemming from its geographically strategic location to both offshore industry and people smuggling routes, pressure will eventuate for the Port to provide more berth space, and in such case government contributions to the ensuing capital costs must be sought.

7.3. Trade Projections

Trade projections for imports, exports and vessel numbers for the period 2012-13 are outlined at table 4, and are compared against actual figures from 2010-11. The trade projections are made within an environment of uncertainty due to:

- a) Impending government announcements in relation to the WA Ports Review and the WA State Freight Strategy,
- b) A decision by Woodside whether to proceed with its major project at James Price Point (FID),
- c) Confirmation from several oil and gas majors whether to proceed with offshore BrowseLNG developments,
- d) Potential increased berthing requirements from non-commercial government-owned vessels,
- e) The future of the livestock export industry being uncertain, and
- f) Broome might become priced out of the cruise ship industry if Federal Office of Transport Security increased security requirements are to be implemented.

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Trade Projections			
	2010-11	2011-12	2012-13
	actual	target	target
Cargo throughput (tonnes)	342,944	360,000	425,000
	2010-11	2011-12	2012-13
Exports (tonnes)			
Livestock	29,397	30,000	30,000
Water	58,928	45,000	50,000
Other	21,852	24,000	40,000
Total Exports	110,177	99,000	120,000
Imports (tonnes)			
Fuel and oils	169,459	180,000	200,000
Building materials	4,523	8,000	10,000
Other	12,743	23,000	35,000
Total Imports	186,725	211,000	245,000
Bunkers	46,042	50,000	60,000
Total Trade (tonnes)	342,944	360,000	425,000
Vessels Calling			
Trading	266	316	472
Cruise	31	35	35
Fishing	97	100	100
Pearling	138	135	135
Charter	338	350	350
Naval and other	126	140	140
Total No. of Vessels	996	1,076	1,232

Table 4: Trade Projections

8. FINANCIAL CONSIDERATIONS

8.1. Overview

Western Australian port authority ports with the exception of Broome are funded through fees and charges based on large resources industry throughput, whereas Port of Broome handles comparatively low tonnage volumes and its revenue is primarily derived from the provision of stevedoring services. Other revenue is derived from land leases and by billing customers for use of Port infrastructure and equipment.

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BrPA consistently endeavours to operate on a commercial basis, but is hostage to the vagaries of both the offshore oil and gas business and the livestock export trade. Both industries suffered marked downturns in 2010-11 which severely reduced BrPA's shipping and cargo throughput and despite a marked reduction in expenditure and scheduled work programs, the Port recorded a loss.

Port management's medium term objective therefore is to make the business consistently operate on a commercial basis so that BrPA can:

- a) fund its own operations and capital works programs;
- b) develop a commercial capital structure and earn a commercial return on assets; and
- c) pay dividends to its owner (WA Government).

8.2. Port Financial Performance 2000-2012

Year	Profit \$000's*	Assets \$M	RoR on Assets
30-Jun-00	84	12,226	0.7%
30-Jun-01	22	13,992	0.2%
30-Jun-02	(188)	13,933	(1.3%)
30-Jun-03	(246)	14,335	(1.7%)
30-Jun-04	(174)	15,745	(1.1%)
30-Jun-05	(254)	23,491	(1.1%)
30-Jun-06	2,453	28,475	8.6%
30-Jun-07	1,323	29,299	4.5%
30-Jun-08	(84)	31,224	(0.3%)
30-Jun-09	2,831	32,783	8.6%
30-Jun-10	2,360	31,413	7.5%
30-Jun-11	422	33,013	1.3%
Average RoR on Assets			2.16%
*Profit before tax equivalency, interest & dividend			
** First FY reporting period was six months.			

Table 5: Port Financial Performance since BrPA's Inception in January 2000.

8.3. Port Charges and Considerations

Australian port charges are levied on visiting ships to generally fit into the following three categories:

- a) Navigation service charges are levied on a ship upon entry to port and are generally regarded as a charge for the right to enter the port and benefit from navigational aids, maritime access channels and port traffic control. An example of how navigation services charges are calculated for South Australian ports is shown at Attachment A.
- b) Harbour service charges are levied against the ship when it is alongside the wharf.
- c) Cargo service charges are levied on the basis of the volume loaded or discharges in the port.

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The three charges are variously described by ports around Australia and relate to the costs involved in providing services and infrastructure including navigational aids, harbour control (but not pilotage or towage), channels, berths, wharves, cargo loading and unloading, marshalling areas, jetties, berth pockets, fenders, mooring structures, mooring and unmooring.

Broome Port dues and cargo handling charges are key performance factors and inappropriate charges can make or break the port. Charges set too high can deter trade and because BrPA has a regional monopoly over services, too high a level of charges can hurt the industry segments that the port is meant by government to support. Conversely, prices set too low can give rise to shipping congestion, reduce revenue availability for essential works, and restrict investment cost recovery. A strategically correct pricing strategy therefore has potential to make port throughput more efficient, generate local and regional economic activity and employment, and importantly from the government perspective, increase trade.

In setting tariff rates the port must take into account both its present costs and expected cost increases over the ensuing year otherwise the port may become unable to fund the scope and quality of its existing level of services, develop or improve these services, or increase its capacity by funding critical infrastructure works. The port must be able to meet all expected expenditure requirements plus achieve a modest surplus in accordance with accepted business principles.

In this regard, Broome Port presently experiences high underlying costs of regional living, plus its suppliers of commercial goods and services charge significantly more than capital city prices – this cost disparity is expected to continue and widen as regional projects proceed. Further, the port's ability to build up cash reserves is limited by enactment of the 5% efficiency dividend and the 65% normal dividend. Resultantly, in 2011-12 BrPA must pay a minimum amount of \$1M in dividend to the State government (inclusive of a dividend debt from a previous year).

Costs and pricing were recently reviewed and BrPA's tariffs were benchmarked against other WA regional ports, Port of Darwin, and the SA Flinders Ports. Broome's scheduled fees and charges were higher than the average of these other ports, and in some fee categories Broome was more costly. Because BrPA's business is conducted within a port authority Services Model and cargo throughput is highly labour intensive, BrPA's profit margin is smaller than achieved by Landlord Model ports which predominate in WA. Consequently the WA State Government objective to see BrPA achieve an 8% average Rate of Return is difficult to actualise.

8.4. Costs and Prices Review

During FY 2011-12 management increased the schedule of fees and charges by the CPI component in order to achieve the requisite ROR on assets.

BrPA is anticipating that for 2012-13 the schedule of fees and charges will need to be adjusted by the CPI component and other significant cost increases that are relevant to operating in a regional location in order to achieve the requisite ROR on assets.

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8.5. Tariffs - Pricing Strategy

In setting a revised schedule of fees and charges for 2012-13 the Port Management will recommend to carry all port fees and charges into the 2012-13 year with only a 10% increase.

Detail	2010/11 Actual \$'000	2011-12 Budget Estimate \$'000	2012-13 Budget Estimate \$'000	2013-14 Budget Estimate \$'000	2014-15 Budget Estimate \$'000	2015-16 Budget Estimate \$'000	2016-17 Budget Estimate \$'000
Revenue from Operating Activities	10,985	13,484	15,498	16,273	17,086	17,941	18,838
Operating Profit (before interest and tax)	422	1,442	2,400	2,333	2,594	3,084	3,561
Rate of Return	1.3%	4.0%	6.2%	6.0%	6.7%	7.9%	9.0%

Table 6: Comparison Budgeted Estimates

8.6. Investment Strategy

The Port of Broome has adopted a policy of maintaining a cash reserve of \$0.5M where possible to enable the Port to contend with unexpected demands. This contingencies reserve together with any short to medium term cash surpluses above and beyond what is required for daily operations will be invested in low risk securities.

9. MARKETING THE PORT

BrPA's marketing strategy aligns with:

- a) The Port's overall Mission Statement;
- b) Direction provided by the Minister to peak body Ports WA towards maximising efficiencies and effectiveness across all WA ports;
- c) The importance of the Port to the Kimberley region and its role as a catalyst in growing business opportunities and employment for the community;
- d) The findings from the most recent survey of customer perceptions and needs;
- e) An orientation towards customer importance and the requirement to meet customer needs; and
- f) The present and potential capabilities/competencies of the port's services and staff, infrastructure and facilities.

The mainstay objectives of the marketing strategy are to diversify the customer base, ensure ongoing financial viability, and to sustain and retain the Port's workforce. The objectives are achieved by marketing Port services across a range of industries and thereby fill periodic spare berth capacity created by intermittent troughs of business activity. Business downturns at the Port reflect not only macro-level economic circumstances; shipping and cargo throughput eases away during scheduled breaks in offshore drilling campaigns and with the seasonality of the livestock and cruise ship industries.

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10. ENVIRONMENTAL MANAGEMENT PLAN AND SYSTEM

Consultant Coffey Environments was tasked with reviewing and updating BrPA's Environmental Management Plan and System (EMP and EMS) in light of new knowledge acquired through extensive flora and fauna surveys on Port and near Port lands, including those works related to bringing 54 Ha of land to project ready status. The EMP and EMS provide measures to protect the environment while management implements BrPA's mid to long term development priorities and strategies. These plans are maintained on an ongoing basis and a copy of the revised EMP is forwarded to the Minister's office in accordance with the Port Authorities Act 1999.

An external environmental consultant was assigned with the task of performing a biennial third party environmental audit across the Port, in accordance with the EMP. This audit extends to tenanted premises with particular attention applied to those tenants occupying tank fuel farms.

The Port continues to work closely with Department of Environment and Conservation in marine studies within Roebuck Bay, and the Port is a member of the community Roebuck Bay Working Group. Studies supported financially include Roebuck Bay seagrass monitoring, a Lyngbia (blue-green algae) study, and doctoral research on nutrient releases from ashore that impact the Roebuck Bay benthic zone.

The WA State Government recently proposed the formation of a marine park within the Roebuck Bay area that will adjoin the port's eastern waterside boundaries. BrPA's Directors have flagged the need for a high level investigation into the benefits of amalgamating iconic environmental areas within existing port waters into this proposed marine park.

The port authority is neither funded nor otherwise resourced to manage these important environmental areas inclusive of Roebuck Bay Ramsar Wetlands, migratory bird habitats, the extensive benthic intertidal zone, seagrass meadows, and extensive mangrove stands.

Ports and marine parks might coexist, as shown by extensive studies related to the proposed Dampier Archipelago Marine Park which supports the richest area of marine biodiversity known in Western Australia, comparable with that of northern Queensland: (http://www.dec.wa.gov.au/pdf/national_parks/marine/dacp/dacp_imp.pdf). The DEC site management plan notes that the Dampier Archipelago waters display pristine values after supporting a wide variety of recreational and commercial activities since the 1970's, including one of the world's largest iron ore export operations (p.12).

Ongoing liaison with the Yawuru Prescribed Body Corporate ensures that the Port remains cognisant and observant of the Kimberley Land Council's vision of '...look after country.'

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11. OVERALL OBJECTIVES AND DIRECTION

11.1. Issues

The Board of Directors foresee the following issues as those likely to challenge BrPA during the coming year. These issues, as identified through SWOT analysis have the potential to impact the returns and reputation of Broome Port plus or minus 20% if either harnessed effectively or not attended to. The strategies provided in the summary on pages 4-7 outline how these crucial factors might be managed. The challenges confronting BrPA are:

- a) Management of human resources/managing industrial relations environment;
- b) Exploiting growth opportunities/land development;
- c) Ability to prepare for and manage growth opportunities;
- d) Government regulatory changes and compliance;
- e) Fulfilling safety, cultural & heritage and environmental obligations;
- f) Reduce public liability exposure; and
- g) Securing and managing appropriate funding to enable BrPA to meet major commitments.

11.2. Strategic Risk Management

All ports face many potential internal and external generic risks ranging across financial, operational, security, and engineering aspects of port processes. BrPA works closely with WA Government insurer RiskCover to mitigate risks wherever perceived, and internal auditors review aspects of port management on an annual basis to measure BrPA's compliance. Importantly for environmental risk management and compliance post the environmental issues identified at other ports, under the port's environmental management system a full environmental audit and report is performed every two years across port leased premises, lands and waters at a cost of approximately \$60,000 per occasion.

In general, risk management for the Port refers to the culture, processes and structures developed to effectively manage potential opportunities and adverse effects for any activity, function or process undertaken by the Port.

The process of managing risk is achieved through the systematic application of policies, procedures and practices to identify, analyse, evaluate, treat, monitor and communicate risk. Enterprise-wide risk management encompasses all the major risk categories (including Environmental, Health and Safety, Fraud, Financial and Security) and includes the co-ordination, integration, consolidation and consistency of reporting for the various risk functions.

BrPA's risk management strategies aim to protect employees, clients, contractors, visitors, the community and the general public from unnecessary injury, loss or damage, and are focused on achieving business objectives by minimising the impact of risks it can meaningfully and realistically control. Risk management objectives as identified by the Directors require management to:

- a) Incorporate a consistent systematic process to identify, analyse, mitigate and monitor the key financial, strategic, operational, and compliance risks impacting on the Port;
- b) Align risk management with business objectives;

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- c) Integrate and align existing risk systems to ensure no duplications or overlap;
- d) Ensure integration of information systems used for reporting on risk to enable aggregation and reporting at a corporate level;
- e) Allow the necessary controls and policies to be implemented to deliver an appropriate approach to governance and best practice; and
- f) Embed a culture of risk management and awareness throughout the Port.

12. ACCOUNTING POLICIES

The policies that apply in the preparation of accounts are as follow:

- a) The Port's Financial Statements will be prepared on the basis of accrual accounting;
- b) The Financial Statements will be produced in accordance with the Port Authorities Act 1999 and Australian Accounting Standards;
- c) Policies relating to financial statements and accounting procedures are detailed in the Port's Accounting Manual; and
- d) The Port will ensure that its 2011-12 Financial Statements are lodged with the Office of Auditor General by 30 September 2012.

13. INFORMATION TO BE PROVIDED TO THE MINISTER

Broome Port will provide the Minister for Transport such information as necessary to assess the Ports' performance during the year, inclusive of an Annual Report, half-yearly budget forecasts and a Half Year report including financial information and comments on performance as considered relevant. The Annual Report for 2011-12 will comply with the requirements of the Port Authorities Act 1999.

Documents or copies of documents will be supplied as follow:

- a) Strategic Development Plan covering a period of five years or of a lesser period as stipulated by the Minister;
- b) Statement of Corporate Intent;
- c) The Port's audited Financial Statements and related reports for the 2011-12 financial year in accordance with the Port Authorities Act 1999;
- d) A Half Year report in accordance with the Port Authorities Act 1999;
- e) Other reports and information requested by the Minister;
- f) Briefing notes on items regarded as significant or controversial; and
- g) Environmental Management Plan.

14. COMMUNITY SERVICE OBLIGATIONS

In recognition of the Port's ongoing value and attraction to the community and the high degree of interest shown by tourists, the Port will continue to allow public access to the port area. Subject to security, safety and other operational requirements and constraints, public access will be afforded to the:

- a) Wharf boardwalk,
- b) Port beaches,
- c) Port gardens, and
- d) Entrance Point boat ramps.

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The Port provides a range of support measures for the cruise ship industry in order to maximise the economic benefits to the business community, inclusive of designing and constructing a disability compatible all-tides gangway system. The town's corresponding return from the cruise ship industry is growing from a \$4.5m baseline per annum and this income is spread across the entire year whereas the mainstream tourist numbers occur only during the dry season, April to November.

Broome Port Authority actively promotes the training and employment of indigenous persons by port users, with one young person transitioning from a traineeship to permanent staff, and plans intended to engage a young person in an adult traineeship in early 2012.

BrPA financially supports the Red Cross Breakfast Club, where volunteers provide a healthy breakfast for school children. The Port also supports an exchange student program, where one Broome High School student each year is selected for a six month stay with an overseas host family.

Works and infrastructure are provided for the public benefit. A toilet is maintained in the tourist carpark and a cleaning contract is managed by the port. Essential roadworks within the port are conducted for the public benefit. Entrance Point boat ramp repairs are provided for both the recreational and commercial small boat users within the community.

15. COMMUNITY CONSULTATION

BrPA will continue to liaise with the community and stakeholders and has compiled a policy document 'Social Responsibilities – Engaging the Community' which was developed in recognition of the importance of proactive consultation and reflects BrPA's commitment to the principles of sustainability. Its aims are to ensure there is a good understanding of and support for Broome Ports' current and future needs, and that community and stakeholder expectations are well understood and considered in relation to BrPA's decision making.

16. NOTES TO FINANCIAL OVERVIEW – BUDGET 2012-13

16.1. Operating Budget

The operating profit after interest but before tax is expected to be over 100% more than the 2011-12 budget. The additional profit is expected to be generated by additional shipping activity, especially activity related to the Browse Basin. The graph shown at figure 20 reflects the traditional impact that the "wet season" (Nov-April) is expected to have on 2011-12 vessel activity and cargo throughput.

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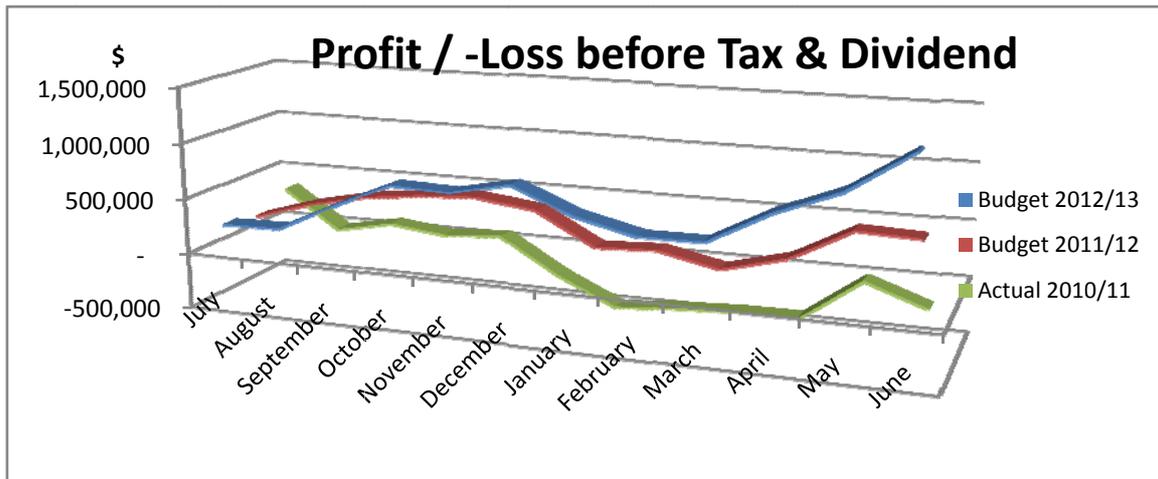


Figure 20: Comparison of Profits 2010-2013

16.2. Revenue

Budgeted income for 2012-13 incorporates \$15,498,000 revenue from shipping which is a 15% increase on the previous year's shipping revenue budget. This increase is expected to be generated from additional vessel activity in the offshore Browse Basin oil and gas fields, as well as expected increased activity at James Price Point. Actual total shipping revenue for 2010-11 was \$10,986,000 and shipping revenue for 2011-12 should match budget estimates.

Oil and gas vessel visits account for 47% (figure 4) of total shipping revenue and the equivalent or higher income is expected to continue while Broome Port remains the main support base for Browse drilling and associated activity. An uncertain variable is the establishment of the LNG hub at James Price Point - if the project should proceed, it is possible that 2012-13 shipping revenue could exceed budget estimates.

Lease and Licence revenue is expected to increase significantly during the period 2011-12 and 2012-13 years. This increase is largely due to additional land being leased to oil and gas companies for the establishment of supply bases. The acquisition of additional land and the revenue stream from new leases will enable the Port to diversify its income base and secure its long term future as a major regional port. Rent from existing leases will also rise as increases in land values become reflected in rental rates.

16.3. Expenditure

Expenditure on employment costs is expected to increase in line with rising shipping revenue because the Port supplies stevedoring labour commensurate to wharf shipping and maintains infrastructure and a security presence. The employment costs budget provides for estimated pay increases based on similar increases in the previous BPA Agreement 2008. BrPA is currently negotiating a new Agreement to take effect at the end of the life of the 2008 agreement. The labour costs reflect Broome's remote location and high cost of living, plus attracting and retaining appropriately qualified and experienced staff is an ongoing problem and when as expected the labour market tightens, these costs are forecast to increase disproportionately.

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Depreciation has been increased in order to account for a substantial capital expenditure programme that has been approved to facilitate the increase in shipping activity associated with Browse Basin exploration as well as significant OHS building and support requirements on the wharf. Broome is the port of choice to support Browse Basin activities for the immediate to mid term due to its strategic location, provisions of a natural deep water and sheltered port, existing infrastructure and supporting ancillary services. Replication of these capabilities elsewhere would take up to five years to achieve at great cost.

A significant proportion of Other Costs comprises the expenditure required to maintain the Port's infrastructure, in particular the additional resources needed to maintain the wharf, two thirds is nearing the end of its 50 year life. The maintenance program includes extensive blasting and painting program of wharf pylons plus ongoing repairs conducted to the remainder of the wharf.

The increase in Interest Expense, over the next five years, reflects the requirement to borrow substantial capital required to bring port land to project ready status so that it can be leased by associated industries. The capital will provide for the acquisition of a 100t crane for use on the wharf (one of the two current cranes is leased at an extremely high annual cost) and for improvements to Port infrastructure.

16.4. Capital Budget

The major items in the capital expenditure program are in line with the Port's key objectives of diversifying its income base and ensuring the Port functions effectively, efficiently, and viably in accordance with commercial principles. The continued development of land for use by associated industry including the oil and gas sector is crucial if the Port is to have an opportunity to diversify its revenue stream and support and facilitate the development of one of Australia's major offshore resource projects. Inability to support the offshore industry could see it lost to Darwin which is actively courting oil and gas proponents.

This loss would be felt at local, regional and state levels and reflected in a reduction in the number of available jobs hence incomes; investment in business opportunities and revenue derived by the state in taxes.

The acquisition of a second rough terrain crane for use on the wharf will provide long-term redundancy in essential services, reduce overheads in crane lease payments, and provide a level of business continuity ensuring vessels are loaded and unloaded quickly and efficiently. Emergency, navigation and communication equipment, and infrastructure works within the capital expenditure program are required to facilitate the core business of ensuring that vessels can rotate in and out of the Port quickly and safely. The undergrounding of power lines will eliminate the potential for a cyclone to cause major disruption to the local community and port customers.

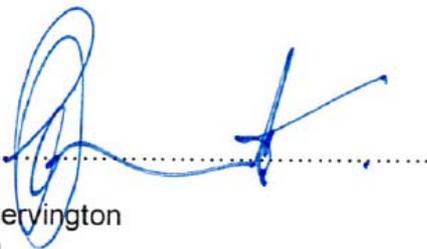
The Minor Works budget will fund a range of small projects including vehicle replacement, additional forklifts, a CCTV system mandated by the Office of Transport Security for the security integrity of wharf operations in light of global terrorism, plus purchase of various items of plant and equipment.

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16.5. Equity Limitation

The additional borrowings associated with the capital expenditure program will result in a higher than normal debt to equity ratio and has the potential to put the Port in a financially vulnerable position if the additional income from land leases is not realised within the expected time frame. For this reason the port is being proactive in its consultation with stakeholders including government, the conduct of requisite flora and fauna studies, arrangement of cultural and heritage surveys, and the preparation of development plans aligned with the installation of easements, roads and services for development land. The port is engaged in a process of updating land market valuations on existing leaseholdings to ensure that realistic rentals are achieved at appropriate lease review points.

Refer Appendix A for 2012 – 2013 Financial Statements – approved Capital Expenditure and Appendix B for 2012-13 Financial Statements – unapproved Capital Expenditure.



Laurie Shervington
Chairman
Board of Directors

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APPENDIX A – FINANCIAL STATEMENTS –

APPROVED CAPITAL EXPENDITURE

BROOME PORT AUTHORITY BUDGETED PROFIT AND LOSS	
	Fcst 2012/13 \$'000
REVENUE	
Shipping Revenue	15,498
Leases and Licences	2,090
Interest	126
Grants and Subsidies	324
Sundry Income	103
Total Revenue	<u>18,141</u>
EXPENDITURE	
Employee related costs	9,537
Provision for leave	157
Depreciation	1,592
Other Costs	4,423
Total Expenditure	<u>15,709</u>
Net Profit/(Loss) before Interest and Income Tax	<u>2,432</u>
Interest Expense	1,032
Net Profit/(Loss) after Interest	<u>1,400</u>
Income Tax	420
Net Profit/(Loss) after Interest and Income Tax	<u>\$980</u>
Dividend	\$637
Net Profit/(Loss) after Dividend	<u>\$343</u>
Rate of return on Assets	6.3%

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BROOME PORT AUTHORITY BUDGETED BALANCE SHEET

	Fcst 2012/13 \$'000
Current Assets	
Cash at Bank	6,551
Receivables	1,531
Stock on Hand	1
Other	<u>628</u>
Total Current Assets	<u>8,711</u>
Non Current Assets	
Property, Plant and Equipment	30,853
Intangible Assets	41
Deferred Tax Asset	<u>423</u>
Total Non Current Assets	<u>31,317</u>
Total Assets	<u>40,028</u>
Current Liabilities	
Accounts Payable	746
Provisions	1,236
Borrowings	548
Other Liabilities	<u>798</u>
Total Current Liabilities	<u>3,328</u>
Non Current Liabilities	
Borrowings	16,826
Provisions	<u>135</u>
Total Non Current Liabilities	<u>16,961</u>
Total Liabilities	<u>20,289</u>
Net Assets	<u>19,739</u>
Equity	
Contributed Equity	17,136
Retained earnings/(Accum. Losses)	2,260

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Current year earnings/(losses)	343
Total Equity	17,739

BROOME PORT AUTHORITY	Fcst
BUDGETED CASH FLOW STATEMENT	2012/13
	\$'000

Cash flows from operating activities

Receipts from customers	17,288
Receipts from State and Commonwealth - Government funding	324
Payments to suppliers and employees	(13,558)
Interest paid	(1,032)
Dividends paid	0
Income taxes paid	(420)

Net cash inflow (outflow) from operating activities	2,602
--	--------------

Cash flows from investing activities

Proceeds from sale of property, plant and equipment	0
Payments for property, plant and equipment	(3,734)
Interest Received	126

Net cash inflow (outflow) from investing activities	(3,608)
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Cash flows from financing activities

Proceeds from borrowings	3,055
Repayments of borrowings	(497)
Governemnt Equity Contirbutions	0

Net cash inflow (outflow) from financing activities	2,558
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Net increase (decrease) in cash held	1,552
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Cash at the beginning of the financial year	4,999
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Cash at the end of the financial year	6,551
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STATEMENT OF CORPORATE INTENT 2012 - 2013

Capital Expenditure	2012/13
	\$
Minor Works	679,000
Wharf essential works	1,000,000
Navigation and security facilities	255,000
100 Tonne crane	1,800,000
Total Capital Expenditure	<u>3,734,000</u>
- Internal funds	679,000
- Equity Injection	0
- Borrowings	3,055,000
Total Funding	<u>3,734,000</u>

STATEMENT OF CORPORATE INTENT 2012 - 2013

**BROOME PORT AUTHORITY
BUDGET OF FEES AND CHARGES
BUDGET 2012/13**

Pilotage Rates	From	To	2012/13 Current Rate Ex GST
	500	1,500	\$5,635
	1,501	3,000	\$5,635
	3,001	5,000	\$5,635
	5,001	10,000	\$5,635
	10,001	20,000	\$8,523
	20,001	30,000	\$8,523
	30,001		\$9,216
Berth Movements in Port			\$2,813
Pilot Detention fee per hr			
Pilot boat detention fee per hour			\$578
Pilot boat cancellation fee			\$866
Pilot Launch	per movement		\$ -
Push up			\$ -
Line Boat charge			\$ -
Cancellation fee - 50% of scheduled fee			
Nav Aid Levy			\$0.139
Berthage			
Vessel length 50 mtrs or less	per metre per day or part thereof		\$9.405
Vessel length over 50 mtrs:			
- greater of	per GRT, per day or part thereof		\$0.286
or	per tonne or kilolitre of cargo		\$1.144
Labour Rates			
Rate 1 - Monday to Friday 0600 to 1059 for the first 6 hours worked			\$120.758
Rate 2 - Monday to Friday 1100 to 0559 for the first 6 hours worked			\$143.858
Rate 2 - Monday to Friday - extension of Rate 1			\$143.858
Rate 3 - Saturdays & Sundays for the first 6 hours worked			\$185.856
Rate 3 - Monday to Friday - extension of Rate 2			\$185.856
Rate 4 - Public Holidays			\$197.406

STATEMENT OF CORPORATE INTENT 2012 - 2013

Rate 4 - Saturdays & Sundays - extension of Rate 3	\$197.406
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Plant & Equipment Hire Rates

45 tonne	per hour	\$276.034
100 tonne	per hour	\$540.111
Forklift 3 tonne	per hour	\$113.025
Forklift 8 tonne	per hour	\$151.052
Sweeper	per hour	\$88.033

Other Machinery & Equipment Rates

Boat Slings 10T (set of 2)	per half-day or part thereof	\$188.001
Boat Slings 10T (set of 2)	per day	\$376.002
Boat Slings 10T (set of 2)	per vessel (casing vessels)	\$ -
Compressor - small	per day hire	\$464.046
Compressor - large	per day hire	\$464.046
Dinghy	per hour	\$108.570
Gangway	per day	\$18.854
Lighting - Portable	per hour	\$10.054
Mancage	per day	\$108.669
Ramp & Race hire	per head cattle	\$0.484
Ramp & Race hire	other livestock	\$0.088
Spreader - container 40'	per container mobilisation	\$126.060
Spreader - cement	per day or part thereof	\$1,933.316
Spreader - 15t	per day or part thereof	\$80.311
Spreader - 30t	per day or part thereof	\$109.758
Fire trailer Hire	per trailer per visit	\$110.000
Water hoses	per or part thereof	\$239.085

Other Fees & Charges

Storage		
- one to three days		\$0.473
- four to six days		\$1.254
- seven days or more		\$3.399
Water		
- fresh	per kilolitre	\$4.015
- levy	per kilolitre	\$ -
Weighbridge		
- not exceeding 10 tonnes		\$38.852
- 10 to 30 tonnes		\$49.357
- over 30 tonnes		\$59.851
- cattle	per head	\$0.759
- other livestock	per head	\$0.088
Rubbish disposal	per day per crew member	\$ -
Cattle clean-up	per vessel visit	\$ -

STATEMENT OF CORPORATE INTENT 2012 - 2013

	per day > 3 days & GRT > 500	\$ -
Layup		
Induction - safety induction fee	per induction	\$60.005
Wharfage		
Fodder (blown)		\$2.497
Bulk Products - liquid (fuel)		\$11.407
Road tanker or from silos on jetty eg on jetty eg bitument, drill products, cement		\$11.847
General or Unitised Cargo - minimum charge up to 10 tonne		\$66.066
General cargo (per tonne or cubic metre)		\$6.611
Livestock - cattle (head)		\$2.442
Livestock - Other Livestock (head)		\$0.561
Recreational vessels		\$14.839
Swimming pools		\$307.516
Waste oil		\$6.655
Coastal Shipping - (full) up to 20 TEU		\$157.575
Coastal Shipping - (full) 21 to 30 TEU		\$116.270
Coastal Shipping - (full) 31 TEU upwards		\$79.321
Coastal Shipping - (empty) up to 20 TEU		\$46.728
Coastal Shipping - (empty) 21 to 30 TEU		\$33.693
Coastal Shipping - (empty) 31 TEU upwards		\$22.825
Infrastructure levy		\$0.583
Security Levy		\$0.020
- charged on Berthage, Stevedoring, Plant & Equipment hire, wharfage and oil & gas set fee		
Security Patrol Levy	per visit	\$5,775.000
- applicable petroleum and cruise vessels		
Safety & Communication Levy	per day	\$787.897
Moorings		
Application Fee		\$81.510
Transfer Fee		\$81.510
Annual Fee	less than 10m	\$130.416
	10m to 20m	\$195.624
	greater than 20m	\$266.266

STATEMENT OF CORPORATE INTENT 2012 - 2013

APPENDIX B – FINANCIAL STATEMENTS –

UNAPPROVED CAPITAL EXPENDITURE

BROOME PORT AUTHORITY BUDGETED PROFIT AND LOSS	
	Fcst 2012/13 \$'000
REVENUE	
Shipping Revenue	15,498
Leases and Licences	2,090
Interest	126
Grants and Subsidies	324
Sundry Income	103
Total Revenue	<u>18,141</u>
EXPENDITURE	
Employee related costs	9,537
Provision for leave	157
Depreciation	1,592
Other Costs	4,423
Total Expenditure	<u>15,709</u>
Net Profit/(Loss) before Interest and Income Tax	<u>2,432</u>
Interest Expense	1,077
Net Profit/(Loss) after Interest	<u>1,355</u>
Income Tax	406
Net Profit/(Loss) after Interest and Income Tax	<u>\$949</u>
Dividend	\$617
Net Profit/(Loss) after Dividend	<u>\$332</u>
Rate of return on Assets	6.3%

STATEMENT OF CORPORATE INTENT 2012 - 2013

BROOME PORT AUTHORITY BUDGETED BALANCE SHEET

	Fcst 2012/13 \$'000
Current Assets	
Cash at Bank	5,620
Receivables	1,531
Stock on Hand	1
Other	628
Total Current Assets	<u>7,780</u>
Non Current Assets	
Property, Plant and Equipment	44,952
Intangible Assets	41
Deferred Tax Asset	423
Total Non Current Assets	<u>45,416</u>
Total Assets	<u>53,196</u>
Current Liabilities	
Accounts Payable	746
Provisions	1,215
Borrowings	548
Other Liabilities	798
Total Current Liabilities	<u>3,307</u>
Non Current Liabilities	
Borrowings	16,826
Provisions	135
Total Non Current Liabilities	<u>16,961</u>
Total Liabilities	<u>20,268</u>
Net Assets	<u>32,928</u>
Equity	
Contributed Equity	30,336
Retained earning/(Accum. Losses)	2,260
Current year earnings/(losses)	332
Total Equity	<u>32,928</u>

STATEMENT OF CORPORATE INTENT 2012 - 2013

BROOME PORT AUTHORITY BUDGETED CASH FLOW STATEMENT

	Fcst 2012/13 \$'000
Cash flows from operating activities	
Receipts from customers	17,288
Receipts from State and Commonwealth - Government funding	324
Payments to suppliers and employees	(13,558)
Interest paid	(1,077)
Dividends paid	0
Income taxes paid	(406)
Net cash inflow (outflow) from operating activities	<u>2,571</u>
Cash flows from investing activities	
Proceeds from sale of property, plant and equipment	0
Payments for property, plant and equipment	(17,834)
Interest Received	126
Net cash inflow (outflow) from investing activities	<u>(17,708)</u>
Cash flows from financing activities	
Proceeds from borrowings	3,055
Repayments of borrowings	(497)
Government Equity Contributions	13,200
Net cash inflow (outflow) from financing activities	<u>15,758</u>
Net increase (decrease) in cash held	621
Cash at the beginning of the financial year	4,999
Cash at the end of the financial year	<u>5,620</u>

STATEMENT OF CORPORATE INTENT 2012 - 2013

Capital Expenditure	2012/13
	\$
Approved	
Minor Works	679,000
Wharf essential works	1,000,000
Navigation and security facilities	255,000
100 Tonne crane	1,800,000
Unapproved	
Wharf Extension of Life	13,200,000
Wharf Electricity works	500,000
Washdown Facility	400,000
Minor works	
Total Capital Expenditure	<u>17,834,000</u>
- Internal funds	679,000
- Equity Injection	13,200,000
- Borrowings	3,955,000
Total Funding	<u>17,834,000</u>

BROOME PORT AUTHORITY

APPROVED FINANCIAL PARAMETERS

2012/13

Income Statement	\$'000
Total Revenue	18,141
Total Expenses	<u>16,792</u>
Profit/(Loss) Before Tax	1,349
Notional Income Tax	<u>405</u>
Profit/(Loss) After Tax	944
Dividends	-
Asset Investment Program	3,734

To the extent that the financial parameters within the 2012/13 SCI contain unapproved capital expenditure, net debt and net flows to/from government, Government approval will be obtained prior to any commitments and/or actions being undertaken which will affect approved parameters. Government approval will also be sought prior to commencing new projects not included within the State Government's approved financial parameters.

In accordance with the requirements announced by Government in the May 2012 Budget, Broome Port Authority will be targeting business improvements designed to meet the latest round of efficiency dividends between 2012/13 to 2015/16. This will be reflected in the 2012/13 Mid-Year Review (MYR) process and future SCIs supported by an Implementation Plan. The resulting increase in tax and dividends for 2012/13 is as follows:

	2012/13
Business Improvements (\$ '000)	161
Estimated Increase in Tax Equivalent Payments (\$ '000)	48
Estimated Increase in Dividends in 2013/14 (\$ '000)	73

The Broome Port Authority also acknowledges the increase in the Loan Guarantee fee from 20 basis points to 70 basis points.