



**BUNBURY PORT AUTHORITY**

**- Statement of Corporate Intent -  
15/11/2012**

**2013-2014**

**FINAL BOARD APPROVED VERSION**



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## 1. INTRODUCTION

The Bunbury Port Authority manages and operates the Bunbury Port for the benefit of the South West Region and the Western Australian community but has a statutory obligation to act in accordance with prudent commercial principles and endeavour to make a profit aside from when this conflicts with a duty imposed by this document or the Port's approved Strategic Development Plan or Statement of Corporate Intent (SCI). For the purpose of the SCI the South West Region and the Port's main area of influence is in accordance with the definition used by the Australian Bureau of Statistics for the South West Statistical Region (see below).

Division 2 Section 58 of the Port Authorities Act (1999) requires the Board of a Port Authority in each year to prepare and submit to the Minister for the Minister's agreement a draft Statement of Corporate Intent for the Port Authority and any subsidiary. The Bunbury Port Authority does not currently have any subsidiaries.

Section 66 of the Act requires the concurrence of the Treasurer before the SCI can be agreed.

Section 30 of the Act defines the functions of the Bunbury Port Authority, which includes among other things: to facilitate trade within and through the Port, and plan for the future growth and development of the Port.

To allow the pursuit of these and the other functions, as shown in Section 4, the Act gives the Bunbury Port Authority exclusive control of the Port.

Section 60 of the Act requires the Statement of Corporate Intent to be consistent with the Strategic Development Plan for the Port and any subsidiary. In addition, it must specify:

- an outline of the Port Authority's objectives;
- an outline of major planned activities;
- proposed arrangements to facilitate trade;
- estimates of operating revenue and expenditure;
- an outline of capital expenditure and borrowing requirements;
- proposed pricing arrangements;
- proposed provisions for dividends;
- the performance targets and other measures by which performances may be judged and related to objectives;
- accounting policies that apply to the preparation of accounts;
- the type of information to be given to the Minister including information to be given in quarterly, half yearly and annual reports;
- the nature and scope of community service obligations that are to be performed;
- the cost of, funding for, or other arrangements to make adjustments relating to community service obligations;
- the ways in which and extent to which compensation will be made for performing community service obligations; and
- such other matters as may be agreed on by the Minister and the Board of the Port Authority.

The objectives, strategies and targets for the coming financial year are outlined in this SCI and summarised in the following corporate statements.

The SCI was approved at the Board meeting of 15 November 2012



Map provided courtesy of South West Development Commission

## 2. MISSION STATEMENT

### Mission Statement

*“To contribute to the economic growth and development of the South West region of Western Australia by facilitating trade in a commercial, efficient and sustainable manner”.*

Within the focus of sustainable development the role of the Bunbury Port is to operate an efficient and competitive Port and to ensure that goods are moved reliably, efficiently and effectively between sea and land transport.



### **3. PORT AUTHORITY CORPORATE OBJECTIVES**

The corporate objectives of the Authority are categorised into the following main activity areas, which are;

- Customer Focus
- Financial Performance
- Environmental Focus
- Productivity Improvement
- Infrastructure & Supply Chain Development
- Community Relations
- Landside Development
- Safety
- Corporate Values
- Risk Management

The Authority will continue to achieve the noted requirements of each activity as follows;

#### **3.1 Customer Focus**

- Ensure the provision of efficient Port facilities and services are established to meet customer needs;
- Establish partnerships and alliances in response to customer needs;
- Ensure Government and community expectations are considered in Port planning and development;
- Manage and monitor service provision contracts for the benefit of customers;
- Provide competitive and benchmarked Port charges, which are clearly understood by users and stakeholders;
- Improve two way communications with our users, community and stakeholders including Government agencies; and
- Ensure Port charging regimes are equitable.

#### **3.2 Financial Performance**

- Be financially self sufficient and viable on a commercial basis over the long term;
- Ensure that capital investment and major maintenance is financially justified, properly planned and funded;
- Achieve the long term hurdle rate of return while keeping customer costs to a competitive level;
- Ensure financial management of the Port is aligned with the State's budgetary policies; and
- Monitor financial performance through appropriate and regular reporting mechanisms.

#### **3.3 Environmental Focus**

- Commence a Strategic Public Environmental Review of the Inner Harbour Structure Plan.
- Undertake a Buffer Definition Study for the Inner Harbour in consultation with relevant government agencies, community and other stakeholders as an integral part of the further enhancement of the Inner Harbour Structure Plan.
- Continue the identification and treatment of environmental and community risk through a structured risk management process.
- Conduct appropriate environmental monitoring programs to assess potential impacts from port related operations



### 3.4 Productivity Improvements

- Provide training and development for employees to improve productivity and efficiency;
- Improve partnering and working relationships with suppliers and encourage through contract negotiation and competitive tendering the provision of cost efficient services to Port users;
- Maintain a continual improvement approach to operational performance;
- Improve productivity where possible to minimise vessel and cargo costs; and
- Maintain and sustain harmonious workplace relations.

### 3.5 Infrastructure & Supply Chain Development

- Work with the appropriate Authorities to ensure provision of efficient land and rail transport systems to and from the Port;
- Ensure that the maintenance of assets is of a high standard to ensure that the operational life of infrastructure is not compromised; and
- Maintain and update the Asset Management Plan to ensure that periodic maintenance and investments are carried out and aligned with the budgeted amount.

### 3.6 Community Relations

- Work through the Port Community Liaison Committee to address and improve Port/Community communication in Port planning, development and operations.
- Respond to genuine community concerns to address impacts from Port operations.
- Recognise that the Port serves the regional community of the South West.
- Recognise the Port's impact is focussed on the Bunbury area and in particular adjacent residential locations.

### 3.7 Landside Development

- Acquire land for Port expansions and community buffer needs in line with the requirements of the Bunbury Port Inner Harbour Structure Plan.
- Maximise commercial return on leased land.

### 3.8 Safety

- Eliminate as far as practicable possible hazards in the workplace.
- Develop, maintain and implement a safety management system based upon the requirements of Worksafe in accordance with the Occupational, Safety & Health Act or any other applicable legislation.
- Provide appropriate training for employees.
- Safety to be an agenda item on at least a monthly basis with the workforce.
- Continue to work towards safety accreditation and maintain status.

### 3.9 Corporate Values

To support the Authority's objectives the Board has approved the following core values for the organization):

- **Safety:-** Safety, environment and risk management for continuous improvement within the workplace, within the Port environment;



- **Respect:-** for our staff, our customers, our fellow Board of Directors, our shareholder and the communities within which we operate;
- **Honesty:-** integrity, trust and fairness;
- **Adding value:-** to the economic development of the State and in particular the South West; and
- **Progress:-** through partnering (with our shareholder, staff, customers, service providers and communities within which we operate).

### 3.10 Risk Management

- Risk management is recognised by the Authority as an important process in managing risks that have been identified in the day to day operations of the Port.
- The Authority holds regular management meetings to discuss new risks that may have been identified and discuss actions to be taken on risks that have already been identified.
- The Authority will maintain a risk register of all risks identified in order to protect its staff, assets, Port, the environment, its reputation and earnings by eliminating, avoiding, substituting or minimising where possible the risks that have been identified.
- The Authority will maintain a risk register for all products shipped through the Port which identifies any inherent risks.
- To develop and implement a Business Continuity Plan to ensure the timely resumption and delivery of essential business activities in the event of a major disruption.

## 4. MANAGEMENT OF THE PORT

The Board of the Bunbury Port is the body responsible and accountable to the Minister for Transport for the performance of functions, establishment of policies and generally controlling the affairs of the Authority. A code of conduct has been developed and applied to Directors and all employees of the Authority. In addition Corporate Governance principles which include assessment of Board effectiveness have been implemented as Board policy.

To allow Directors to fulfil the corporate and statutory responsibilities a number of committees have been established including:

- the Internal Audit and Risk Management Committee;
- the Corporate Governance Committee; and
- the Human Relations Committee.

In addition to the corporate governance principles, code of ethics and code of conduct and this SCI, the Authority has a medium term (5 years) Strategic Development Plan. These documents in conjunction with the Port's Inner Harbour Structure Plan and the Shareholders framework on Ports and Freight provides the basis for the future planning and development of the Port and assists in coordinating day to day decisions to ensure they align with long term plans and current and future customer and community needs and expectations.

Importantly the short, medium and long term directions will be in accordance with the functions established in the *Port Authorities Act (1999)* with planning focused on the long term needs of the region and the need for the Port's future growth while minimising the impact on the community.





The Board has also developed and agreed on a risk management based profile which is used to assess all major projects. The risk matrix considers among other things the potential impacts on operational, financial, social, community and environmental risks of major projects.

#### **4.1 Functions and Responsibilities of the Authority:**

*The Port Authorities Act (1999)* outlines the general functions and responsibilities of the Port which include:

- (a) Being responsible for the safe and efficient operation of the Port;
- (b) Facilitate trade within and through the Port and plan for future growth and development of the Port;
- (c) Undertake or arrange for activities that will encourage and facilitate the development of trade and commerce generally for the economic benefit of the State through the use of the Port and related facilities.
- (d) Be responsible for the maintenance and preservation of vested property and other property held by the Authority; and
- (e) Protect the environment of the Port and minimise the impact of Port activities on that environment.

#### **In performing these functions, the Authority will;**

- Lead, plan and manage the development of the Port within the context of relevant Government policy framework and the Authority's overall planning strategies.
- Market and promote the Port and the South West region locally, nationally and internationally to increase awareness and diversify trade.
- Ensure all current and future Port users have equality of access to Port infrastructure, facilities and services.
- Ensure that financial returns are sufficient to maintain financial viability and earn an acceptable rate of return.
- Facilitate improvements in Port security, productivity, efficiency and reliability.
- Continue to enhance and develop good working relationships with the community, customers and other stakeholders.
- Liaise with service providers to ensure that contractual obligations are achieved and that a trained and skilled workforce is maintained.
- Implement strategies to ensure that Port charges are transparent and competitive.
- Implement noise and dust minimisation strategies.
- Identify and develop appropriate commercial opportunities.
- Obtain input on Port operations and developments from the Port Community Liaison Committee, Port User's and other stakeholders.



- Promote and develop safe work practices and procedures.
- Assess all major projects against the agreed risk management profile and minimise risk to “as low as reasonably practicable”.

## 4.2 Inner Harbour Structure Plan

A key strategic planning tool for the Port Authority is the Inner Harbour Structure Plan.

The plan provides a mechanism to:

- Determine appropriate transport/service corridors within the Port;
- Locate storage and other Port activities around the Inner Harbour based on risk;
- Evaluate and minimise potential impacts on the surrounding community, including:
  - Noise and vibration
  - Dust
  - Transport (road and rail within the Port)
  - Visual amenity
  - Odour
- Develop buffers consistent with the State Industrial Buffer Policy (SPP4) both within and external to the Port to provide a reduction in impacts on the surrounding community.
- Provide a staged approach for future Port development that will ensure infrastructure is made available in a timely manner to Port Users.
- Ensure Port plans and future developments are compatible with the town planning schemes that surround it and are consistent with the indicative land uses as provided in the Inner Harbour Structure Plan.
- Incorporate new infrastructure and activities into the port such that existing port users are not adversely affected.
- Allow assessments of the potential environmental, community and health impacts of the future expansion of the port as set out in the Structure Plan.

The Authority will continue to inform the City of Bunbury and Department of Planning in regard to future Port developments. Approvals for non-port related future development projects in the Port will be the responsibility of the Authority in consultation with the Department of Planning.

The next stage in the development of the Structure Plan is to complete a Strategic Public Environmental Review inclusive of a Buffer Definition Study. The completion of the Buffer definition Study will allow the development of a Buffer Policy.

Risks associated with all materials handled through the port will be examined on a case by case basis to ensure potential community and environmental concerns and risks are considered before allowing the material into the port area. With regards to these types of materials which may be exported through the port in the future, the Authority have previously and will continue to be proactive and obtain baseline data prior to exports commencing. This will allow the Authority to be in a position to monitor any post export build up of such materials so adequate controls can be put in place to minimise their impact on the environment.

### Timing



The Strategic Public Environmental Review and Buffer Definition Study are expected to be completed by the end of 2014.

### **4.3 Infrastructure and Service Provision**

While the Authority will endeavour to meet the needs of Port customers by ensuring the availability of services and infrastructure at competitive prices, it must be recognised that this provision must be managed within the overall government budgetary financial framework and policies. The practice will be to encourage provision of infrastructure and services by industry and if need be, assuming responsibility of provision of infrastructure and services where there is no private provider.

Infrastructure programmed for 2013/2014 is that which is necessary to meet the growth and development needs of the Port and the region that it serves. Projects are planned based on best information available at the time; however projects may eventuate during the year which are not expected at budget preparation time.

Port development will consider the compatibility issues of different cargoes and wherever possible will implement strategies to minimise the risk of product contamination and the protection of export markets.

To allow the Authority and Port users to benefit from these commercial opportunities the flexibility must exist to allow the Authority to pursue these opportunities or risk losing the project.

Ministerial approval through the Economic & Expenditure Reform Committee will be sought for capital investment projects in excess of \$2 million with projects over \$1 million to be reported to the Minister.

To respond to growth in the Port in a sustainable way the Authority has initiated the following projects and investigations, which will be progressed in a substantial way in 2013/14. The projects and investigations are consistent with the outcomes of the Port's Strategic Planning session held in June 2012:

- Subject to obtaining approval of the business case in 2012/13 progress with the Berth 3 land-backing project incorporating the construction of a new shiploader at Berth 3 and the waste water management control system for Berth 5
- Following the approval in 2011/12 for the business case continue with negotiations for the purchase of the remaining areas of land in Glen Iris as identified in the Inner Harbour Structure Plan.
- Progress with the development of a container facilities hardstand area in either the Outer Harbour or Inner Harbour.
- Liaise with rail network provider for rail requirements into the Port, including Berth 14 needs following approval by BPA and MFT of the Berth 14 development by Coal proponent.
- Complete the additions to the Administration Building in Casuarina Drive Bunbury.
- Further develop a 2-4 year plan for the Inner Harbour southern side road and rail.



- Capitalise on dredging opportunities by liaising with future Berth 14 developer for the simultaneous removal of rock near Berth 5, inline with the Berth 14 development dredging requirements.
- Continue with the Buffer Definition Study for the Port. This will incorporate:
  - Noise and vibration
  - Dust
  - Transport (road and rail within the Port)
  - Visual amenity
  - Odour
- Respond to predicted trade growth in grain, coal, and other export cargoes by Continuing with the development of new facilities for the Inner Harbour in particular Berth's 3 and 14a

### 4.3.2 Port Road/Rail Access

As the Port increases trade volumes, the safety, social and environmental impacts of increasing road transport into and out of the Port, needs to be considered. While the new Port Access Road (Willinge Drive) and the completion of stage one of the Bunbury Outer Ring Road (BORR) project has relieved some congestion, the full relief from traffic concerns and the issue of heavy vehicles on roads that service the Port's trade will not be adequately addressed until the BORR project and future Preston River realignment is completed in the future.

Bunbury Port is well placed to take advantage of rail transport due to its trade being resources based which is typified by large volumes on a fixed route for extended periods of time. This situation provides a basis for investors to gain an economic return on the relatively high (from a private investors view) capital expense of rail compared to trucks.

Alumina is currently railed to the Port and a third rail loop within the Port boundary is planned to handle the future expansion of the alumina trade.

Coal exports will also create transporting issues into the Port and a dual rail line into the Port from Brunswick Junction will be necessary.

Future coal exports which have the potential to increase Port trade significantly in a few years time cannot be supported by a trucking regime in the longer term and as a result a fourth rail loop will be under planning for development within the Port boundaries.

To assist with the road and rail infrastructure development required to handle the future trade growth from the South West region into the Port, the Authority will continue to work with relevant Federal, State and Local government agencies, community and relevant stakeholders to address future road and rail infrastructure needs.

## 4.4 Dividend

Competitive neutrality principles require that the Authority operate on the same basis as any private organisation which includes payment of dividends and other rates, taxes and charges.

Dividend payments to government will be based on the long term needs of the Port after considering the following;



- Dividend policy
- Projected capital investment requirements.
- Trade facilitator role and the maintenance of prices as low as commercially practicable.
- Government as the Shareholder requirement for a return.

Currently, the policy is for dividend payments of 65% of after tax profits.

Taxes and other charges are paid in accordance with relevant legislation or as otherwise agreed.

## **5. 2013/2014 PLANNED ACHIEVEMENTS**

In accordance with the 2013/14 Strategic Planning Session, the long term vision and plans for the Port, the following outcomes are planned for the year under review.

### **5.1 Key Performance Target 1 - Trade**

- Facilitate the future export of urea through Berth 5 by continuing to liaise with Perdaman to enable provision on a commercial basis of required infrastructure.
- Facilitate the future export of coal through liaising with potential exporters to enable provision on a commercial basis of required infrastructure.
- Complete engineering design and estimated construction costs to develop a sound business case for the realignment of infrastructure including the Preston River Channel.
- Upon financial close of PCF and the requirement for priority berthing at Berth 5, progress the construction of the Berth 3 land-backing project incorporating the construction of a new shiploader at Berth 3 and the waste water management control system for Berth 5.
- Continue to promote Bunbury as an alternative container handling service to a hub Port such as Singapore or as part of a coastal shipping service.
- Support grain proponent in establishing proponent funded facilities within the Inner Harbour for grain export.

### **5.2 Key Performance Target 2 – Management**

- Manage the Inner Harbour Structure Plan and any future land developments in consultation with relevant government agencies, as and when required.
- Implement, manage and monitor service contracts to ensure that they meet customer needs and are efficient and competitive.
- Review existing Port environmental monitoring programs and develop a range of baseline studies for efficient environmental and community impact assessment.



- Continue to operate security requirements to comply with Federal and International requirements, in particular the Maritime Security Identification Card (MSIC).
- Provide administrative support to the Port Users and Security Committee and Port Community Liaison Committee.
- Implement occupational health and safety audits and risk management reviews to manage risk and controls in accordance with legislation to provide the safest working environment.
- Continue the development of the Inner Harbour Buffer Study as the lead role in the Buffer Definition Study.

### **5.3 Key Performance Target 3 – Infrastructure/Operations**

- Continue to use the BPA developed Berth Utilisation Model for Common User Berths to see effects of trade growth and other Port changes on the demand for common user berths and predict requirements for new infrastructure.
- The total proposed capital investment plan approved for 2013/2014 is budgeted to be \$2.40 million, being for Minor Capital Works. In addition, some amounts approved in 2012/2013 may be deferred into 2013/2014 (for example Land purchases). Funding for the program is budgeted to be provided from internal funds and balances. Details of the program are provided in the Capital Investment Plan in Section 7.
- The total unfunded capital investment as referred to in Section 7 amounts to \$12.500 million. The financial impacts of the projects representing this amount are not included in the financial statements until they are approved by the EERC, and will be funded either through internal funds, private developers or from borrowings.
- If financially viable and/or required. The project must provide a positive net present value cash flow over the estimated life of the project at an 8% weighted average cost of capital and be part of the capital investment plan.
- Continue to work with Worsley and Alcoa to facilitate growth in Alumina exports.
- Work with potential coal producers to assist with the development of an industry supported export facility for coal from the Port.
- Continue to work with Port Users to better utilise the tippler bin loading system for exporting cargo from the Port over Berth 1, Berth 5 or Berth 8.
- Assist proponent in finalising infrastructure required within the Inner Harbour for exporting grain.

### **5.4 Key Performance Target 4 – Financial**

- Achieve a net profit before tax of \$13.429 million.
- Achieve a rate of return on the deprival asset valuation methodology, of at least 8%.



- Apply an overall increase in Port Infrastructure charges of 3.0% to cargoes over Berths 2, 4, 5 and 6 based on recovering an increase in overall Port operations administration and maintenance costs. Increases on Berths 1, 3 and 8 will be 34.24%, 5.93% and 20.88% respectively to cover additional asset maintenance costs related to the infrastructure on each berth.
- Apply increases in the Berth Hire charges for all berths to recover significant budgeted increases for the ongoing maintenance of berth structures, as follows:

Berth 1	61.2%	- Berth and berth pile repairs
Berth 2	52.9%	- Berth and berth pile repairs
Berth 3	20.0%	- Berth dolphin repairs
Berth 5	38.6%	- Berth topping slab repairs
Berth 8	38.6%	- Berth asset maintenance
- Apply an increase of 6.0% for Navigational Services charges to recover the budgeted increase in the cost of maintenance dredging and contribute towards the removal of a navigational hazard in the Inner Harbour.
- Apply an increase of 4.5% for the Pilotage charges to recover the budgeted increases in marine pilot salaries and pilot boat operations.
- Make dividend payments based on 65% of after tax profit.
- Comply with financial reporting requirements including the quarterly and six monthly reports to the Minister and quarterly reports to Government on achieving the 5% Efficiency Dividend operating cost savings and additional Efficiency Dividend of 1.5% commencing 1 July 2012.



## 5.5 Key Performance Target 5 - Environmental

- Develop infrastructure taking into consideration the Port's Inner Harbour Structure Plan.
- Review the Port's environmental monitoring practices to ensure that adequate information is available to assess potential adverse environmental or community impacts from Port operations and development.
- Continue to monitor environmental parameters and act to minimise dust and noise impact on the community, maintaining PM10 dust levels below 50µg/m<sup>3</sup> and year on year reduction in noise related community contact events.
- Ensure that operations are in accordance with environmental licences and permits.
- Liaise with the Community and other key stakeholders regarding Port operations and Port development through regular meetings of the Port Users Group and the Port Community Liaison Committee.
- Develop a Long Term Dredge Management Plan.
- Work towards improving the Authority's "Carbon Footprint".
- Develop the Authority's Port Sustainability Plan.
- Achieve and maintain the Authority's ISO14001 accreditation.

## 5.6 Trade Facilitation

Trade will be facilitated through a variety of means and will include;

- Maintain ship and cargo price increases as low as reasonably achievable ensuring a commercial return.
- Apply sustainability practices in Port operations and Port development.
- Work with stakeholders to promote and develop the Kemerton and other Regional Industrial Parks.
- Ensure appropriate water depths and DUKC systems are maintained to allow optimum cargo movement.
- Retain sufficient after tax profits to provide funds for future Port growth.
- Ensure infrastructure, facilities and services are available in a timely and reliable manner but without compromising the safety of employees.
- Market and promote the Port locally, nationally and internationally.





## 5.7 Community Service Obligations

This section no longer applies as the Authority's CSO is not a CSO in terms of Government policy – refer to the policy paper provided by the Department of Treasury. The Authority is not obligated to provide the lower rental for leases to community based organisations, which is a commercial decision and hence could be defined as a community service but without the obligation.

## 5.8 Prices

The Port will implement increased charges in 2013/2014 by the greater of actual cost increases or anticipated CPI.

The Authority is budgeting to increase Berth Hire charges as follows:

Berth 1	61.2%
Berth 2	52.9%
Berth 3	20.0%
Berth 5	38.6%
Berth 8	38.6%

The increases are required to recover significant increases in berth maintenance costs that have been identified during the budget process. The berth maintenance that is required to be recovered by the increase in berth hire charges includes

- Repairs to the Berth 5 deck (topping slab) and hardstand area. Project completed at a total cost of \$2.28M. Cost is being recovered over a number of years
- Repairs to Berth 1 & 2 piles – due to commence in the 2013/14 budget year and take 3-4 years to complete. The costs relating to these repairs will be recovered over the medium to longer term
- Repairs to Berth 3 Dolphins – some repairs have been completed to date, with further repairs being required over the next 3-4 years.

When major infrastructure developments are undertaken these will be funded on the basis of charges associated with the users of the facility and will be evidenced as additional “step changes” in the charging regime.

In 2013/14, Pilotage will increase by 4.5%, Navigational Services by 6.0%, water by 3.0% and Port Infrastructure by 3.0% to cargoes over Berths 2, 4, 5 and 6, and by 34.24%, 5.93% and 20.88% respectively over Berths 1, 3 and 8 to cover additional asset maintenance costs related to the infrastructure on each berth.

It should be noted that the methodology for charging Navigational Services changed in 2012/13 from a depth basis to the length of the vessel overall (LOA) basis, with vessels 220 metres or greater incurring the higher charge and the lower charge applying to all other vessels less than 220 metres LOA.

The change in the charging regime for navigational services was to ensure that the vessels that require the maintenance dredging are charged accordingly.

Port Users will be consulted at least three months prior to the introduction of the increased Port charges.



Revenue from *Navigational Services* will increase by \$1.650 million in total, with \$0.982 million of this amount being as a direct result of budgeted increased trade.

*Port Infrastructure* is budgeted to be up by \$1.248 million which includes allowances for improvements and increased maintenance for shiploaders and conveyors and other civil work. Increases on Berths 1, 3 and 8 will be 34.24%, 5.93% and 20.88% respectively to cover additional asset maintenance costs directly related to the infrastructure on each berth.

The increased cost of providing the *pilotage* service plus the projected increase in the number of vessel movements required to handle the increase in trade results in pilotage revenue increasing by \$0.506 million.

*Berth Hire* revenue will increase overall by \$3.087 million to assist in the recovery of completed maintenance of berths, in particular Berths 1, 2, 3 and 5. The increase is broken down as follows:

Directly as a result of increased trade	\$1.450 million
Directly as a result of charge increases	\$1.637 million

Waste disposal revenue will be up by \$0.022 million. Another \$0.524 million in additional revenue will be generated from land rentals.

A forecasted increase in power consumption by Port users sees \$0.471 million in additional revenue generated. In addition interest on cash investments is budgeted to decrease by \$1.029 million.

In total, revenue is budgeted to increase by \$6.797 million.



## 6. OPERATING BUDGET & TRADE

### 6.1 Operating Budget 2013/2014

The Bunbury Port Authority's operating budget for 2013/2014 shows an operating profit of \$13.429 million (before tax) which is made up as follows:

**Table 1.**

	<b>Forecast Outturn 2012/13 \$ million</b>	<b>Budget Estimate 1st 6 Months \$ million</b>	<b>Budget Estimate 2nd 6 Months \$ million</b>	<b>2013/14 Total \$ million</b>
<b>Revenue</b>				
<b>Charges on Ships</b>				
Navigational Services	10.348	5.894	5.894	11.788
Berth Hire	2.548	2.773	2.773	5.545
Waste Disposal & Water	0.096	0.065	0.065	0.129
<b>Charges on Cargo</b>				
Port Infrastructure	8.7290	5.025	5.024	10.049
<b>Shipping Services</b>				
Pilotage	2.5230	1.485	1.484	2.969
<b>Other Income</b>				
Utilities (Electricity & Water)	4.778	2.618	2.617	5.235
Interest Received	1.369	0.459	0.459	0.918
Rentals & Leases	3.571	2.048	2.047	4.095
Profit on Sale on Non-Current Assets	0.002	0.001	0.001	0.002
Miscellaneous Charges	1.388	0.710	0.709	1.419
Interest offset - DSD	0.000	0.000	0.000	0.000
	<b>35.352</b>	<b>21.077</b>	<b>21.072</b>	<b>42.149</b>
<b>Expenditure</b>				
Marine Expenses (Pilotage)	2.341	1.321	1.320	2.641
Port Operational	0.953	0.818	0.818	1.636
General Administration	4.625	2.645	2.644	5.289
Asset Maintenance	5.973	3.689	3.688	7.377
Environmental	1.759	0.954	0.954	1.908
Utilities	3.770	2.056	2.056	4.112
Safety & Security	1.049	0.554	0.553	1.107
Interest on WATC Borrowings	0.470	0.197	0.196	0.393
Depreciation	3.824	2.125	2.124	4.249
	<b>24.764</b>	<b>14.359</b>	<b>14.353</b>	<b>28.712</b>
Operating profit/(loss) before income tax equivalent	10.588			13.437
Income tax expense	3.176			4.031
Operating profit after income tax equivalent	7.412			9.406
Proposed dividend at 65% Based on Prior Year Profit	3.763			4.818



All investment decisions will be evaluated in accordance with accepted commercial principles and within the financial framework of the SCI. Projects, which are not financially justified or cannot be justified on environmental or security/safety grounds will not be undertaken.

Details of projects in excess of \$2 million including financial evaluation information, cash flows and hurdle rates of return are currently required to be approved by the Minister for Transport through the EERC prior to the project being committed. The Minister is also notified of projects with expenditure of over \$1 million.

Funding for the approved projects in the Capital Investment Plan for 2013/2014 will be met using internal funds. Other projects which have yet to be approved will be funded on the basis of the optimum funding option for the project and may include borrowings from WATC or Public Private Partnership (PPP) funding arrangements.



## 6.2 Trade 2013/2014

### BUNBURY PORT AUTHORITY

<b>Cargo Tonnes By Cargo Type</b>	<b>2013/14</b>
Alumina	<b>10,700,000</b>
Caustic Soda	<b>1,345,000</b>
Containers	<b>44,390</b>
Copper Concentrate	<b>200,000</b>
General In	<b>39,000</b>
General Out	<b>51,390</b>
Grain	<b>150,000</b>
Iron Concentrate	<b>250,000</b>
Methanol	<b>12,000</b>
Mineral Sands (Export)	<b>610,000</b>
Mineral Sands (Import)	<b>423,000</b>
Petroleum Coke	<b>20,000</b>
Recycled Oil	<b>40,000</b>
Silica Sands	<b>340,000</b>
Spodumene	<b>375,000</b>
Timber Logs	<b>39,000</b>
Woodchips	<b>1,585,000</b>
<b>Total</b>	<b>16,223,780</b>

## 6.3 New Trade Development

The Authority will continue to liaise with Perdaman Chemicals and Fertilisers for the export of up to 2 million tonnes per annum of urea from their plant in Collie which will use Collie coal as feed stock. The expected commencement of this export trade is in 2017.

In addition the Authority will work with coal companies in the South West and Government to develop a viable, long term coal export trade through Berth 14A at the Port of Bunbury.

Any development in coal exports through Bunbury Port will be subject to the coal exporters complying with all necessary government approvals including any legal obligations contained in State Agreements.

The export of grain will be continued and the Authority will aid the proponent in assisting their export targets where possible.

The Authority will continue to liaise with new and existing bulk trade exporters and importers in regards to their proposed growth plans for commodities such as alumina, spodumene, project cargoes and roll on/roll off cargoes.

The Authority will continue to investigate the future development of a container trade facility in Bunbury to service the export industries of the South West as this is a high priority for the Port.

The Authority will continue to market the Port as a potential container service provider on the understanding that any initial service will require the use of geared ships to load/unload



containers for the service. There is potential that subject to draft constraints the Outer Harbour has capacity which could be used to facilitate an interim stage container service.

## 7. CAPITAL INVESTMENT PLAN

The Bunbury Port Authority's capital investment plan for 2013/2014 includes \$2.4 million in approved funded projects and \$12.500 million in unfunded projects giving an estimated total of \$14.900 million and includes the following projects:

<b>CAPITAL WORKS PROGRAM 2013/2014</b>	
<b>Project Description</b>	<b>\$ Million</b>
New Works:	
<b>Funded -</b>	
Minor Works (Asset Replacement 2013/2014) (incl balance of Administration Office Extensions)	4.250
<b>Unfunded -</b>	
Upgrade Road System - Inner Harbour	1.500
Finalise Berth 8 Waste Water Management System	1.000
Berth 3 Land Back (Option 2)	10.000
<b>Total</b>	<b>16.750</b>

Note: Capital investment will only be incurred on the basis that the expenditure is financially justified and there is a commitment to the service.

All investment decisions will be evaluated in accordance with accepted commercial principles and within the financial framework of the SCI. Projects, which are not financially justified or cannot be justified on environmental or security/safety/risk grounds, will not be undertaken.

Details of projects in excess of \$2 million including the business case incorporating financial evaluation information, cash flows, hurdle rates of return and written justification are currently required to be approved by the Minister for Transport prior to the project being committed. Projects over \$1 million are to be reported to the Minister.

Funding for the Capital Investment Plan for 2013/2014 will be met using internal funds, or borrowings on the assumption that capital projects proceed as planned.



## **8. ACCOUNTING POLICIES**

The Authority's financial statements are to be prepared on an accrual accounting basis in accordance with Australian Accounting Standards (AASBs), (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB), and the financial reporting provisions of the Port Authorities Act (1999) using the historical cost convention.

Tax equivalent payments will be made in accordance with the Treasurer's Directions and rulings recognising the State's tax equivalent regimes and in accordance with the National Taxation Equivalent Regime.

The Rate of Return will be calculated using profit before tax and interest, but after depreciation based on the deprival value of the Authority's assets.



## 9. PERFORMANCE MEASUREMENT

In conjunction with the Department of Transport, a suite of performance indicators have been developed and adopted by the Bunbury Port as a basis of assessing the Authority's achievement of agreed goals and objectives.

The KPI's as shown below reflect the results of the 2013/14 Budget, including projected cargo tonnages, load rates and vessel numbers. These performance indicators are as follows:

### 9.1 KPI's for the Budget Year ending 30 June 2014

	Forecast 2012/2013	Budget 2013/2014
<b><u>EFFECTIVENESS INDICATORS</u></b>		
1.1 Outer Harbour % - BPA Berths 1 & 2 (2)	12.13%	16.50%
1.2 Inner Harbour % - BPA Berth 3 (2)	20.53%	27.43%
1.3 Inner Harbour % - BPA Berth 5 (2)	60.07%	82.79%
1.4 Inner Harbour % - BPA Berth 8 (2)	51.53%	64.26%
1.5 Inner Harbour % - Berths 4 & 6	75.29%	89.70%
<b>1.6 Total Combined Berth Utilisation % (1)</b> (Includes Commercial and Naval Vessels).	<b>43.85%</b>	<b>55.27%</b>
2. Average Ship Turn-a-round Time (hours) Bulk	57.3	65.1
<b><u>FINANCIAL INDICATORS</u></b>		
3. Gross Cargo Revenue Per Ship	\$0.58	\$0.62
4. Gross Ship Revenue Per Ship	\$27,700	\$33,517
5. Aggregated Operating Port Authority Cost Per Cargo Tonne	\$1.30	\$1.48
6. Rate of Return (after maintenance dredging)	7.87%	9.22%
<b><u>EFFICIENCY INDICATORS</u></b>		
7. Total Tonnes Throughput Per Berth (million)	2,244,429	2,317,683
8. Cargo Tonnes Per Total Vessel Hour (Average all Berths) (Bulk)	583	479
9. Target zero Lost Time injuries	0	0
<b><u>ENVIRONMENTAL &amp; SUSTAINABILITY INDICATORS</u></b>		
10. Maintain PM10 Dust levels below NEPM standard of 50mg/m3	<50	<50
11. Achieve ISO 14001 accreditation within 3 years	ISO 14001 Achieved	ISO 14001 Achieved
12. The harbour sediments remain suitable for unconfined sea dumping as defined in 'National Assessment guidelines for dredging' (NAGD2009)	The harbour sediments remain suitable for unconfined sea dumping	The harbour sediments remain suitable for unconfined sea dumping
14. Achieve Year on Year reduction in substantiated community complaints	15	14





- (1) The utilisation calculation does not include time taken to clean the conveyor systems and change loading chutes and make the facilities and berth ready for use. This applies mainly to Beth 8. Inclusion of these factors would increase berth utilisation at Berth 8 by approximately 9%.
- (2) 65% berth occupancy at Port Authority berths is considered capacity.



## 9.2 Rate of Return

The rate of return is calculated in accordance with the deprival valuation method as required by the Port Authorities Financial Policy. The estimated rate of return for 2013/2014 is at least 8%.

## 10. PERFORMANCE REPORTING TO THE MINISTER FOR TRANSPORT

In accordance with the undertakings agreed to by the Board and the Minister the Bunbury Port Authority will, in addition to the six monthly report, report quarterly to the Minister on the financial performance of the Port. Annual reporting will be in accordance with corporate legislation and include financial, operational and Directors' reports.

### 10.1 Corporate Legislation

Six monthly reports will include:

- Financial statements (Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, Capital Investment Expenditure).
- Actual versus target as agreed in the Statement of Corporate Intent.
- Any other information required by legislation or as directed by the Minister for Transport.
- Explanations to major variations.
- Revised end of year forecasts.

Annual Reporting will be in accordance with Clause 69 and Schedule 5 of the Port Authorities Act (1999).

### 10.2 Quarterly Reporting

- Financial statements (Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, Capital Investment Expenditure). Actual year to date compared to budget.
- Actual versus target as agreed in the Statement of Corporate Intent.
- Pricing model revenue/expenditure performance for each Port charge category.
- Rate of return for year to date and end of year estimate.
- Explanations to major variations.

### 10.3 Treasury Information

Relevant annual information will be provided in accordance with the Government Financial Responsibility Act (2000) as it applies to Port Authorities. Such information will include forecasts of dividend and tax equivalent payments plus concise financial information for the budget year and the subsequent three out years.

BPA's commitment to comply with Government's capital investment expenditure approval process:

The financial parameters within this document 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 approval financial parameters.



## 11. EFFICIENCY DIVIDEND

As announced by the Government on 19 May 2011, the Bunbury Port Authority has enacted a series of savings initiatives and business improvements designed to meet a 5% efficiency dividend between 2011-12 and 2014-15. This has been incorporated in BPA's financial forecast.

In addition, in accordance with the requirements announced by the Government in May 2012, the Bunbury Port Authority will be initiating business improvements in order to meet the 1.5% efficiency dividend requirement in 2012/13 (through to 6% in 2015/16). This will contribute further receipts to State revenue as identified in the table below. The impact of this decision will be reported in the BPA's 2013/14 SCI and SDP.

<b>EFFICIENCY DIVIDEND</b>				
	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
Discretionary Operating Expenses (\$'0000)	9,867	10,244	10,250	10,250
Efficiency Dividend 5% pa - Reduction in expenses and/or business improvements (\$'000)	459	459	n/a	n/a
Efficiency Dividend 1.5% pa (escalating to 6% pa in 2015/16) to be achieved by Business Improvements.	296	461	615	n/a
Estimated increase in Tax Equivalent Payments (\$'000)	226	276	184	n/a
Estimated increase in Dividends (\$'000)	240	343	418	280

The implementation plan as detailed above will be progressively reported to the Minister and Treasurer each quarter commencing with the September 2013 quarter.

**BUNBURY PORT AUTHORITY**  
**APPROVED FINANCIAL PARAMETERS**  
**2013/14**

Income Statement	\$'000
Total Revenue	43,649
Total Expenses	31,809
Profit/(Loss) Before Tax	11,840
Notional Income Tax	4,031
Profit/(Loss) After Tax	7,809
Dividends	5,412
Asset Investment Program	2,400

***To the extent that the financial parameters within the 2013/14 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.***