



**BROOME PORT AUTHORITY**

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**STATEMENT OF CORPORATE INTENT**

**2014 – 15**

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## **1. INTRODUCTION AND PORT AUTHORITY OVERVIEW**

The 2014-15 Statement of Corporate Intent carries Broome Port Authority's intended key achievements for the 2014/15 financial year and is submitted under the provisions of the Port Authorities Act 1999 (the Act). The Act requires Port Authorities to facilitate trade in a commercially responsible manner. The Act also establishes clear lines of accountability with the State Government and requires Port Authorities to submit a Statement of Corporate Intent to the Minister for approval each year, by a date determined by the Minister in agreement with the Treasurer.

Broome Port Authority (BrPA) will be replaced by the regional Kimberley Ports Authority (KPA) on 1 July 2014, as part of the WA ports reform process. Once all BrPA financial and other returns are completed in October 2014 the Broome Port Authority designator will no longer be used. The BrPA ABN and tax file numbers, bank accounts and financial roles and accountabilities will be transferred to KPA.

Over the period of 2014-15 the port reform process will assign the port authority with exclusive control of the Ports of Broome, Derby and Wyndham subject to any direction given by the Minister. In due course the offshore iron ore export terminals of Cockatoo Island and Koolan Island will also come under KPA oversight and governance. In terms of control measures, KPA will have a duty to act on commercial principles, and in support of these principles will be allocated the powers to perform its functions under the Act, including the power to hold, dispose of and develop port land, carry out port works, provide port services, enter into business arrangements, issue licenses and charge for its services.

## **2. PORT REFORM PROCESS**

Kimberley Ports Authority (KPA) is to be formed as a result of the Western Australian Government Ports Reform process, announced on 2 February 2012. KPA is tasked with providing port authority overview and governance functions for the ports and maritime transport activities at Broome, Derby, Wyndham, Cockatoo and Koolan Islands and potential port land holdings at James Price Point.

Key outcomes and deliverables to be derived from this regional port reform process include:

- The KPA will perform its Port Authority Act obligations within a broad regional context and will inherit landlord / lessor responsibilities in respect of arrangements in place at Derby, Wyndham and Yampi Sound ports, in addition to overall responsibility for safe navigation and marine safety across all sites.
- Existing rights to operate Shipping and Pilotage Act (SPA) ports and terminals will remain as previously conducted under DoT management, and there will be a clear separation of duties between the KPA's functions in respect of facilities operated by third parties.
- Local level operational management structures at each port will remain largely in place. The process of change management will involve a Broome Port Chief Operating Officer being appointed to manage the detailed port level operational responsibilities and planning processes. This will serve to minimise KPA exposure to the localised Port of Broome operational management processes,

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and thereby enable the port authority to concentrate upon achieving a regional strategic focus.

- The locally contracted Harbour Masters at Wyndham and Yampi sound ports will report to the KPA Regional Harbour Master in respect of areas such as licenses, conservancy and maritime governance. A Deputy HM will be appointed as and when required for James Price Point, while the regional HM will remain as the HM for Port of Broome.
- The KPA organisation structure will incorporate local Community Consultative Committees at all regional ports in order to ensure an appropriate level of focus upon local and regional issues.
- The KPA will operate from Broome Port Authority offices at Port Drive, Broome.
- In establishing a framework towards the future operations of KPA ports, certain strategic imperatives were taken into account. Legislatively, each terminal manager will provide their own safety, security, environmental management plans and processes to name but a few, and the terminal manager will also need to comply with port authority and other legislative body umbrella requirements as dictated by the relevant state and federal Acts and Regulations.

Specific port authority functions towards sound governance and commercial performance within each port will be discussed with senior management at each outport. The purpose of these discussions is to resolve the best means of implementing ways of ensuring regulatory compliance by port users, and to ensure in conjunction with KPA managers that maritime safety, security, conservancy, sustainability and environmental management systems are adhered to at the local port management levels. These local port and terminal management functions encompass:

- a) Licensing and regulatory functions with respect to marine and port services and facilities;
- b) Issue of ship permits to work, e.g. hot work, dangerous and hazardous goods transit;
- c) Marine safety and environmental protection as follows .
  - i. Harbourmaster regulation and control of navigation within the limits and the approaches to the port, including the movement of port service craft;
  - ii. dissemination of nautical and other relevant information to ships and other involved parties;
  - iii. control of maritime transport and the loading and discharging of dangerous goods;
  - iv. exercising regulatory functions for the protection of the marine environment;
  - v. discharging or facilitating the obligations towards marine safety and protection of the environment;
  - vi. promoting measures for the safety of persons who work at or visit the port;
  - vii. planning for, or combating marine accidents in the port, including provision of response services;
  - viii. securing public order in the port area in cooperation with the WA Police authority and Office of Transport Security; and

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- ix. implementing and overseeing rules and regulations pertaining to port and terminal waste management inclusive of quarantine waste and waste oil;
- d) Powers to levy charges, rates, and fees;
- e) Legal standing to manage port violations including .
  - i. willful damage to port authority property;
  - ii. unlawful operation of port services;
  - iii. evasion of dues;
  - iv. unsafe operation of vessels; and
  - v. pollution of the marine environment.

The BrPA entity will however overlap KPA for the period from 1 July 2014 to 30 September (in a limited functionality) to provide adequate time for BrPA accounts, reports and records to be closed out as part of the winding up process.

### **3. THE KIMBERLEY REGION**

The Kimberley is located in the northern part of Western Australia and is approximately twice the size of Victoria. Significant sections of the coastline between Broome and Wyndham have little or no means of road access, so that boats or helicopters are the only means of transportation to many coastal locations.



**Figure 1 - The Kimberley Region**

The region is located within an area prone to tropical cyclones and receives about 90% of its rainfall during the tropical summer or wet season, when low pressure systems and unstable air characterise much of the weather pattern (Kimberley Development Commission 2013).

Historically, the major mode of transport into the region was by sea, with Broome, Derby and Wyndham ports operating as gateways for regional imports and exports. The Port of Derby operated as an export facility for lead/zinc concentrate from 1997 to 2003 and used barges to convey commodities into and out of the Port.

Live cattle, mining and other agricultural commodities continue to be exported from the region and general cargo and fuel is imported through the Ports of Broome and Wyndham. Naval and Customs vessels, fishing craft, pearling and tourism vessels also use these ports. Barge landing facilities are available at both Derby and Wyndham, and small craft facilities are available at Broome, Derby and Wyndham.

#### **4. PORT OF BROOME**

The Port of Broome operates in support of the offshore oil and gas exploration industry, vehicle and aviation fuel imports and regional distribution, breakbulk shipping, live cattle exports, cruise ships, and general cargo operations. Other port users include regional aquaculture and tourism vessel operators. The Port of Broome can accommodate vessels up to 40,000 tonnes displacement. The wharf has a berth frontage of 330 metres following an extension to the wharf in 2006. The port operates 24/7 and provides a comprehensive range of logistics and transport service agencies and capabilities for port users.



**Figure 2 - Port of Broome**

Total imports and exports through the Port of Broome have more than doubled in the past decade, rising from 167,000 tonnes in 2001/02 to 529,000 tonnes in 2012/13. Much of this growth resulted from the Port's increasing role as a supply base and support centre for oil and gas exploration and production in the Browse Basin. As a result the number of visits by oil and gas vessels has increased from 33 in 2001/02 to 488 in 2012/13. Cruise tourism has also grown over this period with cruise visits increasing from a negligible number to 58 in 2011/12; then cruise visits fell in 2012/13 to 42 as the size of the vessels operating around the coast increased beyond the Broome wharf capacity.

Strategic considerations relating to the port's predicted level of growth indicate that as the number of visits from O&G vessels increase, then at some point delays to vessels are also likely to increase. At present the wharf has capacity to accommodate forecast increases in O&G vessels plus increased numbers of cruise or other vessels.

#### **5. TRADE FACILITATION**

The offshore oil/gas industry of the Northwest Shelf, Browse Basin and Timor Sea is serviced by the major Northern Australia ports of Darwin, Broome, and Dampier. Port selection and competitiveness is dependent on a range of factors including the port's capacity at the time that demand arises. However, in terms of strategic geographical location, capabilities, and berth availability there are a broad range of offshore oil/gas developments which could be serviced from Broome Port, with flow-on benefits to the regional economy.



Various Broome logistics support industries associated with oil/gas are established within or near the Port precinct. Broome has an established community and industrial capabilities, plus an airport which is served by direct flights from Perth, Melbourne and regional centres as well as a large heliport to transport workers to offshore rigs. Broome airport also has potential to service international flights, inclusive of heavy cargo aircraft.

### ***5.1. Broome Support of Browse Basin***

Currently, the oil/gas sector generates 56% of the Port's revenue and the number of vessels involved in oil/gas exploration and development increased markedly from 33 visits in 2001/02 to 488 visits in 2012/13.

The types of oil and gas vessels involved are varied, and include supply vessels . smaller vessels up to 90m LOA; fuel tankers; seismic vessels . survey vessels used for the purpose of pinpointing and locating optimal areas for drilling; coring and survey vessels, and break bulk carriers . carrying large cargo (such as pipes and drilling equipment).

The development phase of the offshore Browse Basin gas activities has resulted in significant increases in activity at Broome Port and the Port has the potential to become a specialised support centre for oil/gas. In particular, the supply base function for FLNG facilities may be similar to those for exploration rigs, so there is an opportunity for Broome to capitalise on this existing function, provide the required fuel and build businesses to support FLNG operations.

Corporate tenants within and adjacent to the Port's boundaries focus on services to support the exploration, construction/development and production phases of the oil/gas industry. The nature of the oil/gas support function means that equipment is brought into the Port in break bulk carriers, offloaded and stored at laydown and covered storage facilities in or near the Port precinct, and then later loaded onto smaller supply vessels for transport to the various offshore operational locations as required.

In addition to servicing the offshore oil/gas industry needs there is potential for the Port of Broome to be a support centre for the emerging oil/gas industry in the onshore Canning Basin. Production of large quantities of gas sufficient to support an LNG export operation from the Canning Basin may be some years away but it could potentially commence within the foreseeable future.

### ***5.2. Fuel Product Tankers***

The Port is the main fuel receipt point for the region and Shell and BP have facilities within the Port precinct's fuel tank farm. Petroleum products imported through the Port include diesel, unleaded petrol (both regular and premium), and Jet A1 fuel. A total of 141,202kL was imported through the Port between July 2012 and February 2013, with the greatest volume product being diesel.

When tankers arrive at the Port they generally stay at the wharf for 24 hours to unload. Tankers are primarily Handimax size (30-50,000dwt) up to Panamax size vessels (50-80,000dwt) with one vessel typically occupying up to 5 berths e.g. Berths 5-9. The typical fuel tanker calling in to the Port of Broome discharges in the order of 13,000kL during unloading.

Fuel tankers comprise the second biggest revenue earner, generating 15% of the Port's revenue. In 2012/13 FY the total fuel imported through the Port was 201,000kL. Of this, 82,000kL was transferred back over the wharf as bunkers fuel for vessels, the majority of which (90%) were oil/gas vessels. The remaining volume of 119,000kL of petrol, diesel and aviation fuel was distributed throughout Broome and surrounding areas.

### **5.3. Livestock**

The Kimberley is the closest WA pastoral zone to Indonesia, Australia's biggest live export market. Around 600,000 head of cattle from the Kimberley are exported annually to Indonesia, of which half are exported via the Port of Darwin (Regional Development Australia, 2012, p. 24). The live cattle trade to Indonesia has experienced severe difficulties since 2011 when the Federal Government suspended all live exports. As the live export industry across Northern Australia can generate more than \$900M annually, there remains some potential for Broome and other Kimberley ports to increase their share of the export market. Broome presently exports 60,000 - 100,000 head of cattle per year.

It is noted that plans are in place and work commenced on development of facilities close to Broome to produce frozen or chilled processed carcasses for the export market in response, at least in part, to the changed circumstances for the live export trade. It is understood that this trade will be directed through the Port of Broome.

Livestock exports were the third largest revenue earner for the Port (9%) in 2011/12 however this declined to 5% in 2012/13. The value of this trade has been variable and declining over the past decade but remains a significant trade for both the Port and the Kimberley region.

### **5.4. Cruise Vessel Industry**

Broome is a tourist destination in its own right, as well as being a significant gateway to the Kimberley Region. In 2011 around 9% of the Port's income was generated by cruise vessels visits however this declined to 3% for the 2012/13 year. Broome tourism organisations and Broome Port Authority are dedicated to increasing the number of cruise ships visiting Broome. Broome is a signature destination which is recognised throughout Australia and around the world, and this has a strong influence on cruise itinerary choice.

Broome town recorded \$6.5M in total expenditure from cruise ship tourism, providing the stimulus for \$1.8M in wages income, 30 FTEs and a value add of \$3.1M to the regional economy (Tourism WA, 2012, p. 11).

Since 2000, the Port has experienced rapid growth in three types of vessel servicing the cruise market:

- a) Larger vessels (LOA 180m to 280m+ generally carrying 1,500-2,500 passengers on long-distance cruises) making transit stops of less than a day, where passengers visit local tourist attractions in and around Broome e.g. the Pacific Sun;
- b) Small cruise vessels (LOA 35m to 100m generally carrying 30/40 to 200 passengers with a length of between 35m and 100m) mainly starting and ending their trips in Broome, and delivering tours along the Kimberley coast. Broome acts primarily as a port of embarkation/disembarkation for these vessels, and vessels can remain in port

for up to two days. Many of these vessels are based in Broome, being maintained, refuelled and serviced in the Port e.g. True North and Orion; and

- c) Very small boutique vessels (generally carrying 10-20 passengers) such as the Kimberley Quest<sup>2</sup>.

Broome is currently ranked by Tourism WA as a Tier 2 port under the West Australian Cruise Shipping Strategic Plan 2012-2020 (Tourism WA, 2012, p. 3). The Tier 2 ranking was based on the Port having a high degree of tourism destination awareness but only a medium provision of port infrastructure, industry capacity and landside destination awareness. The forward vision of the Tourism WA strategy is for Broome to become a Tier 1 port, offering turnaround facilities for large vessels (i.e. a port of embarkation /disembarkation rather than a transit stop). BrPA estimates that it would cost around \$5M to provide the secure transit terminal and added security measures required to achieve Tier 1 status, should this become necessary.

Cruise tourism has grown from an almost zero base in the late 1990s to up to 58 visits in 2011/2012 of which 15 were large cruise vessels and 43 were small cruise vessels. Currently, larger cruise vessels are unable to stop at Broome due primarily to draught restrictions, so go to neighbouring ports to refuel and replenish stocks. Darwin is actively competing for the cruise market, having recently invested in upgraded tourism facilities to support visits by cruise vessels.

### **5.5. Other Vessels**

As Broome Port is a multi-user port, all vessels over 20m share the berths and access to the jetty.

Other vessels accommodated at the Port include Government vessels, coastal trading, fishing boats, pearling luggers and vessels carrying cement, bitumen or general cargo, and tugs.

The Broome Boating Facility Demand Study (Department of Transport, 2012b) numbered 132 commercial vessels operating in the wider Broome area. The greatest volume of other vessels recorded as visiting the Port are commonly the local tourism charter vessels.

### **5.6. Coastal Trading**

There are a number of foreign shipping companies that trade on the Western Australian coast, generally working out of Asia and concentrating on Fremantle and the Pilbara Region. They operate small general purpose vessels capable of carrying containers, break bulk and bulk cargoes as required. They also tend to trade on a spot basis in respect of ports served. Given their low operational costs and the flexibility of their scheduling, these operators are well placed to respond to opportunities that emerge at any of the State's ports.

By contrast, long-standing attempts to make a dedicated Australian coastal shipping service work viably in Western Australia have failed, despite Government funding support, and the service has recently ceased. Notwithstanding, developments such as Browse Basin could be facilitated by foreign shipping companies operating on the western seaboard calling at Broome Port.

### **5.7. Government Vessels**

Government and research vessels that regularly visit include Navy, Department of Fisheries, Customs, police, and marine environment survey vessels such as for James Cook University. The Port is used by Navy vessels as a rest and resupply port during their patrols in the North West. The Navy does not pay any wharfage fees to the Port and obtains priority over berthing space when required, due to Commonwealth funding towards #11 and #12 berths.

### **5.8. Fishing and Pearling Vessels**

A small number of commercial fishing vessels are based at the Port and in addition, smaller charter fishing vessels of 10-12m length carry small parties of people to catch table fish. A total of 129 tourism charter vessel visits were recorded by the Port in 2012/13. Pearling and fishing vessel visits have experienced a significant decline in recent years.

Pearling remains an important industry in Broome. Pearling vessels account for an annual income to the Port Authority of around \$200,000. Pearl luggers still operate in Broome waters as a tourist attraction.

### **5.9. Cement Vessels**

Cement vessel visits providing cement for construction purposes provide only one or two visits a year. The exceptions were 2007 when there were seven cement vessel visits and 2008 when there were five. These are large vessels for the port, up to 180m in length and of 48,000dwt.

### **5.10. Trade Projections**

Trade projections for imports, exports and vessel numbers for the period 2013-19 are outlined at table 1, and compared against actual figures from 2012-13. The trade projections are made within an environment of uncertainty due to:

- a) Several oil and gas majors are still to make a decision whether to proceed with offshore Browse LNG developments and to utilise Broome Port rather than Darwin Port as their supply base or a significant part of their supply chain,
- b) The sensitivity of the livestock export industry to political decisions which are outside BrPA's control, including Australia's relationship with Indonesia;
- c) The future security requirements which the Office of Transport Security may require Broome Port to comply with may increase. This may require BrPA to pass on costs which would make Broome Port unattractive to cruise ships and potential fuel tankers;
- d) Major onshore hydrocarbon companies have not finalised their export chains and BrPA may require additional approvals in order to allow the development of a crude tank farm on port lands;
- e) A company . Merchant Shipping, is planning to establish a monthly service to Singapore from Broome. It has adequate cargo to justify the visits and is willing to

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establish a quarantine cargo facility. Such a facility would allow BrPA to become an open port.

	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
	Actual	Target	Target	Target	Target	Target	Target
<b>Cargo throughput (tonnes)</b>	528,785	642,000	881,000	901,000	926,000	946,000	956,000
	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
<b>Exports (tonnes)</b>							
Crude Oil & Condensate		92,000	276,000	276,000	276,000	276,000	276,000
Livestock	22,234	30,000	30,000	30,000	30,000	30,000	30,000
Water	51,546	80,000	55,000	55,000	60,000	60,000	60,000
Other	100,557	70,000	95,000	100,000	105,000	110,000	110,000
Total Exports	174,337	272,000	456,000	461,000	471,000	476,000	476,000
<b>Imports (tonnes)</b>							
Fuel and oils	201,240	210,000	240,000	250,000	260,000	270,000	280,000
Building materials	7,738	10,000	10,000	10,000	10,000	10,000	10,000
Other	62,871	70,000	75,000	80,000	85,000	90,000	90,000
Total Imports	271,849	290,000	325,000	340,000	355,000	370,000	380,000
Bunkers	82,599	80,000	100,000	100,000	100,000	100,000	100,000
Total Trade (tonnes)	528,785	642,000	881,000	901,000	926,000	946,000	956,000
<b>Vessels Calling</b>							
Trading	625	540	650	650	660	670	670
Cruise	42	50	50	55	55	60	60
Fishing	135	120	120	120	120	120	120
Pearling	143	150	150	150	150	150	150
Charter	304	310	320	330	340	350	360
Naval and other	126	150	150	150	150	150	150
Total No. of Vessels	1,375	1,320	1,440	1,455	1,475	1,500	1,510

Table 1 - Trade Projections 2012 - 2013 to 2018 - 2019

## **6. FUTURE DEMANDS ON THE PORT**

Broome Port Authority experienced increased demands from the oil/gas industry and from cruise ships over the past decade while demand from most other sectors has declined or remained stable. In order to establish the likely future demand at 5, 10 and 20 year horizons, discussions were held during 2013 with the Port's main customers. The major oil/gas companies were identified as Inpex, Shell, Woodside Petroleum and ConocoPhillips who all have ongoing projects or identified large hydrocarbon reserves.

Toll Mermaid was also interviewed as they have two established supply bases in Broome that are currently providing support to the industry with the capacity to provide additional support. Efforts were made to contact the cruise shipping company operators in Broome with mixed success. Useful responses were obtained from two of the major cruising companies as well as from Orion who run high end expeditionary cruises of the Kimberley Coast.

### **6.1. Oil and Gas Industry**

The offshore O&G industry considers Broome to be a strategically important location due to its proximity to the Browse fields, its proximity and air travel time to Perth, less constrained access to the airport than at Darwin, and its potential labour market. It was noted however that specialist support will also be obtained by the oil/gas companies from the best mutually strategic location including Darwin, Singapore or other ports. This would apply where a supplier is co-located with other industry or where there is a greater availability of highly trained staff.

The oil/gas companies contacted have already provided detailed schedules for the next two . three years to BrPA and this consolidated schedule provides a good understanding of short term requirements. For the five year horizon, Inpex and Shell indicated that essentially demand would continue at a similar level. Inpex's Ichthys and Shell's Prelude facilities are now in development and are both expected to start producing gas by 2017. Woodside has also recently confirmed that their Browse project will use FLNG.

Four companies are currently supporting their exploration campaigns through the Broome Port with approximately three rig tenders per company per week using the Port. Shell has advised that they would expect this level of activity to continue for at least 10 years with the addition of one visit per week from an ~~1~~ Field Service Vessel+once the FLNG facility is in production. Inpex have indicated a need for a higher number of vessels per week (five . six in total), while Woodside indicated that their requirements are at this stage unknown but likely to be similar to Prelude. Each facility will need additional ad-hoc supply during the development phase of the project, with Inpex again expected to have the greater demand.

The proposed production facilities will continue to have a baseline support requirement while it would be expected that further sites might undergo exploration activities and preparation towards becoming development wells. An outline of anticipated offshore activities is shown in figure 3.

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Company	2013 - 2018	2019 - 2023	2023 - 2033
<b>Inpex</b>	Exploration Development Production (2017)	Exploration Production	Exploration Production
<b>Shell</b>	Exploration Development Production (2017)	Exploration Production	Exploration Development (Concerto?) Production
<b>Woodside</b>	Exploration Development	Exploration Development Production	Exploration Development(?) Production
<b>ConocoPhillips</b>	Exploration Development	Exploration Development Production	Exploration Production
<b>Other companies</b>	Exploration	Exploration Possible Development	Exploration Production

Figure 3 - Anticipated Browse Basin offshore activities 2013-2033

The peak of vessel activity for the Port is associated with the development phase of each project and particularly when the development phase of more than one project coincides as is likely to happen late in 2014 when Prelude and Ichthys both reach a peak, while potentially Woodside’s development project commences.

**6.2. Onshore Canning Basin – Crude Oil**

The onshore Canning Basin is situated to the south east of Broome and covers an area of approximately 530,000km<sup>2</sup>. Oil was first discovered in 1981 at the Blina oilfield which to date has produced 1.5M barrels of crude oil that was formerly taken to Kwinana by truck for processing. Recent production from the Buru Energy field near Broome is being taken by road to Wyndham for export. Estimates of oil reserves in the Canning Basin indicate potential for 9.8 billion barrels recoverable of shale oil/condensate.

A substantial area is currently held by Buru Energy (along with farm-in partner Mitsubishi) in the Northern region of the Basin, and by New Standard (along with ConocoPhillips and PetroChina) in the southern portion of the Basin. Major organisations partnering in the onshore Canning Basin since 2011 are investing heavily in exploration activities, and these include Conoco Phillips, Hess, Petrochina and Mitsubishi.

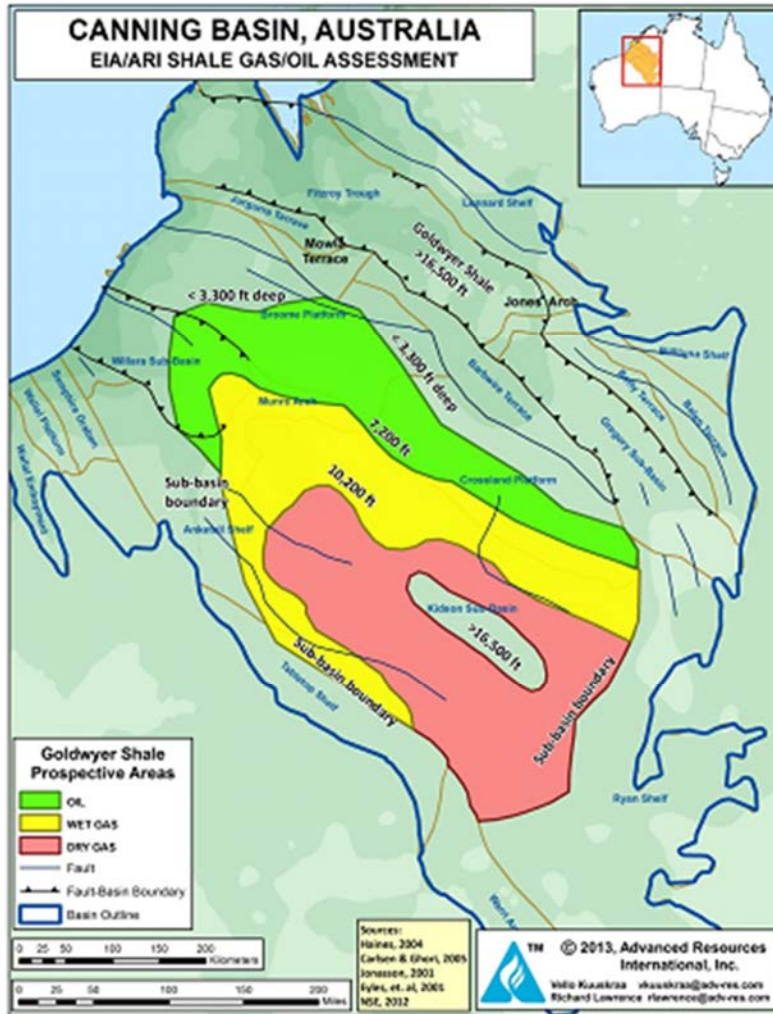


Figure 4 - The Onshore Canning Basin (ARI 2013)

### 6.3. Land and Infrastructure

A challenge for the Port of Broome is to meet future logistics support requirements particularly from the offshore and onshore oil and gas sectors. Broome is also a regional maritime hub providing varied services to multiple stakeholders, and hence the strategic and operational needs of non-oil and gas trade users must also be considered. These stakeholder requirements will include increasing levels of wharf and land availability.

The land within port limits is to be assigned to organisations related to the Browse Basin offshore developments, and intentions in this regard are for the port authority to support the construction of multiple supply bases, logistics storage yards and potentially a crude oil tank farm. This segment of land use will entail port authority expenditure on crossovers, access roads and stormwater treatment, while previous completed projects have ensured the provision of power, water and telecommunications infrastructure to these sites.

Port authority intentions are to develop three Ha of available land on the eastern side of Port Drive, with one segment allocated to O&G support agency MI Australia, and the other to



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become a prefabrication and laydown facility in support of the two-year wharf refurbishment project. Once the wharf refurbishment is complete then a portion of this site will become available for leasing.

A 17 Ha site at the north-western section of port lands is to be allocated to future supply base use, with potentially three proponents becoming lessees.

In November 2013 a land parcel at James Price Point was taken up by the state government and 110 Ha was vested in port authority management. Thus there is considerable support from the WA Government for development of an onshore LNG processing and production facility at JPP, albeit with uncertainty surrounding when such a project might eventuate and by which proponent/s.

The port authority also seeks to have a land access provision of the Yawuru Prescribed Body Corporate Indigenous Land Use Agreement Broome 2010 implemented whereby the port gains access to 54 Ha of land adjacent to the nearby town commercial area, to replace 48 Ha of port land relinquished as an outcome of the 2010 Rubibi Global Negotiations.

Moreover, this land will require significant expenditure in order to conduct headworks inclusive of a central road (likely an extension of McDaniel road), power, water, telecommunications and stormwater treatment. This development also involves connection of the WaterCorp sewerage system to lands managed by the port, within a two year time frame. The port authority is to manage this property and after recouping its land development costs from future rent payments, the port authority will profit share with the Yawuru prescribed body corporate.

The fuel tank farm area is at present divided by the port's fuel importers BP and Shell. While the existing land area appears to be sufficient for foreseen regional and offshore fuel demands, a requirement arises for fuel tank land devoted to crude oil exports from the onshore Canning Basin. The Land Use Plan is to be amended once a formal request is made from an oil producer/exporter.

To address the community's wider commercial land needs, LandCorp is progressing the Broome Road industrial project which is a proposed 400 hectare general industrial and transport development. The site is approximately 10km from Broome, situated on Broome Road opposite the Cape Leveque Road turn off. The estate is intended to provide land for a variety of general industrial and transport related uses, including those of the manufacturing industry and the storage and distribution of goods. The port authority has flagged an interest in being assigned 20 Ha of this land for use as storage facilities for port-related industries.

The Port is proactively working to maintain its infrastructure both at the wharf and ashore, including a \$24M funded wharf extension of life project intended to maintain the port's current capabilities for the next decade. This \$24M project (which was enabled by initiatives by the Minister for Regional Development and Minister for Transport) is scheduled to undertake works during 2014-2015 to refurbish the structure's decking and piles.

## **7. PORT OF DERBY**

Derby wharf was closed by the Department of Transport in 1994 but with combined Shire and community effort it was reopened as an Export Facility in 1997 for barges exporting lead and zinc concentrates from the Cadjebut Mine at Fitzroy Crossing. Derby wharf was originally designed to handle vessels up to 15,000 tonnes, however today the mainstay Derby maritime business is related to small vessel logistics support of the Yampi Sound iron ore export facilities and the aquaculture industry. The primary activity is the supply of fuel by landing barge to the Yampi Sound iron ore export facilities, and this requires fully laden fuel road trains to drive onto the wharf for direct vehicle-barge fuel transfers.

There would appear to be a commercial opportunity for the installation of a fuel supply pipeline and a bunkering point for vessels to enable this transfer of fuel from trucks to be conducted from a shoreside location adjacent the wharf. This would obviate the need for heavy vehicles to access the ageing wharf.

The port also provides shipping support to the movement of up to 26 tonnes per week of farmed Barramundi. While there is the reported potential for future barge operations in support of thermal coal exports, there would appear to be a number of hurdles that need to be cleared for this project to proceed.

Derby has been a port operating under the jurisdiction of the DoT (Shipping and Pilotage Act) and is currently leased by the Shire of Derby-West Kimberley (SDWK). Upon the port being transferred to the Kimberley Ports Authority during 2014-15, it is intended that SDWK's existing rights will be preserved and that the KPA's function will largely be to replace DoT as landlord and lessor. The lease arrangement is of a peppercorn nature and the lease runs until 2019, at which point SDWK can exercise the right to extend the lease by a further 21 years to 2040.

Current DoT functions in respect of the Derby Port that are expected to transfer to the KPA are as follows:

- Lease administration tasks;
- Asset Management and Engineering advice and support;
- Planning support in relation to SCI, SDP, Master Plan, Marine Safety, Environmental, etc, and
- Safety and Environmental Governance.

For the duration of the lease, responsibility for physically managing port level operations will remain with the SDWK Port Manager, who will refer to the relevant KPA functional representative regarding the abovementioned areas.



**Figure 5 - Derby Wharf Infrastructure**

## **8. PORT OF WYNDHAM**

Wyndham Port is the Kimberley regionsqsecond busiest port facility behind Broome with shipping activity relating to the export of livestock, nickel, iron ore, and crude oil. Imports include bulk fuel and ammonium nitrate. The port contributes to the Kimberley tourism industry with the throughput of cruise passengers.

The wharf can accommodate vessels of up to 26,000 tonnes displacement, and it has the facilities to manage night operations. Barging operations take place in support of vessels ranging upwards in size to Handymax vessels (50,000 tonnes SDW). These vessels are loaded while moored within the shipping channel and in 2012 some 1.5M tonnes of iron ore were exported by Kimberley Metals Group by this means. From discussions with the KMG site operators the annual exports might increase to two million tonnes p.a. in the short to medium term.

There is potential for emerging mining operations in the East Kimberley plus the expansion of the Ord River Irrigation Scheme to place increasing demands upon the Port of Wyndham.



**Figure 6 - Port of Wyndham**

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Increasing demands on the port are also likely to emanate from significant federal, state, territory and overseas financial investment in the Ord Valley region. From these investments, sugar, fibre board and sandalwood exports are likely to arise. Projects are already underway towards new agricultural and processing/manufacturing infrastructure developments. With some 17,000 Ha of horticultural and agricultural land developments there is the likelihood in the short term of increased tonnages of fertiliser imports.

The port has been a SPA port operating under the jurisdiction of the DoT and one of the three shoreside terminal facilities is currently leased and operated by Cambridge Gulf Limited (CGL) who has managed the port under DoT oversight since 1999. It is intended that CGL's existing rights will be preserved within the port reform process, and that the KPA will replace the DoT as landlord and lessor. CGL's current contract to lease and manage the port runs until 2017, with two 1 year options thus allowing the term to extend through to 2019.

A Kimberley Metals Group land backed barge loading facility and an iron ore stockpile area to the north of the CGL lease is shown in figure 7. This facility is leased from CGL who have freehold of the land in this area.



**Figure 7 - Kimberley Metals Group Barge Loading Facility**

The DoT functions in respect of the Wyndham Port that are expected to transfer to KPA are:

- Lease administration tasks;
- Harbour Master support;
- Financial administrative support in relation to regulated fees and the operation of the Wyndham Port Trust in accordance with the accounting manual;
- Asset Management and Engineering advice and support;
- Planning support in relation to SCI, SDP, Master Plan, Marine Safety, Environment, etc
- Maritime security support; and
- Safety and Environmental Governance.

CGL's port level operational structure will remain as-is however it is expected that the local contracted Harbour Master will report to the KPA Regional Harbour Master in respect of licenses, conservancy and maritime governance among others. The Harbour Master function is integral to the ongoing operation of the port given its 57km long pilotage route. The CGL

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wharf recently completed an upgrade to its fender system and container storage area which will further increase port capacity. Wyndham trade statistics are shown in figure 8.

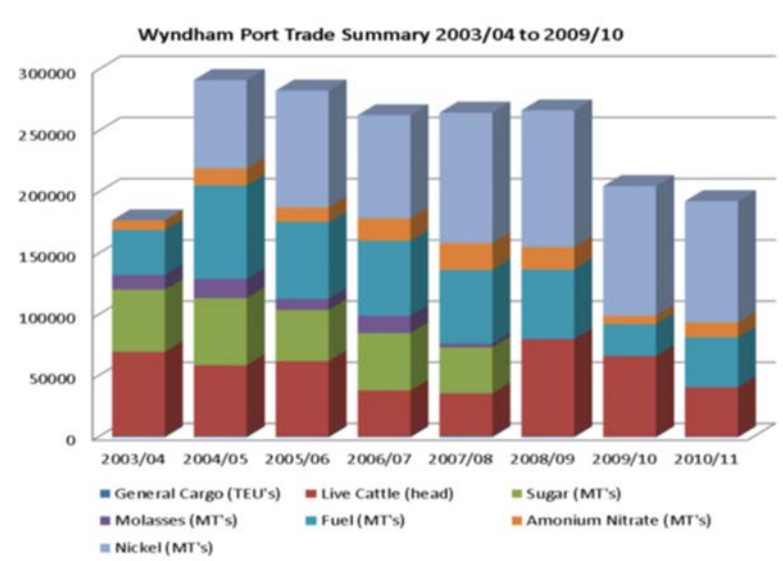


Figure 8 - Wyndham Trade Statistics

### 9. YAMPI SOUND PORTS

The Yampi Sound Ports of Cockatoo Island and Koolan Island are not SPA Port facilities like Derby and Wyndham because they come under the Mining Act's jurisdiction. Due to this administrative difference, these ports will come under KPA governance at a later time. Port infrastructure at these islands is not State-owned and there is no formal arrangement with DoT regarding the operation of these facilities.

Current DoT functions in respect of the Yampi Sound ports that will transfer to KPA are expected to be:

- Harbour Master support;
- Planning support in relation to SCI, SDP, Master Plan, Marine Safety, Environment, and other governance areas; and
- Safety and Environmental Governance.

Management at the Yampi Sound ports will remain as-is however the local contracted Harbour Master will report to the KPA Regional Harbour Master in respect of licenses, conservancy and maritime governance among others.

Cockatoo Island hosts sub-sea level mining operations for iron ore, made possible by a 15m high sea wall to prevent tidal water from flowing into the pit. The project was purchased by ASX-listed Pluton Resources Limited on 1 October 2012. Pluton's initial estimates for shipments of Direct Ship Ore from the project commenced at 43,000 tonnes in November 2012, rising to 86,000 tonnes for December 2012 (i.e. approximately 1Mtpa). Longer-term shipping forecasts are currently being developed.



**Figure 9 - Cockatoo Island Port**

Koolan Island is operated by Mt Gibson Limited and is currently producing iron ore at a rate of approximately 3Mtpa.



**Figure 10 - Koolan Island Port**

Preliminary indications are that there may need to be some amendments made to both the Mining Act and the Fisheries Act to reflect a transfer of HM responsibilities from DoT to KPA. Accordingly, this matter has been escalated to the port reform Legislative Sub-Committee for consideration.

## **10. JAMES PRICE POINT**

In November 2013 the state government initiated a taking process for the James Price Point land, involving a total precinct area of approximately 3,414.01ha, consisting of:

- a) Port Land . 109.78ha;
- b) Industrial Precinct and Common User Area . 1980.00ha;
- c) Third Party Contractor Site . 199.87ha;
- d) Accommodation site . 199.86ha;
- e) Pipeline Corridors (North and South) . 437.05ha;
- f) Main Access Road, Third Party Contractors Site Road, and Accommodation Road . 266.50ha, and

- g) Service Corridors . 220.95ha.

In addition, for future vesting of the potential port in the Kimberley Ports Authority, an allocation of 1,000ha offshore waters will be considered by the government.

## **11. KPA INTENT, STRUCTURE AND STRATEGY**

It is envisaged that KPA's roles and responsibilities will not be dissimilar to the former Broome Port Authority roles and responsibilities under the Port Authorities Act 1999 (WA):

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

### **11.1. Organisational Strategy and Operating Model**

The Kimberley Ports Authority will undertake a number of broad regional roles which will stem from inheriting existing agreements and contracts formerly linking SPA ports with DoT jurisdictional and governance functions. As a result of the implementation process, KPA will assume land and infrastructure formerly vested in DoT and consequently KPA will become the new landlord or lessor in respect of the agreements currently in place at Derby, Wyndham, Cockatoo Island and Koolan Island.

KPA will also assume overall responsibility for safe navigation and marine safety across these additional sites and will need to appoint/endorse harbour masters and approve/licence pilots to operate within the various Kimberley region port waters. These functions are in addition to KPA's operational oversight roles and responsibilities at the Port of Broome.

A key objective is to work with the individual port lessees towards increasing trade and revenue, and to derive port authority revenue flow in return for services and value adding involvement at these ports. This is particularly the case for ports that are presently net recipients of port authority subsidies, works and financial offsets.

The intended KPA organisational framework is depicted in figure 11.

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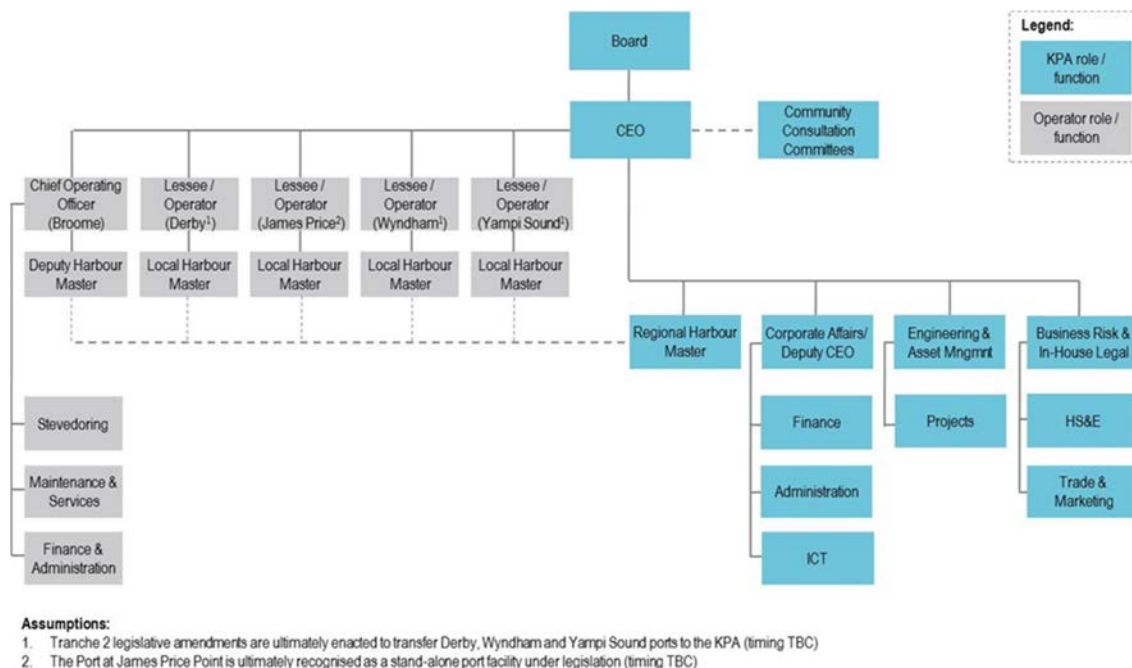


Figure 11 - Kimberley Ports Authority Organisational Framework

**12. GOVERNMENT PORTS POLICY**

**12.1. Kimberley Port and Terminal Leases and Agreements**

As part of the Western Australian (WA) Government Ports Review (Review) announced on 2 February 2012, the Broome Port Authority (BrPA) is tasked with port authority overview and governance functions for a number of additional regional ports and terminals. Whilst each Port will be managed by KPA on behalf of the State, local level operational management structures will remain largely in place. The key change will require the Broome Port to be run by a General Manager or Chief Operating Officer (GM / COO) who will inherit key port level operational responsibilities from the existing BrPA CEO.

Shipping and Pilotage Act Port structures will continue to reflect the nature of existing lease / operating agreements and details around the operation of James Price Point will be addressed once any development negotiations take place with a proponent. Contracted local Harbour Masters at the SPA ports will report to the KPA Regional Harbour Master on matters such as licenses, conservancy and maritime governance.

Port reform involves the formation of a new Board of Directors, who are expected to be appointed in a planning capacity in early 2014 and to assume both strategic and operational overview of KPA from 1 July 2014. The new board will be vested with full powers on the start date (e.g. 1 Jul 14) while the pre-reform port authority will have three months to finalise accounts and prepare the Annual Report (with only administrative powers after the start date).

KPA will be funded by the existing port operations at Broome, plus any agreed subsidies that arise from government cash injection for KPA exposure to payments for certain regional port

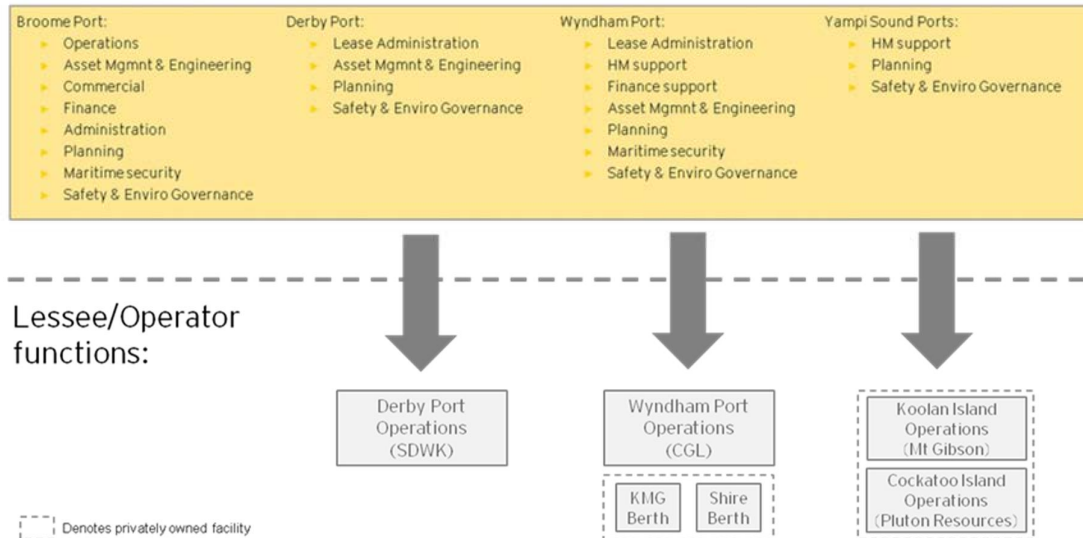


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expenses. Business cases will be raised to cover any such subsidies, and any requisite remediation or replacement of outlying port land, assets and infrastructure.

Figure 12 below illustrates the government policy requirements for a clear separation of duties between KPA functions in respect of the facilities operated by third parties. Core operations at Derby and Wyndham will remain the responsibility of the Shire of Derby-West Kimberley (SDWK) and Cambridge Gulf Limited (CGL) respectively, as will operations in respect of the private facilities run by Kimberley Metals Group, Shire of Wyndham East Kimberley, Mt Gibson and Pluton Resources.

**KPA functions:**



**Figure 12 - Kimberley Port Authority Regional Functional Roles**

Management processes and responsibilities of KPA remain as defined by the amended Port Authorities Act 1999 (WA). Those ports and terminals that were previously managed by the state Department of Transport (DoT) under the auspices of the Shipping and Pilotage Act 1967 (WA) will be transitioned to KPA governance and regulatory oversight as specified by the Port Authorities Act. Necessary amendments to this piece of legislation enable and lend authority to KPA's multi-port roles and its regional stance.

The primary objective of the port reform process is to improve outcomes for port customers by:

- a) Optimising the utilisation of port infrastructure;
- b) Improving the quality and timing of investment decisions;
- c) Enhancing corporate governance via .
  - i) strategic, operational and financial planning,
  - ii) risk management,
  - iii) human resource and skills management,
  - iv) stakeholder management,
  - v) safety management, and
  - vi) environmental management;

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- d) Reducing expenditure through efficiency gains and reduced duplication of effort;
- e) Improving commercial practices, skills, acumen and capability;
- f) Providing consistency of port views on regional issues; and
- g) Extending economy of scale benefits for service provision.

The port reform process follows a high level implementation timeframe:

- a) 2012 . Consultation began with industry and port customers, state government departments began drafting legislation and developing policy frameworks;
- b) 2013 . Presented legislation to Parliament, continued stakeholder consultation and port authority project management towards timely implementation; and
- c) 2014 . Implementation to begin under a staged approach, mindful of the existing contracts, leases and impacts upon industry and port customers.

Key actions required of management for transitioning to a regional port authority include the following:

- a) Conduct due diligence and risk assessments;
- b) Prepare and implement strategic and operational plans as required by legislation, including Environmental Management Plan, Marine Safety Plan, and Maritime Security Plan;
- c) Prepare and implement operating budgets by business units and financial forecasts for the new port authority;
- d) Establish asset and liability inventories, work with State Treasury and the Australian Taxation Office on how assets will be valued, and transfer assets and liabilities;
- e) Initiate employee transition inclusive of staff records across to the new entity, or to the Port of Broome as the case may be (e.g. modify all employment contracts, outstanding leave balances, payroll details, leave liabilities, etc.);
- f) Manage other implementation undertakings as per approved implementation plan, including:
  - i) ongoing communication and consultation with stakeholders,
  - ii) change-management activities, and
  - iii) proposed risk treatments;
- g) Conform to and implement the legislative changes for the transfer of SPA ports into the new port authorities;
- h) Implement and maintain a detailed Gantt chart on how and when the above activities will be undertaken for tracking purposes and for reporting to the Steering Committee;
- i) Close out all previous processes involving BrPA's legal entity, establish the new legal entities for the Kimberley Ports Authority, and ensure that all legal requisites for the Port of Broome cost and operations centre are established;
- j) Assist DoT to quantify cost of the Kimberley aspects of the port reform process; and
- k) Engage the board members in the process by actively seeking their advice on matters as appropriate.

## **13. KPA BUSINESS STRATEGY AND OPERATING MODEL**

### **13.1. KPA Head Office and Staff Locations**

The KPA Head Office is based at Port Drive in Broome. This office is newly acquired due to severe space constraints at the port authority's other rented premises at the Port of Pearls building adjacent to the wharf. Given that the restructured port authority has delegated management of the port to the Port of Broome COO and associated operational staff there was no longer the same imperative to have a port authority direct focus and presence adjacent to the wharf.

In line with the overall objectives of the reform, it is noted that the intent is not to create an additional level of Head Office bureaucracy but rather, to form a clear structure around which support to the regional satellite ports can be provided. It is also integral to the success of the implementation process and change management that these local ports are able to maintain their strong local identity and community connection.

#### **13.1.1. Roles of the KPA Executive, CEO and other senior personnel**

The KPA CEO will report to the Board and be responsible for wider strategic planning, business development and organisational oversight across all Ports in the region. The KPA CEO will likely be supported by a Corporate Affairs Manager (or similar) who will oversee the support areas of Finance, Administration and ICT. The Regional Harbour Master (along with other functional leaders that are yet to be identified) will assist the CEO with the provision of Harbour Master / Pilotage, Engineering & Asset Management and Health, Safety and Environment advice or support to all Ports in the region.

The Port of Broome GM / COO will inherit key operational responsibilities from the existing BrPA CEO and will report to the KPA CEO regarding all operational aspects of the port.

### **13.2. Vision**

KPA's corporate vision is:

*Kimberley Ports Authority is to be the key regional catalyst in growing intermodal logistics and transportation business. Within the first five years of inception the ports authority aims to significantly increase both the amount of regional seaborne trade, and the level of offshore operational support.*

*In so doing, Kimberley Ports Authority will be synonymous with safety, sustainability and holistic stakeholder engagement, inclusive of local communities and their sense of environment.*

KPA will be staffed by competent and motivated professionals who will promote the expansion of maritime business across the Kimberley. This business will include but not be limited to the resources export, offshore oil and gas support, agriculture and aquaculture, tourism, and the project-related logistics support and transportation industries.

KPA will adhere 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 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; and
- f) Security: to continuously improve security management and integrity within all port and ship activities.

### **13.3. Mission Statement**

The Mission Statement constitutes a perspective of how the Board of Directors intends to guide the port authority's expansion and lay the milestones for its functioning. KPA's mission statement provides towards the Master Plan a broad qualitative statement of what and where the organisation aims to be within a short-medium timeframe, and asserts that:

*The Kimberley Port Authority will proactively engage in developing and expanding regional levels of trade and performance to fulfil the needs of its ports, local businesses and communities, and other regional stakeholders. KPA will also strongly support the growth of new and existing regional maritime support business.*

*Accordingly, the port authority will strive to accomplish the following enabling objectives:*

- a) That all of its cost centres remain financially viable,*
- b) Be competitive in all facets of its operations when benchmarked against ports in other regions and jurisdictions,*
- c) Develop marine commerce,*
- d) Assist in regional economic development,*
- e) Enhance the capabilities, availability and utility of all port authority assets, infrastructure and facilities,*
- f) Maintain a prudent level of cash reserves, and*
- g) Allocate capital for future development.*

The broad strategic direction and the prioritisation set by the Directors address a number of key factors with potential to impact performance and reputation. These factors include:

- a) Fulfilling safety, cultural & heritage and environmental obligations;
- b) Securing and managing appropriate funding to enable the port authority to meet its major challenges, including eventual replacement of the aging wharf infrastructure;

- c) Preparing for, funding and managing major projects including establishment of a regional port authority role, increased levels of support for the Browse Basin, and if required, supporting the establishment of a new regional port at James Price Point;
- d) Management of human resources/managing industrial relations environment;
- e) Making the most of growth opportunities/land development;
- f) Complying with Government regulatory changes and development imperatives; and
- g) Managing and mitigating the port authority levels of public liability exposure.

#### **14. CRITICAL SUCCESS FACTORS**

Critical success factors for the formation of KPA are identified as:

- a) Meeting the defined scope of the ports governance transition;
- b) Ensuring that a legal and statutory framework exists to accommodate the desired governance model;
- c) Adequate funding and resources are provided;
- d) Alignment of objectives and outcomes is achieved between the parties;
- e) Clear terms of reference are provided to all involved parties;
- f) Political direction and support are provided;
- g) Change management is implemented effectively and efficiently; and
- h) Stakeholder buy-in/commitment is achieved.

#### **15. STRATEGIES**

##### **15.1. Objectives**

Key management objectives are to:

- a) Achieve and maintain a zero rate of personnel injury and harm to the environment;
- b) Maintain a high level of corporate governance and ethical business management;
- c) Achieve positive revenue growth and a positive return on assets;
- d) Optimise revenue sources towards meeting government efficiency dividend targets;
- e) Grow internal management capacity and capabilities towards ensuring multiple-port oversight and governance;
- f) Encourage and facilitate the provision of infrastructure funding towards the maintenance and construction of KPA-owned regional port infrastructure and assets;
- g) Lease available port authority land to port-related entities at favourable rates of rent wherever the land is not already leased under state leases or agreements; and
- h) Achieve positive Human Resource indicators such as reduction in lost time injury, and an increase in employee satisfaction.

Key business and financial objectives:

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- a) Promote the Kimberley region's 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 KPA's strategic directions;
- f) Cultivate and maintain a high level of public understanding and confidence in the ports;
- g) Maintain sound and appropriate environmental management practices for all KPA property; and
- h) Increase revenue flow as necessary to remain self-supporting and to fund improvements, asset holdings, maintenance, and to maintain prudent cash reserves.

## **16. PROGRAMS**

Regional commercial activities include the offshore Browse Basin development and the potential for construction of crude oil export facilities at Broome and at Wyndham, the Shell floating LNG processing plant (FLNG) project to extract gas and oil from the Prelude and Concerto gas fields, and ongoing BrowseLNG activities by energy resources companies Inpex, Santos, Murphy Oil, Apache Energy, ConocoPhillips 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 addition to Wyndham's existing mineral, cattle and hydrocarbon exports, the furthest WA port is likely to expand in support of the Ord River Stage II development. This development involves a proposed sugar growing project and its associated value-adding infrastructure investments. The State Government has committed \$322m to increase the existing amount of irrigated land in the Kununurra region by releasing approximately 15,000ha of additional Ord farm lands.

On 20 November 2012 the State Government announced that Kimberley Agricultural Investment (KAI) was the preferred proponent to lease and develop 13,400ha of irrigation land in the Goomig and Knox Plain areas. KAI, a subsidiary of China's Shanghai Zhongfu Group, proposes to establish a sugar industry in the Kununurra region. To achieve a diverse agricultural mix for the region and to support local enterprise, an additional 1,700 Ha of newly developed land in the Ord West Bank will be available for the development of up to 25 new farms.

The State Government has invested science and conservation monies into the establishment of new Kimberley marine parks that will encompass some 48 percent 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 region's port gazetted

water boundaries encompass extensive high value and world benchmark environmental/cultural and heritage benthic areas that incorporate Ramsar Wetlands, wading bird habitats, extensive mangrove stands and tidal creeks, and turtle nesting dunal areas.

Within an expanded regional context from mid-2014, KPA will also be challenged by the requirement to manage the interface of ship movements with the activities of marine life such as whales, dugongs and turtles.

## **17. ECONOMIC OVERVIEW**

The port authority'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 multiple ports' critical infrastructure and assets.

Under the WA Port reform processes the port authority is being tasked with additional regional roles that will require increased expenditure in terms of subsidies, maintenance, remediation, asset replacements, surveys, travel, and the provision of increased services, infrastructure and personnel. While the budget impacts of these provisions will be explored during the 2013-14 due diligence processes, it is expected that to some extent KPA will assume an indeterminate liability in support of the Derby and Wyndham ports.

The port authority is working towards maximising its revenues in order to meet the government target for return on assets. For Broome this target is 11.2%, up from the previous 5-8% level as stipulated in the PAA 1999.

Business cases will need to be raised towards the funding of regional infrastructure projects, and for externally and internally driven strategic and operational projects.

### **17.1. Dividend Considerations**

The State Government requires BrPA to set its rate of return on assets to meet a targeted annual 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 ensuring that a further proportion of annual profits will return to Government.

The Government has directed that the focus of efficiency review will be upon reducing discretionary expenditure. Accordingly, savings strategies to be explored over the period 2014-2015 include:

- a) Increasing the levels of business and revenue;
- b) Decreasing employee numbers where possible;
- c) Reprioritising internal activities and functions;
- d) Reviewing fees and tariff levels derived from trade and business growth;
- e) Multi-tasking; and
- f) Outsourcing services provision in unprofitable areas.

An implementation plan detailing where savings are intended was provided to the Minister and the Treasurer, and quarterly progress reports will be forwarded in accordance with the efficiency targets of 1.196 for 2014 - 2015.

## **18. PROJECTS, MARKETS AND CUSTOMERS**

### **18.1. Major projects and their costs**

The Browse Basin Support Development project arises from a three - four month consultant study to identify stakeholder requirements and the performance of a gap analysis towards providing long term support to the offshore oil and gas industry from their exploration to production phases. Following a review of the consultant study outcomes, the follow-up project work could be of four years duration with as yet to be defined levels of cost. The project directions are largely driven by the consultant's initial review and gap analysis between the present level of services and capabilities, and what is forecast to be required by stakeholders and areas of social impact over the next 20 years.

Foremost within the port preparations for supporting onshore and offshore hydrocarbon operations is the availability of land, and in particular the development of near-port lands to facilitate transshipment of cargos (cargo imports are taken to laydown storage and then returned to the wharf for transport offshore for exploration and development purposes).

Broome Port Authority has been assigned the responsibility of managing 110 hectares of James Price Point land via a management order. An estimated \$300k of port authority expenditure per year is assigned for JPP site management purposes including the payment of land tax. This amount of expenditure will likely increase should a proponent initiate an approach to develop a project onsite.

## **19. COMPETITIVE STRATEGIES**

Broome Port has two key competitive advantages over the nearest competing ports (Port Hedland and Darwin). These are:

- a) Its geographic proximity to the Browse (and now the Canning) Basins; and
- b) Minimal waiting time for a berth.

The lack of waiting time for a berth at Broome is based on a skilled workforce, well maintained infrastructure and plant, and relatively quick vessel turnaround times. However, given Broome's services based model, lack of a bulk commodity throughput to fund the Port, subsidisation of Darwin Port by the Federal Government, a highly unionised workforce and the State of Western Australia's return on investment requirements, BrPA is not well able to compete on price with other ports.

For the above reasons, BrPA has focussed on differentiating itself as a service port. BrPA focus is on providing a high quality service to the oil and gas industry which makes up the largest revenue source for the port. To build on its geographic advantage, BrPA will:

- a) Maintain its critical infrastructure to a standard which gives our customers confidence that they can continue to base their operations from Broome;



- b) Ensure that BrPA's equipment, in particular cranes and forklifts meet our customers' needs;
- c) Ensure that essential service providers such as the pilotage, pilot vessel and towage operators fulfil their service obligations;
- d) Encourage the diversification of the ports customer base;
- e) Ensure that the workforce has capability and capacity to meet future demand;
- f) Continue to invest in staff skills and safety training;
- g) Explore options such as using barges for fuel and water bunkering;
- h) Bring land in close proximity to the port to project ready status; and
- i) Investigate the extension of the Broome wharf.

## **20. SERVICE DELIVERY STRATEGIES**

### **20.1. Pricing**

Pricing strategy is primarily a factor applicable to Port of Broome.

The port authority employs a building blocks approach to pricing which involves calculating the maximum allowable revenue stream (calculated as the sum of operating and maintenance costs, return on capital, a return on regulatory asset value, and a return on working capital) to derive pricing levels and structures. Future capital requirements and demand forecasts are considered, within this building blocks approach and provision is made for a risk weighted return on the capital employed.

Key factors underlying the building block pricing review are:

- a) Cost of service delivery,
- b) Customer needs,
- c) Competitive environment and willingness to pay,
- d) Packaging options, and
- e) Pricing model.

A Western Australia Treasury Corporation review and analysis of targeted returns for each port focuses initially upon a deprival valuation of assets (for the purpose of identifying the appropriate ROA) as the basis for estimating the required cost of capital.

**20.2. Service Efficiency and Effectiveness**

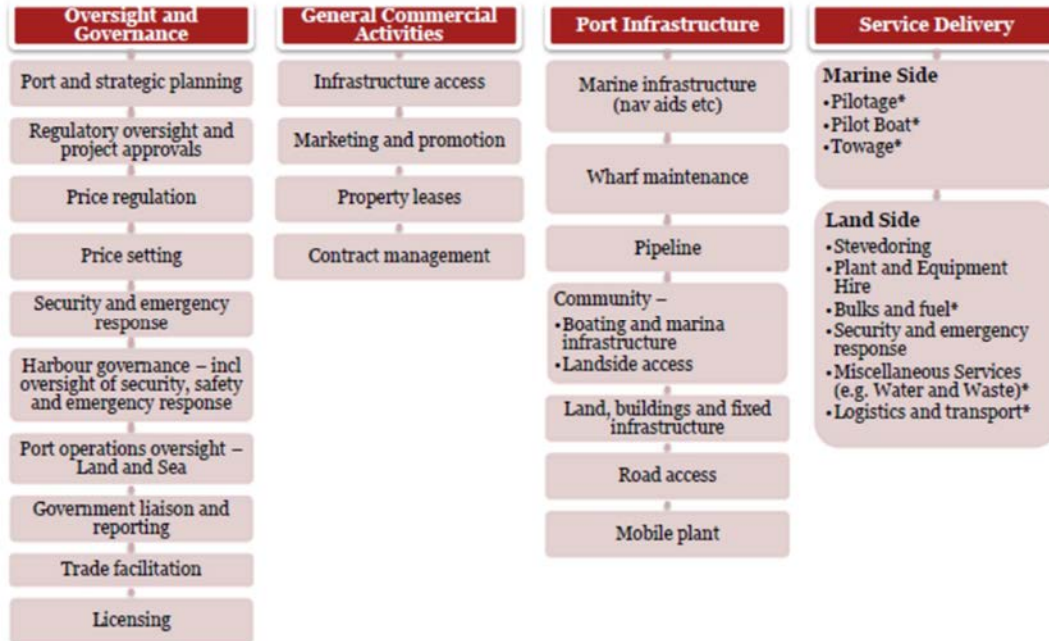


Figure 13 - Port of Broome port authority activities and processes

**21. GENERAL STRATEGIC PLANNING**

**21.1. Human Resources**

The HR strategy is influenced by the formation of the Kimberley Ports Authority and the need to assume a regional rather than Port of Broome-centric perspective of personnel management. The KPA key functions are Regional Harbour Master, Business Development, Asset Management and Engineering, and the Health, Safety & Environmental responsibilities. The KPA will also be responsible for providing organisational support functions such as Finance, Corporate and Administration and Information and Communications Technology.

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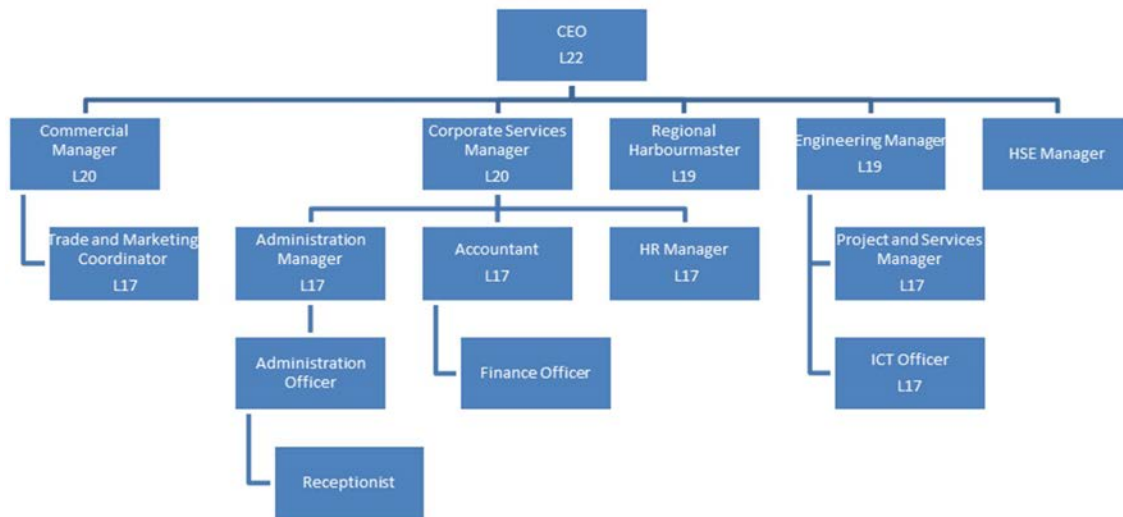


Figure 14 - Kimberley Port Authority Corporate Structure

Whilst each Port will be managed by the KPA on behalf of the State, local level operational management structures will remain largely in place. The key change will require the Broome Port to be run by a General Manager or Chief Operating Officer (GM / COO) who will inherit key port level operational responsibilities from the existing BrPA CEO.

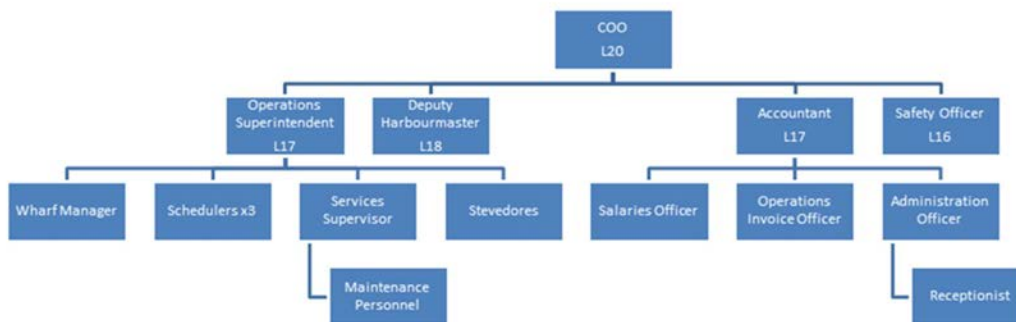


Figure 15 - Port of Broome Corporate Structure

KPA will inherit management responsibilities for 110 hectares at James Price Point, along with the inclusion of this area within the port's boundaries for maritime management. Should a proponent or proponents undertake to establish oil and gas facilities and a port at James Price Point, then KPA will oversee the management of shipping movements.

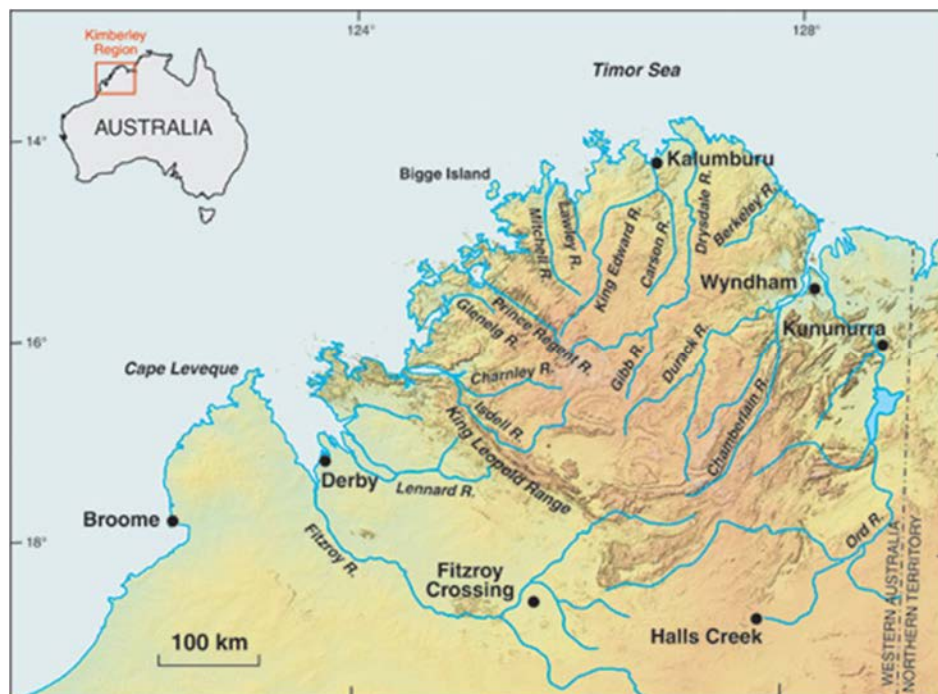
SPA Port structures will continue to reflect the nature of existing lease / operating agreements while details around the operation of James Price Point will be addressed once development negotiations are finalised by a proponent. Contracted local Harbour Masters at the SPA ports will report to the KPA Regional Harbour Master on matters such as licenses, conservancy and maritime governance.

In addition, it is noted that the organisation structures are indicative at this stage and that ultimately, the KPA Board and the CEO will determine the final structure once all personnel take office.

## **21.2. Occupational Health, Safety and Environment Strategies**

### **21.2.1. The Environment**

The PAA 1999 in tandem with the Environmental Protection Act 1986 assign the port authority with responsibility for protecting the environment of each port under its governance structure, and for minimising the impact of port activities on that environment. Part of this undertaking involves the production and maintenance of an Environment Management Plan applicable to each port plus an Environmental Management System that ensures that the aims and objectives of the management plan are carried through.



**Figure 16 - The Kimberley Coastline**

With the port reform process, KPA inherits extended responsibilities for environmental management in a region that is internationally recognised as having significant environmental values. The state and federal governments have formalised a number of large scale marine parks and further marine parks (for example, Horizontal Falls) are planned, and within several of the ports large areas of Ramsar wetlands exist. Figure 17 shows the areas already assigned to the formation of Marine Parks, and the proposed Horizontal Falls Park lies just to the south west of Camden Sound Marine Park.

The maritime environment is challenging in diverse ways, for example coastline access in much of the Kimberley is possible only by sea due to the roughness of landside terrain and a paucity of roads. The Kimberley coast is characterised in places by extreme tidal movements of up to 11m during spring tides and less than 3m during some neap tides. In places this large scale water movement creates extensive volumes of turbid water and a large land-sea

interface. The near shore and coastal environments support a diverse array of marine environments including coral reefs, seagrass meadows, mangrove forests and sponge gardens. Emergency response considerations become complex due to the lack of easy access to the coastline and the fast flowing tidal currents.

In line with KPA's expanded environmental responsibilities, plus the possibility of conspicuous reputational consequences in the event of an environmental incident involving one of the Kimberley ports, then as a risk mitigation measure KPA is compelled to recruit a full time Environmental Manager with regional governance and compliance overview.



Figure 17 - Kimberley Region Marine Parks

### 21.3. Information Technology

There is an opportunity to transfer ICT expertise to KPA ports to assist in marine safety compliance and reporting to reduce duplication of accounting processes for Wyndham Port and to implement common systems of marine management across the region.

### 21.4. Community Service Obligations

Community services obligations and legacy peppercorn leases at Broome and other ports create a cash deficit of some \$700K per annum. These obligations at Broome, for example, include:

- Maintaining the slipway area for small craft maintenance and dry docking;
- Maintaining the Entrance Point boat ramps;
- Provision, maintenance and cleaning of public toilets and gardens of public access areas surrounding the port;
- Provision, maintenance and cleaning of public walkway adjacent to the jetty;
- Maintenance of pedestrian beach access, and

- Provision of peppercorn leases to Government agencies and community service groups.

The port authority self-funds current community service obligations but will from time to time access funding through other sources including government grants where works comply with funding guidelines.

### **21.5. Strategic Asset Management**

The KPA strategic asset base across the vested port authority holdings consists of:

- a) Constructed Assets .
  - Wharves,
  - Slipways and Boat Ramps,
  - Buildings, storage areas,
  - Plant and Equipment,
  - Services Utilities and Water Storage, and
  - Roads.
- b) Land areas inclusive of leased, available for lease, and land managed by third parties for cultural, heritage and environmental reasons.
- c) External Assets .
  - Navigation Channels,
  - Ship turning areas off the wharves,
  - Port waters,
  - Connective road corridors, and
  - Light commercial premises.

The KPA Strategic Asset Management Plan (SAMP) employs a strategic framework that outlines the criteria and standards for the control and management of assets; strategies and processes for asset acquisition, maintenance, disposal and risk management; and priorities for allocating resources for asset management.

## **22. FINANCIAL OVERVIEW**

### **22.1. Operating Budget Forecasts**

Broome Port Authority's Operating Budget for 2014/15 is prepared in accordance with Australian Accounting Standards and indicates an after tax profit of \$1.9 million. Revenue for 2014/15 is estimated to be higher than the 2013/14 year. This is predominantly achieved by growth in Broome in the Oil and Gas sector as well as increased visits by fuel and ammonium nitrate vessels.

Consultancy, legal, insurance, environmental, engineering costs are expected to be high due to the establishment and ongoing costs of the Kimberly Ports Authority.

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The following table compares the results of the 2014/15 budget with 2013/14 budget and 2012/13 actuals.

	<b>Actual 2012/13 \$M</b>	<b>Budget 2013/14 \$M</b>	<b>Budget 2014/15 \$M</b>
<b>Total Revenue</b>	24.1	23.6	27.7
<b>Total Expenditure</b>	18.4	19.2	25.0
<b>Operating Profit before Tax</b>	5.7	4.1	2.7
<b>Income Tax Expense</b>	1.7	1.2	0.8
<b>Operating Profit after Tax</b>	4.0	2.9	1.9
<b>Ordinary Dividend</b>	2.6	0.6	1.2
<b>Rate of Return</b>	11.2%	8.7%	4.8%

Table 2 - Budget Comparison

The Budget figures above, are a best estimate of the KPA costs and are not supported by any historical data or known KPA cyclical trends. As such, any adverse effects on the current budgeted figures cannot be adequately foreseen with reasonable certainty.

**22.2. Dividends**

Broome Port Authority will make 65% dividend payment to the Western Australian Government in line with the dividend policy adopted for Port Authorities.

**22.3. Rate of Return (Deprival)**

WA Ports are required to calculate a rate of return based on the %Going Forward+method to value non-current assets (excluding gifted assets). The policy requires KPA to achieve an 11.2% long-term target return on assets. BrPA has budgeted for a Rate of Return of 4.8% which is lower than the government's required Rate of Return. The additional cost of amalgamating the regional Ports as well as assets that produce minimal revenue, makes it difficult to achieved the desired return.

**22.4. Port Charges**

Broome Port is proposing to increase its fees by 10% for the 2014/15 year and has commissioned consultants to review the existing pricing regime and to develop future pricing options.

**22.5. Capital Works Programme**

Broome Port's capital works program for 2014/15 provides for expenditure of \$1,075,000 on approved minor capital works projects as well as \$10.575M for the Wharf Extension of Life project (WEOL). It is planned to finance the minor capital works projects from internal funds and the WEOL project from an equity injection by the State. The port is a beneficiary of the Royalty for Regions program, and the \$24.1M WEOL total was arranged jointly by the Minister for Regional Development and the Minister for Transport.

**22.6. Accounting Policies**

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

- 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 2014/15 Financial Statements are lodged with the Office of Auditor General by 30 September 2015.

**22.7. Information to be provided to the Minister**

BrPA will provide the Minister for Transport information as necessary to assess the Port's 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 2014/15 will comply with the requirements of the Port Authorities Act 1999.

Documents or copies of documents will be supplied as follows:

- 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) BrPA's audited Financial Statements and related reports for the 2013/14 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) An Environmental Management Plan.

Laurie Shervington  
Chairman  
Board of Directors



**BROOME PORT AUTHORITY  
APPROVED FINANCIAL PARAMETERS  
2014/15**

	<b>\$'000</b>
Total Revenue	27,689
Total Expenses	22,732
Profit/(Loss) Before Tax	4,957
Notional Income Tax	1,487
Profit/(Loss) After Tax	3,470
Dividends	3,880
<hr/>	
Asset Investment Program	11,567

*To the extent that the financial parameters within the 2014/15 – 2018/19 SDP 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.*