

PORT HEDLAND PORT AUTHORITY
Statement of Corporate Intent
2014/15





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FOREWORD

This Statement of Corporate Intent for 2014/15 has been prepared in accordance with the requirements of the *Port Authorities Act, 1999*. This plan provides an outline of the Port Authority's objectives and planned major achievements for 2014/15.

The Port Authority has facilitated strong trade performances over recent years with total throughput at the port reaching 288.4 million tonnes in 2012/13, an increase of 17 per cent from the previous year. Port Hedland accounts for nearly two thirds of Western Australia's exports of iron ore and a similar proportion of revenue to the State Government from royalties on iron ore. Port Hedland port is the largest bulk export port in the world by tonnage. Strong global demand for iron ore will result in the need for further expansion of port facilities and infrastructure and, depending on the timing of new investments, the Inner Harbour could reach its "modelled port capacity" of 495 million tonnes per annum by 2018/19. A Port Improvement Rate has been implemented to fund capital improvements that are necessary to sustain the long term operation of the port at these levels.

In order to cater for the long-term growth at the port, the Port Authority has identified the need to develop additional general cargo capacity and will continue investigations into the development of a common user facility at Lumsden Point. In addition, private sector expansion programs will need to be facilitated to provide for additional berthing capacity in the Inner Harbour at South West Creek (Roy Hill) and Anderson Point (Herb Elliott Port), as well as the construction of the Boodarie Stockyards in future. These projects will play a critical role in the port's capacity to facilitate future trade growth.

The Port Authority values and will strive to continue its positive relationship with the Town of Port Hedland and the community. A Port Consultative Group is well established and provides an opportunity for the Port Authority and members of the public to share information and consult.

The Port Hedland Port Authority works closely with the State Government and other Port Authorities towards the process of amalgamation which will occur in July 2014. This Statement of Corporate Intent will take effect under the amalgamated entity.

Ken Pettit
Chairman, PPHA Board of Directors

1. INTRODUCTION

The Port Hedland Port Authority is a statutory authority established under the Port Authorities Act 1999 (the Act), and was proclaimed on 13 August 1999.

This Statement of Corporate Intent 2014/15 is the Port Authority's plan for its activities in the 2014/15 financial year, and has been prepared in accordance with the requirements of the Act.

The Port of Port Hedland is predominantly a large volume bulk minerals export port, with 97% of the cargo handled through Port Hedland being iron ore. The Port Authority has articulated a vision to become the world's leading bulk commodities port, and by the end of 2011 had become the largest bulk export port in the world.

The Port Authority has facilitated ongoing strong trade performances with total throughput at the port increasing significantly over recent years. The growth in global demand for mineral commodities is expected to continue into the future, driving further expansion of port facilities and infrastructure, and further increasing trade through the port. Depending on the timing of some proposed developments, the Inner Harbour could reach its modelled capacity by 2018/19.

The Port of Port Hedland provides a mixture of services and facilities managed by both the Port Authority and a number of private operators.

The Port Authority provides and maintains the shipping channel, navigation aids, cargo berths at common user areas and leased terminals. It also provides road transport infrastructure within the port area and other port infrastructure such as storage sheds, water, power and public amenities.

Services provided directly by the Port Authority include ship scheduling, berthing allocations, and port communications. For reasons of efficiency, the Port Authority contracts out a number of key services in the port, such as pilotage, helicopter and pilot boat transfers, tug and line boat operations, stevedoring as well as security and cleaning services.

The Port Authority also cooperates with Commonwealth Government agencies responsible for customs, quarantine, maritime safety and security.

The Port Authority's vision is to "be the world's leading port, helping to create a sustainable region".

The Port Authority's Mission is to "Safely, profitably, sustainably, efficiently and innovatively operate the port to promote, facilitate and expand regional trade".

The following Values define how the Port Authority Board, Management and Staff conduct their activities:

Respect – operate fairly and honestly in all dealings with all stakeholders.

Excellence – strive to be the best in all we do, and maintain strong focus on continuous improvement and innovation.

Courage – do the right thing every time, act with integrity in all we do, and always speak up.

2. MAJOR PLANNED ACHIEVEMENTS 2014/15

Stakeholders

Objective: *“To transparently engage with all stakeholders to achieve optimal outcomes”.*

The Port Authority employs a number of strategies to engage on an ongoing basis with customers and stakeholders and provide appropriate levels of service. Iron ore accounts for 97% of the trade through the port in terms of volumes (tonnages) and more than two-thirds of total revenue earned by the Port Authority from charges on ships and cargo. The major Iron ore exporters are BHP Billiton Iron Ore and the Fortescue Metals Group Ltd. Other exporters of iron ore include Atlas Iron Ltd, Moly Mines Ltd and Process Minerals International.

The Port Authority has regular meetings with stakeholders and customers including monthly meetings of the Port Operations User Group. Stakeholder and customer consultation will continue on an ongoing basis. The Port Authority also undertakes customer satisfaction surveys to identify improvement opportunities. The most recent survey, carried out in October-November 2012, was broadened to include a total of 90 external stakeholders and action plans have been developed from the results of that survey to address customer issues relating to port logistics and customer relations.

Port Services

Objective: *“To ensure the provision of safe, reliable and efficient port and marine services that meet the needs of users”.*

The Port Authority provides for pilotage, navigation aids, Vessel Traffic Service (VTS) port communications, ship scheduling and berthing allocations. In addition the Port Authority operates the common user berths and provides for storage and handling of cargo as well as for licensed stevedoring services at these berths.

North West Sea Pilots Pty Ltd trading as Port Hedland Pilots (PHP) continues to provide the Port Authority with pilotage services within the Port Hedland harbour. The five year contract with PHP expires on 30 June 2015 and a contract negotiation process will commence in early 2014 to ensure continuity of service. The company is internationally certified to International Standard for Pilotage Organisations Code 2011 and Det Norske Veritas, only the tenth pilotage organization in the world to achieve this internationally recognised pilotage system certification. Pilot numbers will continue to increase to cater for increases in vessel movements.

Towage services within the port are provided by BHP Billiton Minerals Pty Ltd under the terms of a non-exclusive Licence Agreement, requiring services to be available on a 24x7 basis. The current tug fleet comprises 14 tugs with bollard pull capacity of between 50 and 80 tonnes. A new non-exclusive Licence Agreement is being negotiated late in 2013 with the licence holder. The Port Authority has undertaken a towage review and will provide a process by which additional towage service providers can enter the market.

Licences and service agreements are issued for a range of other services including mooring, lines boat services, pilot transfers over water, pilot transfers by helicopter and stevedoring services at the common user berths.

The Port Authority uses the Vessel Tracking Management Information System (VTMIS) to track ships visiting Port Hedland and employs the Dynamic Under Keel Clearance (DUKC™) software system to calculate maximum drafts and times that vessels may sail on impending tides.

Security is a high priority and procedures and policies are in place to support the Port Authority's legislative requirement to provide a secure environment. Security improvements are planned for 2014/15 to expand CCTV surveillance and improve access control.

The Port Authority is an approved Maritime Security Identification Card (MSIC) Issuing Body and will continue to operate as an issuing authority in 2014/15.

Port Facilities

Objective: *“To ensure the provision and maintenance of safe, reliable and efficient port facilities that meet the needs of users”.*

The Port Authority currently has approximately 45,000ha of land under its control in the port area. Port land surrounds the Inner Harbour, including a portion of the Wedgefield Industrial Estate to the North. Much of the coastal area is covered by mangroves which help to form a natural barrier during severe weather conditions.

The Port's three general cargo berths (berths 1,2 and 3), the control tower and Port Authority administration building are based on the East side of the Port covering an area of approximately 47 ha. The East side of the Port hosts various support facilities including fuel depots and laydown areas and are operating at near full capacity. On the West side of the Port, the Utah Point bulk export facility supports the junior miners exporting iron ore, manganese and chromite.

Trades over the general cargo berths include salt, copper concentrates and scrap metal. Imports include fuel, break bulk cargo, containers, cement, project cargo, mining equipment and ammonium nitrate. Lumsden Point provides the Port Authority with a strategic site to develop a multi-purpose, multi-user general cargo terminal to accommodate trade growth in the future. The site will allow the separation of activities that place different demands on berth and channel infrastructure, and will accommodate for major bulk trades such as fuel and salt to be channelled through existing facilities at Berths 1, 2 and 3.

A number of proponents operate under State Agreements within the Port, with land allocated for rail, stockyards, conveyors and berth operations.

Port Hedland has extensive flat land areas available for future development and most of those land areas are not bordered by residential developments. The Port Authority monitors the nature of developments proposed on land adjoining its boundaries to minimise port development constraints and ensure that none of the existing port land areas are given up to non-compatible uses.

Capital Works

Minor capital works items included in the capital works budget are summarised as follows:

- development of surfaced cargo handling areas for containers, break bulk cargo and project cargoes;
- refurbishment of all roads within the port with particular focus on Gilbert St;
- development of a fit for purpose entry point for the East-side facilities to meet increase in throughput and chain of custody requirements;
- development of new fit for purpose maintenance workshop and warehouse; and
- improvements to chute liners and chute arrangement to minimise down time for replacement.

Unapproved capital works to be commenced in 2014/15 which are being considered and would need to be submitted for funding approvals include the following:

- Lumsden Point dredging and reclamation works;
- Integrated Marine Operations Centre (IMOC);
- Additional Minor works;
- Eastern harbour redevelopment;
- Navigational aids replacements program;
- Environmental improvements; and
- Enterprise Resource Planning system.

It is expected that the significant levels of growth in user demand for Port services will continue for the foreseeable future which will lead to an increase in vessel movements and general Port activity which when combined with ageing infrastructure, increases the risk of an adverse incident in the Port. In September 2013 a new levy, the Port Improvement Rate (PIR), was introduced on commercial vessel movements to fund capital improvements that are necessary to sustain the long-term operation of the Port, including the following:

- channel enhancements;
- renewal of navigational aids and their foundations; and
- building of an Integrated Marine Operations Centre (IMOC) to support the growth in Port activity.

Marine Maintenance Program

Planned maintenance works for 2014/15 include the following:

- complete replacement of the No. 3 Berth concrete deck and refurbishment of underdeck steel structure;
- repairs to No.1 Berth concrete cancer areas and repainting and steel replacement of under wharf structures;
- refurbishment of all dolphin structures;
- refurbishment/replacement of channel navigation aids; and
- investigation and trialling of pile wrap to extend life of the steel piles.

Landside Maintenance Program

In addition to the marine infrastructure, the Port Authority manages and maintains a significant number of assets located on Port land. These assets include road networks, ship-loaders, conveying systems, buildings, utilities, etc. Key maintenance works planned for 2014/15 include the following:

- upgrade the existing East-side road network;
- improvements to the shipping system to achieve a minimum availability of 98%;
- removal of all asbestos items from within the Port security area including demolition of redundant structures; and
- improvements to utilities with particular focus on old electrical distribution panels and sewerage and fibre optic networks.

Private Port Facilities

There are currently twelve privately operated berths at Port Hedland – eight by BHP Billiton and four by the Fortescue Metals Group (FMG). Plans are to provide for an additional three berths within the next five years - two for Roy Hill and one for FMG.

BHP Billiton is expanding its production capacity in the Inner Harbour. The proposed Outer Harbour Development Project to facilitate BHP's longer term growth has been deferred. The project would involve construction and operation of landside and marine infrastructure for the handling and export of iron ore. The scope of the project includes stockyards and associated infrastructure at Boodarie.

FMG's Herb Elliott Port is undergoing a major works program as part of the US\$9 billion expansion in the Pilbara region over the next two years. FMG currently has four berths and is planning a fifth berth (AP5) to commence operation in 2015.

Roy Hill Infrastructure has commenced building its two berths as part of its mine rail and port development associated with the Roy Hill Project. Dredging has already been completed and earthworks for the stockyard were due to be commenced late in 2013. When constructed, the facility will have the capacity to export up to 55 mtpa from the two berths.

All proponents have access to D Class capacity.

Trade forecasts

The 2012/13 financial year saw trade reach record levels, with total throughput increasing by 17% to 288.4 million tonnes. Exports totalled 286.5 million tonnes for the 2012/13 financial year and imports totalled 1.9 million tonnes. Iron ore export tonnages through Port Hedland port have grown significantly as current port users optimise their operations and bring new infrastructure and facilities online in response to increased global demand.

The Port Authority's Utah Point bulk export facility has contributed to increased export volumes at the port and is a key driver of port profitability. The Port Authority exported 12.4 million tonnes of cargo over the Utah facility in 2012/13. In 2013/14 Stockyard 2 underwent commissioning, facilitating additional export capacity through the Utah Point bulk export facility. General cargo handling across the Port Authority's three public berths has also increased commensurate with the development of iron ore mining and related industries. It is anticipated that the existing Port Authority berths will reach their optimum operating capacity in 2015/16 and berth congestion will become a significant issue in the Port. In response to the need to plan for future growth of general bulk trades beyond 2014/15, the Port Authority has commenced planning to expand its berthing facilities at Lumsden Point.

Prices

Objective: *"To ensure appropriate rates of commercial returns on port operations consistent with shareholders expectations".*

The Port Authority's broader financial objectives include, as a minimum, achieving the State Government's required rate of return and prices are set accordingly.

For 2014/15 price increases for existing tariffs have been kept at 3% which approximates the projected annual increase in the Consumer Price Index. In addition, in September 2013 a new levy, the Port Improvement Rate (PIR), was introduced on all commercial vessel movements to fund capital improvements that are necessary to sustain the long-term operation of the Port.

Port Planning and Development

Objective: *"To ensure that the future trade facilitation requirements of the port are effectively planned for and that development projects are delivered as planned".*

The Port Development Plan has allocated current berth and channel capacity to 495 mtpa to optimise Inner Harbour capacity. The port currently has the capability to accommodate vessels of up to 340m LOA and 60m beam which equates roughly to 300,000T (DWT). The Port Authority continues to promote and encourage the use of larger, shallower, draft-efficient ships by all bulk exporters to improve port efficiency and throughput capacity.

The port currently has 13 bulk export berths and 3 general cargo berths, with an additional 11 berths planned to achieve the modelled capacity of the Inner Harbour. New berths proposed and planned to be constructed in the short term include Fortescue Metals Group's berth fifth berth and Roy Hill Infrastructure's two berths in South West creek (SP1 & SP2). Planning has also commenced for the development of a new Multi-User Outer Harbour port facility off Finucane Island to provide additional capacity to meet future requirements beyond the capacity of the Inner Harbour.

Lumsden Point has been selected by the Port Hedland Port Authority Board as the preferred location for the development of two new general cargo wharves and laydown areas, subject to market sounding and the preparation of a business case. Significant dredging will be required to provide unrestricted access to the berths for general cargo vessels. The Port Authority is preparing to deliver the dredging and reclamation associated with stage one of the development which will provide additional industrial land in the port. The project is proposed to be funded primarily through industry contributions and private investment.

The development of the Port Authority Boodarie Stockyards will increase land capacity to the Port to facilitate trade growth on the western side of the Inner Harbour and future Outer Harbour. The Port Authority Boodarie Stockyards will facilitate up to 55 mtpa of trade from the Roy Hill Infrastructure project and future developments in South West Creek. Stage 1 of the Stockyards (297 hectares) has been cleared of native title and a Reserve has been created under the Land Administration Act to bring the land under the management of the Port Authority. The land will be vested in the Port.

The Port Authority utilises a collaborative and integrated approach to port planning and consults widely with government agencies. The primary planning document, the Port Development Plan 2012-2016, is planned to be formally re-issued in 2014/15.

3. CORPORATE SUPPORT

The Port Authority successfully maintains its triple-certification to the international standards for its safety, environment and quality management systems. In June 2013, the Port Authority also achieved certification in the global benchmark of ISO/IEC 27001:2005 Information Security Management System. This certification is a highly regarded information technology standard and was achieved with a superior standard of compliance.

Safety

Objective: *“To provide a safe workplace free of incidents and injuries for all port users”.*

The Port Authority aims to provide a workplace free of incidents and injuries by developing best practice for all Port users. A strategic project is underway to review the Port Authority’s Enterprise Risk Framework and link this with its operational safety tools. The implementation of the framework is designed to simplify the process of identifying, assessing and mitigating operational risks and empowering employees and port users to be responsible and equipped to protect their own safety and the safety of their work colleagues.

The Port Authority has a zero Lost Time Injury Frequency rate (LTIFR) target for PPHA employees and aims to achieve an overall LTIFR target of less than four including contractors and other port users.

Environment

Objective: *“To maintain the PPHA’s licence to operate by delivering strong environmental performance against all requirements”.*

The Port Authority’s aim is to maintain its licence to operate on an ongoing basis by ensuring strong environmental performance against all requirements. Strategies are in place as follows:

- continue to achieve environmental compliance with the Port Authority’s legislative obligations and licence conditions, through management, audit, monitoring and reporting;
- support environmentally sensitive port development by delivering environmental and heritage advice and approvals for all new major developments in an efficient manner;
- expand the overarching knowledge and management of dust, noise and occupational hygiene exposures;
- optimise operations through improved environmental management practices and identify opportunities to implement improvement opportunities;
- continue investigations and trial methodologies for successful and cost-effective mangrove rehabilitation;
- identify and leverage off any possible opportunities that arise in using the mangrove nursery and seedlings to support multiple interfaces of various stakeholders and projects; and
- deliver environmental and heritage advice and approvals for all new major developments in an efficient manner.

The Port Authority first adopted an Environmental Management System in 2002/03 and prepared its Environmental Management Plan to Australian Standards. Consistent with the Port Authority's broader aim to improve continuously, the Plan is reviewed and updated annually and is a component of the accredited Integrated Management System.

The Port Authority's proactive approach to environmental management has been nationally recognised with the Utah Facility receiving the Australian Bulk Handling Review 2012 Environmental Project of the Year Award and a Water Corporation Water Efficiency Management Plan Program Gold Category Award in May 2013.

Risk Management and Governance

Objective: *“To deliver on the Port Authority's strategy using sound corporate governance and enterprise risk management disciplines”.*

The Port Authority promotes a risk-aware culture which is underpinned by the Port Authority's Enterprise Risk Management framework. The framework promotes a consistent approach to risk management and provides the foundations and organisational arrangements for the management of risk, in alignment with the entire business cycle and decision making processes.

The Port Authority's Corporate Governance and Compliance framework assists the Port Authority in conducting its business activities lawfully, whilst maintaining the highest standards of compliance with applicable laws, regulations and policies. The framework is under review to ensure its currency and to enable all employees to be aware of their legal, regulatory, contractual and procedural obligations. A management tool compliant with Australian Standards AS3806 has been implemented as a pilot project with the intention of rolling it out to appropriate levels of the business.

Port Emergency Plans

The Port Authority has a rigorous framework of risk management, incident response and emergency preparedness to ensure the appropriate systems and procedures are in place to protect the port against any foreseeable eventuality. These systems are supplemented by a suite of emergency response plans and procedures, including:

- Port Emergency Plan;
- Cyclone Contingency Plans (Port and Staff);
- Oil Spill Contingency Plan;
- Business Continuity Plan;
- Marine Safety Plan;
- Dangerous Goods Response Procedures; and
- Salvage Plan.

Town of Port Hedland and Community

Objective: *“To play an integral role as an industry and community leader”.*

The Port Authority recognises that community engagement and consultation is vital to the ongoing success of the port’s growth and development and seeks to ensure that the port is valued by its neighbours as an important public and community asset.

The Port Authority has implemented a Community Engagement Strategy and Communications Action Plan to proactively foster engagement and relationships with the local community, gather feedback regarding the Port Authority’s activities and operations, and facilitate the Port Authority’s support for community activities and initiatives.

The Port Authority facilitates direct engagement for individual members of the wider community through a range of initiatives including public forums and education programs, as well as through an electronic newsletter and interactive-website. A Port Consultative Group is well established and meets on a quarterly basis. The group includes representatives from the local community and the Town of Port Hedland and facilitates communication and information sharing.

Our People

Objective: *“To attract, develop, motivate and retain a diverse workforce within a supportive work environment”.*

There were 146 people working for the Port Authority in September 2013. It has been their passion and performance that has led to Port Hedland being named the 2012 Australian Port of the Year.

Over coming years the Port Authority will be focussing on a number of significant initiatives including supporting the amalgamation of Pilbara Port Authority through workforce planning and change management. Other Initiatives will include developing and implementing the Decision Making and Performance Framework, implementing the Equal Opportunity and Diversity Management Plan, strengthening the Port Authority’s Mandatory and Desirable Training Framework, making training pathways and developmental opportunities available to employees, improving the Port Authority’s residential stock and monitoring and review of expected standards and behaviours within organisational processes.

Innovation and Technology

Objective: *“To maintain leading port status by promoting new technologies, continuous improvement and industry best practice”.*

The Port Authority seeks to maintain leading port status by promoting emerging technologies and industry best practice. Key information technology strategies include implementing best practice operational tools to optimise port performance, continually improving current systems as per the ISO 27001 / 9001 framework, and optimising information management systems.

Over coming years the Port Authority will be focussing on supporting the amalgamation of Pilbara Port Authority through consolidation of systems, adopting and implementing Information and Communication Technologies (ICT) governance framework and developing and implementing a project management methodology.



4. PERFORMANCE INDICATORS

Table 1 summarises the key Performance Indicators for 2014/15.

The estimated Rate of Return on Assets excluding the PIR is expected to drop to 13.3% in 2013/14 due to increased expenditure. In the following year, however, the Rate of Return on Assets is forecast to increase to 20.7% as revenue from increased throughput flows through.

Total Port trade is forecast to increase by 16% in 2013/14 and 20% in 2014/15 and vessel visits are forecast to increase by 16% and 15% respectively. Trade over the East-side berths will be at near full capacity in 2014/15 while the increase in trade over the Utah berth will be accommodated by Stockyard No.2. The target for Lost Time Injury Frequency Rate is a year-on-year reduction overall (less than 4 for 2014/15), including Port Authority employees, contractors and other port users. The target for environmental incidents greater than substantial remains zero such incidents.

Table 1: Key Performance Indicators

	2012/13	2013/14	2014/15
Financial (Based on Approved Capital)			
Rate of Return on Assets (%) excl. PIR	14.7%	13.3%	20.7%
Rate of Return on Assets (%) Incl. PIR*	14.7%	18.2%	26.2%
Revenue on Cargo (\$/tonne) excl. PIR	5.11	5.02	5.35
Ship Revenue Earned Per Ship Visit (\$) excl. PIR	44,577	45,499	49,141
Ship Revenue Earned Per Ship Visit (\$) inc. PIR	44,577	57,456	63,233
Non Financial			
Total Port Trade ('000 tonnes)	288,443	333,773	398,842
Number of Vessel Visits	2,028	2,345	2,689
Cargo Use of Berths ('000 tonnes)			
PHPA Berths - PHPA East Side	6,099	6,473	6,542
- Utah Berth	12,415	15,300	18,300
Lost Time Injury Frequency rate	4.80	< 4	< 4
Environmental incidents greater than moderate**	0	0	0
* Port Improvement Rate (PIR) funded assets are not included in ROR% Calculation			
** As defined in the PHPA Risk Consequence Matrix			

5. FINANCES

OPERATING BUDGET FORECAST

Revenue (excluding PIR) for 2014/15 is budgeted to grow by \$66.5m to \$319.6m, an increase of 26% over that estimated for 2013/14. This is predominantly achieved by growth in throughput.

Operating expenses are expected to rise by \$18.5m (9.5%) to \$212.0m. This is mainly attributed to higher costs associated with increased throughput.

The following tables compare the results of the budget year with estimates for 2013/14 and the actual results for the previous financial year. Results are summarised both excluding and including PIR revenues.

Operations Excluding PIR			
	Actual	Estimated	Budgeted
	2012/13	2013/14	2014/15
	\$000	\$000	\$000
Total Revenue	214,949	253,015	319,554
Total Expenditure	150,782	193,518	211,991
Net Profit / (Loss) Before Tax	64,167	59,497	107,563
Income Tax Expense	18,358	17,849	33,170
Net Profit After Tax	45,809	41,648	74,394
Dividends Paid	21,004	29,776	27,071
Retained Earnings for Year	24,805	11,872	47,322
Operations Including PIR			
	Actual	Estimated	Budgeted
	2012/13	2013/14	2014/15
	\$000	\$000	\$000
Total Revenue	214,949	281,055	357,448
Total Expenditure	150,782	193,518	211,991
Net Profit / (Loss) Before Tax	64,167	87,537	145,457
Income Tax Expense	18,358	26,261	44,538
Net Profit After Tax	45,809	61,276	100,919
Dividends Paid	21,004	29,776	39,829
Retained Earnings for Year	24,805	31,500	61,090

DIVIDENDS

Dividend payments are set at 65% of profit after tax for the previous financial year, as per the dividend policy adopted for Port Authorities.

The Port Authority will continue to pay a dividend to the Western Australian Government in line with Dividend Policy. Dividends paid to the State Government that are derived from the

PIR are reserved for the sole use of making capital improvements to the port of Port Hedland.

RATE OF RETURN (ROR)

Excluding PIR revenue, the Port Authority's 2014/15 budget shows a Rate of Return (ROR) of 20.7% for the budget year. Including the PIR revenue, the ROR is 26.2% for the same period.

The forecast ROR exceeds the current Government policy requirements. However, these estimates are dependent on a number of factors, including the expansion of FMG and BHP Billiton operations, significant increases in shipping movements, assumed levels of capital expenditure and the development of berths in South West Creek. The State Government is currently reviewing its policies on rate of return targets, the basis of rate of return calculations and the treatment of asset values to provide a clear and consistent basis for the calculation of rates or return for Western Australian ports.

In addition, the Port Authority's pricing regime will be monitored to ensure that the rate of return is consistent with Government objectives on an ongoing basis.

ACCOUNTING POLICIES

The Accounting Policies of the Port Authority are consistent with the provisions of the Act and the International Financial Reporting Standards.

CAPITAL WORKS PROGRAM

The Port Authority's approved capital works program for 2014/15 totals \$8m. The capital works planned for the year are set out below. Expenditure under the approved capital works program will not require the Port to undertake any additional borrowings.

	2014/15
Item	Budget
	000's
Utah Outload Circuit	1,000
Contingency (Minor Works)	7,000
Total Capital Expenditure	8,000

Subject to viable business cases and Board approval the following unapproved projects may be submitted in 2014/15 via the budget process as overseen by the Economic and Expenditure Reform Committee (EERC):

Project Description	000's 2014/15
Non PPHA Funded Projects (Proponent / 3rd Party)	
Lumsden Point Dredging	
Port Improvement Rate Funded Projects	
Channel Enhancements	
Integrated Marine Operations Centre	
Navigational Aids	
PPHA Funded Projects	
Environmental Compliance - CV09	
Additional Minor Works	
ERP System	
Eastern Harbour Redevelopment	
Staff Housing Strategy	
No 3 Deck Rebuild/Replace	
Total Unapproved	225,223

NON COMMERCIAL OBLIGATIONS

The Port Authority has not been required to undertake any obligations it would not otherwise do so for commercial reasons or would not be required to be done by businesses in the public or private sector generally. Under the Port Authorities Act these are defined as 'community service obligations'.

6. INFORMATION TO BE REPORTED TO THE MINISTER FOR TRANSPORT

The Port Authority will produce an Annual Report and a Half Yearly Report for the Minister. These will comply with the requirements of the Port Authorities Act 1999 and will include the following information in sufficient detail to allow the Minister to assess the port's performance:

ANNUAL REPORT

- a report on the major operations and activities of the Port Authority during the year under review;
- a review and assessment of performance against targets;
- financial statements; and
- any other information required by legislation to be included in the Annual Report.

HALF YEARLY REPORT

- a review of the Port Authority's trade and financial performance for the Half Year;
- financial statements; and
- progress against major goals as outlined in relevant Statements of Corporate Intent.

OTHER INFORMATION TO BE SUPPLIED

The Port Authority also provides information to other agencies. It will continue to provide that information that is required by statute or by proper policy direction.

Also, the Port Authority provides other information that might be requested that does not create additional costs to the Port Authority and that is not commercially sensitive.