



BUNBURY PORT AUTHORITY

- Statement of Corporate Intent

2014-2015



CONTENTS

CHAIRMAN'S FOREWORD	3
INTRODUCTION.....	4
Scope of the Business.....	4
Vision, Mission and Values.....	4
Services and Facilities.....	4
CORPORATE OBJECTIVES.....	5
1. Major Projects.....	5
2. Financial and Economic Responsibility	6
3. Outcomes Based Service Delivery.....	6
4. Stronger Focus on the Regions	6
5. Social and Environmental Responsibility.....	6
OPERATING BUDGET	8
Efficiency Dividend	8
Capital Works Program	9
Dividend Policy.....	9
Rate of Return.....	10
Financial and Accounting Policies	10
Information to be reported to the Minister	10
Provision of Financial Information.....	10
MANAGEMENT KEY PERFORMANCE INDICATORS	11



CHAIRMAN’S FOREWORD

The Bunbury Port Authority (Authority) is experiencing continued growth, primarily in exports and is very cognizant of the need to maintain aging infrastructure and develop new facilities with proponents to meet the expanding needs of current and future port users.

The Authority’s mission is to contribute to the economic growth and development of the South West region of Western Australia by facilitating trade in a commercial, efficient and sustainable manner.

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

To this end it is vital to ensure the future development of the Port of Bunbury aligns with the Authority’s Inner Harbour Structure Plan and the Authority continues to incorporate the plan into each Statement of Corporate Intent (SCI) to provide for future trade growth and enable the Inner Harbour to reach its full potential.

The budget for 2014-2015 provides for a rate of return of 8.82% on the deprival value of assets. In addition a provision has been made for a further 5% efficiency dividend required by the State Government, and as approved by Cabinet in April 2012, a further 4.5% will be achieved by an increase in revenue resulting from improved operational efficiencies.

This SCI outlines the Authority’s intended key achievements for 2014-2015 and notes the investment strategies required to carry out the Authority’s trade facilitation function while fulfilling the social and environmental responsibilities. New KPI’s have been introduced for the 2014-2015 year that measure the required outcomes of the Authority, to be aligned with the State Governments five high level goals.

This SCI was approved on 4 December 2013





INTRODUCTION

The Port Authorities Act (1999) (Act) requires the Board of a Port Authority in each year to prepare and submit to the Minister for the Minister's agreement a draft Statement of Corporate Intent (SCI) for the Port Authority and any subsidiary. The Bunbury Port Authority (Authority) does not currently have any subsidiaries. Furthermore the SCI is to be consistent with the Strategic Development Plan (SDP) for the Port.

This SCI outlines the Authority's intended key achievements over the 2014-2015 financial year.

Scope of the Business

Subject to any direction given by the Minister, the Authority, through the Act, has exclusive control of the Port of Bunbury. The Authority has a duty to perform on commercial principles and has the powers to execute 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 licences and charge for its services.

Vision, Mission and Values

The vision of the Authority is to be known as the "Port of Choice" by our customers and a provider of leadership and excellence within the Western Australian community.

The Authority's mission is "to contribute to the economic growth and development of the South West region of Western Australia by facilitating trade in a commercial, efficient and sustainable manner".

The Port's Inner Harbour Structure Plan and the Shareholders framework on Ports and Freight provides the basis for the future planning and development of the Port of Bunbury and assists in coordinating day to day decisions to ensure they align with long term plans, current and future customer, community needs and expectations.

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

The key corporate values of the Authority are;

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

Services and Facilities

In keeping with the Minister for Transport's "the role of ports in Western Australia" the Authority provides and manages a variety of facilities and services at the Port of Bunbury. These services include providing and maintaining shipping channels, navigational aids, cargo wharves at common user areas, road infrastructure within the port area, seawalls and other



port infrastructure such as the ship loader, storage sheds, water, power and public amenities.

Services provided directly by the Authority include pilotage, ship scheduling, berthing allocations, port communications, emergency response, hazardous cargo services, quarantine and waste disposal services.

The private sector provides stevedoring and towages services and 24 hour 7 day a week security. The Authority is a Maritime Security Identification Card issuing centre.

CORPORATE OBJECTIVES

The Western Australian Government has five strategic goals. These broad, high-level Government goals are supported at agency level by more specific desired outcomes. These outcomes contribute to the achievement of the high-level government goals.

The current Whole of Government goals are:

1. **State Building – Major Projects**
Building strategic infrastructure that will create jobs and underpin Western Australia's long-term economic development.
2. **Financial and Economic Responsibility**
Responsibly managing the State's finances through the efficient and effective delivery of services, encouraging economic activity and reducing regulatory burdens on the private sector.
3. **Outcomes Based Service Delivery**
Greater focus on achieving results in key service delivery areas for the benefit of all Western Australians.
4. **Stronger Focus on the Regions**
Greater focus on service delivery, infrastructure investment and economic development to improve the overall quality of life in remote and regional areas.
5. **Social and Environmental Responsibility**
Ensuring that economic activity is managed in a socially and environmentally responsible manner for the long-term benefit of the State.

The key objectives of the Authority have been aligned to meet the Government goals and are categorised into the following main activity areas.

1. Major Projects

Ensuring sound planning for all aspects of our business including resources, services and infrastructure, will be achieved by:

- ensuring Government and community expectations are considered in Port planning and development;
- progressing the Strategic Public Environmental Review of the Inner Harbour Structure Plan;
- continuing to develop a Buffer Definition Study for the Inner Harbour in consultation with relevant Government agencies, community and other stakeholders as an integral part of the further enhancement of the Inner Harbour Structure Plan;
- developing a business case for submission to the State Government for the final construction of the Preston River Realignment;
- working with the appropriate Authorities to ensure provision of efficient land and rail transport systems to and from the Port; and
- acquiring land for Port expansions and community buffer needs in line with the



requirements of the Bunbury Port Inner Harbour Structure Plan.

2. Financial and Economic Responsibility

Promoting and facilitating trade and business growth opportunities by:

- providing competitive and benchmarked Port charges, which are clearly communicated to Port users and stakeholders;
- ensuring that capital investment and major maintenance is financially justified, properly planned and funded and ensure financial management of the Port is aligned with the State's budgetary policies;
- achieving the long term hurdle rate of return while keeping customer costs to a reasonable level;
- monitoring financial performance through appropriate and regular reporting mechanisms;
- maintaining and updating the Asset Management Plan to ensure that periodic maintenance and investments are carried out and aligned with the budgeted amount; and
- ensuring the Authority is to focus on commercial effectiveness with the need to be market driven, cost conscious, responsive and flexible in meeting the needs of Port customers.

3. Outcomes Based Service Delivery

Ensuring appropriate and cost effective resources, process and systems to support service delivery by:

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

Providing reliable and efficient services that meet customer expectations by:

- establishing partnerships and alliances in response to customer needs;
- ensuring the provision of efficient Port facilities and services are established to meet customer needs; and
- managing and monitoring service provision contracts for the benefit of customers.

4. Stronger Focus on the Regions

Engagement of local or regional based service providers by:

- acknowledging that the Port serves the regional community of the South West; and
- recognising that the Port's impact is focussed on the South West area and in particular adjacent residential locations.

5. Social and Environmental Responsibility

Ensuring business sustainability through continually improving performance, innovation, business improvement, community and other stakeholder engagement by:



- being financially self sufficient and viable on a commercial basis over the long term;
- continuing the identification and treatment of environmental and community risk through a vigilantly maintained and structured risk management processes;
- conducting appropriate environmental monitoring programs to assess potential impacts from port related operations;
- implementing a Business Continuity Plan to ensure the timely resumption and delivery of essential business activities in the event of a major disruption;
- developing, maintaining and implementing a safety management system based upon the requirements of Worksafe in accordance with the Occupational, Safety & Health Act or any other applicable legislation and continue to work towards safety accreditation and maintain the status;
- working through the Port Community Liaison Committee to address and improve Port/Community communication in Port planning, development and operations; and
- responding to genuine community concerns to address impacts from Port operations.



OPERATING BUDGET

The Bunbury Port Authority's Operating Budget for 2014-2015 is prepared in accordance with Australian Accounting Standards and shows a forecasted after tax profit of \$8.590m.

Operating Budgets 2014-2015 and 2013-2014

	2014-2015 (budget) \$m	2013-2014 (forecast) \$m
Total Revenue	\$45.887	\$44.387
Total Expenditure	\$33.616	\$30.522
Operating Profit before Income Tax	\$12.271	\$13.865
Income Tax Equivalent Expense	\$3.681	\$4.160
Operating Profit After Tax	\$8.590	\$9.705
Ordinary Dividend based on Prior Year Profit	\$6.308	\$7.033

Efficiency Dividend

As announced by the Government in 2012, the Bunbury Port Authority has enacted a series of savings initiatives and business improvements designed to meet a 5% efficiency dividend between 2011-12 and 2014-15. This has been incorporated into BPA's financial forecasts.

In addition, and in accordance with the requirements announced by the Government in May 2012, the Authority will be meeting the 4.5% efficiency dividend requirement in 2014-15 to be achieved by an increase in revenue resulting from improved operational efficiencies. This will contribute further receipts to State revenue as identified in the table below. The impact of this decision was reported in the Authority's 2013-14 SCI and 2013-2014 to 2018-2019 SDP.

Efficiency Dividend	\$m
Improved operational efficiencies	\$0.461
Estimated increase in Tax Equivalent Payments	\$0.138
Estimated increase in Dividends (to be paid in 2015-2016)	\$0.210



Capital Works Program

The Authority's capital works program for 2014-2015 provides for expenditure of \$5.542m on approved capital projects. Major expenditure includes:

CAPITAL WORKS PROGRAM 2014/2015	
PROJECT DESCRIPTION	\$m
Funded:-	
Minor works (Asset Replacement 2014-2015)	\$2.000
Purchase of Glen Iris Land	\$3.542
Unfunded:-	
Upgrade Road System Inner Harbour (South)	\$2.450
TOTAL	\$7.992

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

All investment decisions will be evaluated in accordance with accepted commercial principles and within the financial framework of the SCI.

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

Funding for the Capital Investment Plan for 2014-2015 will be met using internal funds.

Dividend Policy

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

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

- Dividend policy
- Projected capital investment requirements
- Trade facilitator role and the maintenance of prices as low as commercially practicable
- Government as the Shareholder requirement for a return. Currently, the policy is for dividend payments of 65% of after tax profits.

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



Rate of Return

Government's Financial Policy includes requirements relating to Rate of Return targeting and reporting. Under the **current** policy, Western Australian Ports are required to earn a rate of return of between 5% - 8% based on the deprival value of non-current assets (excluding gifted assets), with a formal valuation to be carried out every three years.

The proposed Rate of Return methodology requires Ports to achieve a long term Weighted Average Cost of Capital and is determined on a Port by Port basis. The current advised target to be achieved for the Authority is 9.90% (real).

Financial and Accounting Policies

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

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

Information to be reported to the Minister

The Authority will provide the Minister for Transport with the information necessary to allow adequate assessment of Bunbury Ports' performance during the year. This will include an Annual Report, half yearly and quarterly reports including financial information and comments on performance as considered relevant.

The Annual Report for 2014-2015 will comply with the requirements of the Act and will include the following information:

- a report on the major operations and activities of the Authority during the year;
- a review and assessment of performance against the SCI targets;
- financial statements; and
- other information required by the legislation to be included in the Annual Report such as the particulars of any direction given by the Minister.

Provision of Financial Information

Relevant annual information will be provided to enable Treasury to meet its budgetary responsibilities. Such information will include forecasts of dividend and tax equivalent payments plus financial information for the budget year and the subsequent four out- years.

Quarterly financial information required for whole of government reporting under the Treasury Information Management System will also be provided.



MANAGEMENT KEY PERFORMANCE INDICATORS

	Budget 2014-2015	Budget 2013-2014	Forecast 2013-2014
MAJOR PROJECTS			
1. Ensure stakeholder consultation in port planning and development (*) (invite government, community and port user input into SPW, comments noted in minutes)	100%	N/A	100%
2. SPER progressed inline with Board approved timeline (*)	YES	N/A	YES
3. Business case submitted and funding approval received for Preston River Realignment construction phase(*)	YES	N/A	N/A
4. BDS progressed in line with SPER Board approved timeline (*)	YES	N/A	YES
FINANCIAL & ECONOMICAL INDICATORS			
5. Port charges are competitive with other like sized WA Ports (*) (benchmarking analysis completed and approved by Board as part of Budget)	YES	N/A	YES
6. Achieve long term hurdle Rate of Return (target for 2013/14 and prior years was 8%)	9.90%	9.22%	9.37%
7. Gross Cargo Revenue Per Tonne (budget target met)	\$0.73	\$0.62	\$0.62
8. Gross Ship Revenue Per Ship (budget target met)	\$36,036	\$33,517	\$33,517
9. Aggregated Operating Port Authority Cost Per Cargo Tonne (operating cost and maintenance costs divided by cargo tonnes)	\$1.65	\$1.48	\$1.48
10. Asset Management Plan reviewed and updated annually (*)	YES	N/A	YES
11. Planned maintenance completed as per budget (*) (percentage of planned programmes completed)	90%	N/A	90%
OUTCOME BASED SERVICE INDICATORS			
12. Net profit before tax per employee (FTE) (**) (higher is better)	\$360,906	N/A	\$407,805
13. Operating cash flow per employee (**) (based on net cash from operating activities)	\$249,098	N/A	\$292,767
14. Operating cost per employee (before tax) (**) (lower is better)	\$846,485	N/A	\$761,170
15. Total Berth Utilisation (higher is better)	49.78%	55.27%	55.27%
16. Average Ship Turn-a-round Time (hours) Bulk (lower is better)	61.4	65.1	65.0
17. Total Tonnes Throughput (increasing from prior year)	2,496,363	2,317,683	2,317,683
18. Cargo Tonnes Per Total Vessel Hour (Average all Berths) (Bulk) (higher is better)	572	479	479
19. Maintain and sustain harmonious workplace relations (*) (outcomes of staff satisfaction survey)	95%	N/A	96.4%
20. Provide training and development for employees to improve productivity and efficiency (*) (percentage of employees undertaking budgeted training courses)	95%	N/A	95%



	Budget 2014-2015	Budget 2013-2014	Forecast 2013-2014
<u>STRONGER FOCUS ON THE REGIONS</u>			
21. Acknowledge the Port serves the regional community of the South West. (communicate planned activities through local and regional media formats)	100%	N/A	75%
22. Recognise the Port's impact is focussed on the Bunbury area and in particular adjacent residential locations. (inclusion of neighbouring shires/city's in stakeholder consultation process as minuted.)	100%	N/A	95%
<u>SOCIAL & ENVIRONMENTAL INDICATORS</u>			
23. Maintain PM10 Dust levels below NEPM standard of 50mg/m3	<50	<50	<50
24. Maintain noise below prescribed acceptable levels (**) (port noise levels maintained)	Noise from Port operations do not exceed assigned levels	N/A	Noise from Port operations do not exceed assigned levels
25. Achieve Year on Year reduction in substantiated community complaints	15	14	10
26. The harbour sediments remain suitable for unconfined sea dumping as defined in 'National Assessment guidelines for dredging' (NAGD2009)	The harbour sediments remain suitable for unconfined sea dumping	The harbour sediments remain suitable for unconfined sea dumping	The harbour sediments remain suitable for unconfined sea dumping
27. Maintain ISO 14001 accreditation	ISO 14001 maintained	ISO 14001 maintained	ISO 14001 maintained
28. Achieve AS 4801 accreditation	Achieved	Develop the safety system to achieve AS4801 accreditation	Safety system is 100% compliant with AS4801
29. Target zero Lost Time injuries	0	0	0
30. Annual review of Business Continuity Plan	Yes	N/A	Yes
31. Hold PCLC meetings a minimum of 6 per financial year and ensure minutes distributed and actions completed (Percentage held)	100%	N/A	85%

* new KPI in 2014-2015

** internally measured in prior years but not reported externally

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

	\$'000
Total Revenue	46,769
Total Expenses	34,392
Profit/(Loss) Before Tax	12,377
Notional Income Tax	3,713
Profit/(Loss) After Tax	8,664
Dividends	10,533
<hr/>	
Asset Investment Program	4,800

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.