



7/18

STATEMENT OF CORPORATE INTENT (SCI) 2017/18





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1. Executive Summary

The Geraldton Port Authority was established in 1969 and on 1 July 2014 was renamed the Mid West Ports Authority as part of the State Government's port reform strategy.

The Mid West Ports Authority faces considerable challenges in 2017/18 as a consequence of lower commodity prices and the viability pressure this is placing on Mid West mining companies and particularly iron ore miners.

However, despite the pressures facing the industry, the port's two remaining iron ore exporters are forecasting total combined exports of 10.7 million tonnes which represents 74.3% of total port trade. Grain exports of 1.7 million tonnes are forecast, although a bumper 2016/17 harvest could result in a better than budgeted performance based on carry-over grain. Other trade including mineral sands, metal concentrates (copper & zinc), fuel, talc and fertiliser are expected to remain at levels commensurate with 2016/17.

With new business enquiries easing, the Mid West Ports Authority intends to focus on the efficiency of its operation and on completing the delivery of a number of important capital upgrades. These upgrades have been identified under the Mid West Ports Authority's strategic asset management plan and will consolidate its position as a provider of reliable port services. The following significant projects will be delivered;

1. Berth 4 Structure Refurbishment; &
2. Fishing Boat Harbour Wharf & Jetty Upgrade.

In addition the purchase of Shore Tension Units, scheduled during 2016/17, will consolidate Geraldton Port as a cruise ship destination of choice.

A major review of Mid West Ports Authority charges resulted in the Port Enhancement debt being relieved and the associated charge being removed effective 1 July 2016. MWPA will consolidate its port charges and revenue position during 2017/18.

The Mid West Ports Authority is also planning to assume the Harbour Master/marine safety functions at the private ports of Cape Cuvier (Dampier Salt) & Useless Loop (Shark Bay Salt). However, the transfer of this responsibility is dependent on the successful passage through Parliament of the Ports Legislation Amendment Bill 2016. This legislation is designed to enable all trading ports currently regulated under the Shipping and Pilotage Act 1967 and overseen by the Department of Transport, to be regulated under the Port Authorities Act 1999.

As there is some continuing uncertainty regarding both the passage of the legislation and also the subsequent timing of the transfer of individual ports, potential financial implications from the proposed legislative amendments have not been incorporated into this statement.

Mid West Ports Authority's total 2017/18 revenue is forecast to be \$64.873M resulting in total profit

before tax of \$10.037M. Tax and dividend payments to Government are forecast to total \$4.211M

The following five major goals are defined for 2016/17;

- To reliably meet the infrastructure and service needs of port customers and stakeholders;
- To achieve the State Government's target for return on assets;
- To continuously improve the port's;
 - a) Safety & environmental performance and
 - b) Business processes and systems
- Be an employer of choice; and
- Facilitate the transfer of Cape Cuvier and Useless Loop responsibilities.

For each of these goals, the Authority has defined strategies, initiatives, projects and associated outcomes.

2. Background

2.1 Trade Facilitation

The Mid West Ports Authority's port facility at Geraldton is the principal gateway for Western Australia's diverse Mid West region. The port facilitates trade by actively managing relations with new and prospective customers and most importantly by the provision of reliable infrastructure and efficient port services

The Port Authorities Act (1999) confers exclusive control of the Port to MWPA, subject to any direction by the Minister for Transport. The Act provides MWPA's Board with the powers necessary to perform its functions which include the responsibility to:

- a) Facilitate trade, plan for the port's future growth and undertake or arrange the use of the port facilities for the State's economic benefit.
- b) Control business and other activities relating to the Port's operations, including port security.
- c) Ensure the Port's safe and efficient operation.
- d) Protect and minimise the impact of port operations on the environment.

MWPA is required to deliver its functions in accordance with its strategic development plan and statement of corporate intent, in compliance with its capital expenditure limits and in a manner that will achieve the financial outcomes as approved by Government.

MWPA must act in accordance with prudent commercial principles and endeavour to make a profit.

An overview of the Port's assets used to facilitate trade follows;

2.2 Port Asset Overview

Asset Area	Asset Description	Location	Construction Year	Summary of Key Modifications
Berth 1	<ul style="list-style-type: none"> Utilisation: small vessels 50m long concrete deck 9.1m depth at zero tide Deck elevation +4.05m (Port Datum) New concrete deck (320-600mm thick) overlying old deck. Concrete encased steel piles Rock wall structure beneath the deck Concrete piled vertical sea wall Jetty structure 	<ul style="list-style-type: none"> South-East corner of Main Harbour 	<ul style="list-style-type: none"> 1928 	<ul style="list-style-type: none"> 1999/2000 new deck poured on top of original deck and connected to the original piles by drilled dowels. Sheet pile wall tie back works to facilitate strengthening works.
Berth 2	<ul style="list-style-type: none"> Utilisation: multi-purpose and vessel layup 225m long concrete deck 9.7m depth at zero tide Deck elevation +4.05m (Port Datum) New concrete deck (320-600mm thick) overlying old deck. Concrete encased steel piles Rock wall structure beneath the deck Concrete piled vertical sea wall 	<ul style="list-style-type: none"> Southern side of Main Harbour 	<ul style="list-style-type: none"> 1928 	<ul style="list-style-type: none"> 1999/2000 new deck poured on top of original deck and connected to the original piles by drilled dowels. Sheet pile wall tie back works to facilitate strengthening works.
Berth 3	<ul style="list-style-type: none"> Utilisation: grain and vessel layup outside of grain season 227.8m long concrete deck 12.9m depth at zero tide Deck elevation +3.88m (Port Datum) Concrete and steel piles 5 berthing dolphins Rock wall structure beneath the deck Steel sheet piled vertical sea wall 	<ul style="list-style-type: none"> Southern side of Main Harbour 	<ul style="list-style-type: none"> 1928 (assumed) 	<ul style="list-style-type: none"> 1996/1997 refurbishment comprising: <ul style="list-style-type: none"> driving 500mm diameter steel piles at mid-span between the existing concrete piles new 510mm thick reinforced concrete deck poured on top of original deck Wharf extension including a

Asset Area	Asset Description	Location	Construction Year	Summary of Key Modifications
				<p>510mm concrete deck supported by a 2-way steel beam system</p> <ul style="list-style-type: none"> • 2003 Port Enhancement Project construction of new dolphins, piles and beams.
Berth 4	<ul style="list-style-type: none"> • Utilisation: minerals and fertiliser • 280.2m long and 350mm thick reinforced concrete deck, supported by a two-way beam system • 12.8m depth at zero tide • Deck elevation +3.45m (Port Datum) • Steel piles • 5 berthing dolphins • Rock wall structure beneath the deck • Steel sheet piled vertical sea wall 	<ul style="list-style-type: none"> • South-West corner on the • Southern side of Main Harbour 	• 1964/65	<ul style="list-style-type: none"> • 1986 100m berth extension • 1996/1997 new deck poured on top of original deck and connected to the original piles by drilled dowels. • 2003 Port Enhancement Project construction of new dolphins, piles and beams. • Below deck tension cables installed.
Berth 5	<ul style="list-style-type: none"> • Utilisation: iron ore • 213m long and 600mm thick concrete deck • 13.3m depth at zero tide • Deck elevation +3.80m (Port Datum) • 474mm diameter steel piles • 5 berthing dolphins • Rock wall structure landward of the deck and beneath the three vehicle access points • Steel sheet piled vertical sea wall 	<ul style="list-style-type: none"> • South-West corner on the western side of Main Harbour 	• 1977	<ul style="list-style-type: none"> • 1999 new deck poured on top of original deck and connected to the original piles by drilled dowels. • 2003 Port Enhancement Project construction of 5 new dolphins and seaward deck extension.
Berth 6	<ul style="list-style-type: none"> • Utilisation: general cargo, livestock, fertiliser, minerals and fuel 	<ul style="list-style-type: none"> • North-West corner on the western side of Main Harbour 	• 1995	<ul style="list-style-type: none"> • 1997 rock wall • 2005 rock wall toe stabilisation piles

Asset Area	Asset Description	Location	Construction Year	Summary of Key Modifications
	<ul style="list-style-type: none"> 245.6m long and 300mm thick reinforced concrete deck (200mm precast panels with a 100mm insitu concrete pour) supported by steel beams. 12.4m depth at zero tide Deck elevation +3.80m (Port Datum) Steel piles Rock wall structure overlaid with grout filled mattress beneath the deck and toe stabilisation piles Steel sheet piled vertical sea wall Grout filled mattress and toe stabilisation piles 			and fender piles installed.
Berth 7	<ul style="list-style-type: none"> Utilisation: Iron Ore 13.1m depth at zero tide Asset Condition Assessment only includes the rock wall since all other infrastructure at Berth 7 is operated and maintained by Karara Mining. 	<ul style="list-style-type: none"> Northern side of Main Harbour 	<ul style="list-style-type: none"> 1934 	<ul style="list-style-type: none"> Gradually enhanced and extended to include the Berth 7 northern reclaim
Berth 7 Northern Reclaim	<ul style="list-style-type: none"> Rock wall structure Main North Breakwater – No. 2 	<ul style="list-style-type: none"> North of Berth 7 	<ul style="list-style-type: none"> Various 	<ul style="list-style-type: none"> No key modifications have been identified
Fishing Boat Harbour	<ul style="list-style-type: none"> Generally accommodates vessels with drafts in the range of 3.1m – 3.8m and 8m - 23m in length. Maximum length of vessel that can be accommodated is 35m. Main Fisherman’s Wharf – approximately 153m long 	<ul style="list-style-type: none"> West of Main Harbour See Figure 2.1 for specific structure locations 	<ul style="list-style-type: none"> Most structures unknown. Long Service Jetty – 1977 Live Cray Intake – Mid to late 1990’s 	<ul style="list-style-type: none"> No key modifications have been identified

2.3 Provision of Port Services

Mid West Ports Authority owns the shiploading facilities at Berth 4 and 5 and the bottom dump train unloader. The maintenance and operation of these facilities is provided under contract by private companies. On expiry, this contract will be re-tendered.

Other services directly contracted by Mid West Ports Authority include;

- Port security;
- Cleaning (buildings);
- Data hosting; and
- Berth sweeping and plant vacuuming services;

On expiry of each contract Mid West Ports Authority's procurement processes are implemented, as specified, to identify the party who has the most relevant management, performance history and value for money pricing proposal to provide these services.

General stevedoring and towage services are provided under licence. The Mid West Ports Authority issues stevedoring licences subject to applicants submitting a capability statement and demonstrating that health & safety and environmental management systems specific to the proposed operations at Geraldton Port are in place. Multiple stevedoring licences are on issue.

Market conditions justify the issue of a single towage licence. The issue of this licence is tendered on a periodic basis to ensure the service is being provided on a value for money basis.

Mid West Ports Authority provides pilotage, pilot transfer and some mooring services. In all cases staff provide these services as a component of their overall employment responsibilities as a consequence of there being insufficient shipping activity to warrant dedicated full time staff for these services.

Mid West Ports Authority benchmarks its performance against like ports which confirms it provides these services on a competitive basis.

Opportunities are currently being explored for the further out-sourcing of some mooring responsibilities.

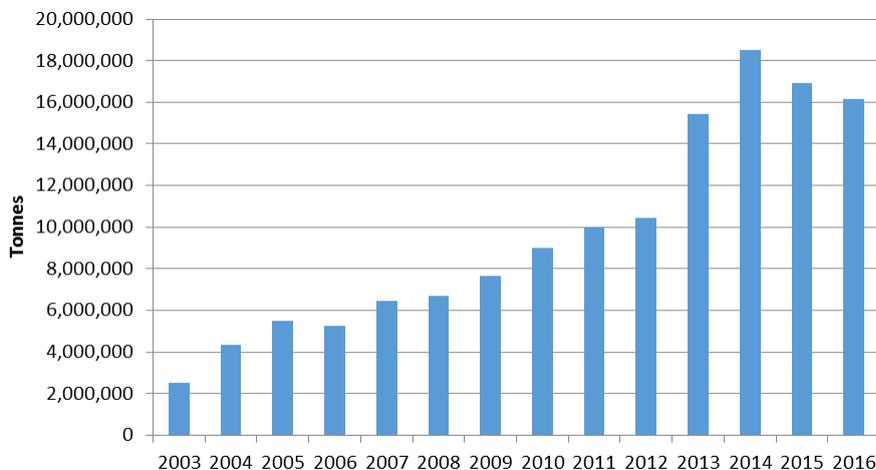
2.4 Historical Trade Performance

The primary driver for Geraldton Port Services is trade which is influenced by numerous factors including:

- a) Past Performance
- b) Fluctuating commodity prices
- c) Local or overseas demand for resources
- d) Product availability
- e) 'Pit to port' costs
- f) Operational efficiency measures

MWPA's annual trade forecast draws on the projected influence of these and other, factors as well as on the historical annual trade statistics.

Since 2003 MWPA has experienced considerable growth. In 2015/2016 the total trade was 16.17 million tonnes and while this was the third highest annual trade ever recorded through Geraldton Port the trade was 4.5% lower than the previous year. This decline in trade was primarily driven by a reduction in iron ore although mineral sands and concentrate trade were also lower.

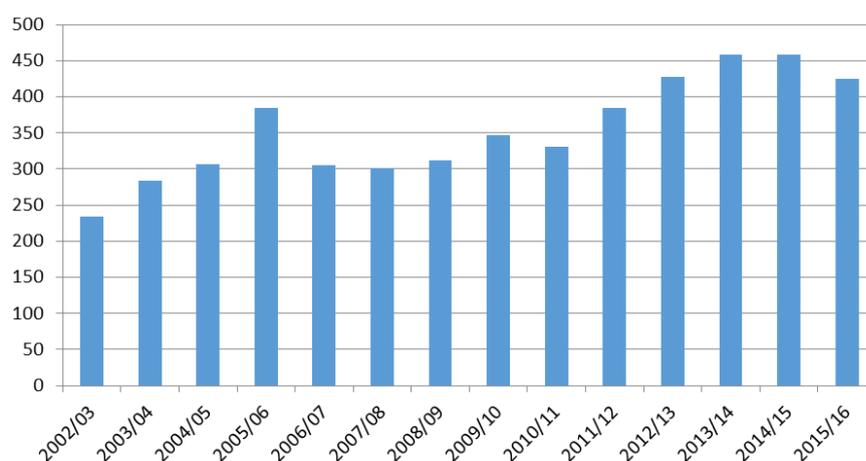


Total Annual Trade (Tonnage) – 2003 to 2016

The increased volumes in recent years have been matched by increased ship visits. In 2016, 425 ships visited Geraldton during the year, comprising of 409 cargo ships, 2 rig tenders and 14 cruise vessels and resulted in a total of 931 pilotage-assisted ship movements.

2.5 Ship Visits

The recent history of ship numbers visiting Geraldton Port is shown in the following table;



Total Ship Visits - 2002/03 to 2015/16

The following significant events have influenced the historical performance at Geraldton Port:

- 2002/2003 : Port Enhancement and Southern Transport Corridor projects resulting in a deeper, more versatile and efficient port operation.
- 2008 : Berth 5 Iron Ore Expansion Project which delivered a dedicated iron ore ship loading facility capable of loading at 5,000 tonnes per hour.
- 2011/2013 : Karara Mining constructed new port infrastructure, which involved a new rail (fourth track) into the Port, a dual wagon rotary unloader, 255,000 tonne storage facility, new berth (Berth 7) and shiploader and associated materials handling infrastructure.
- 2014/2015 : Port limits were extended to permit the handling of larger bulk carriers (235m LOA and 38m beam) within port waters.

3. Governance

3.1 Guiding Principles and Code of Conduct

The guiding principles under which the Authority operates are:

- The Board must approve:
 - Reviews and changes to the organisational structure;
 - Any purchase or lease of land;
 - Any contractual and term based agreements;
 - Changes to Mid West Ports Authority's published charges; and
 - Alterations to asset values and depreciation rates.
- All employment contracts and agreements are to be in accordance with Government Policy.
- All activities and developments must meet environmental and legislative requirements.
- All transactions are to be legal, safe, ethical and aligned with the strategic plan's goals.
- All financial transactions must meet Government Policy and Accounting Standards.
- There is to be no personal gain to any Authority employee, director or their immediate families.

The Authority's Code of Conduct defines the type of conduct that all employees exhibit when dealing with customers, contractors, staff and other stakeholders. In conducting themselves in such a manner they will be meeting the standard set by the Public Sector Code of Ethics.

4. Strategic Direction and Purpose

4.1 Purpose

At Geraldton the MWPA supports an inter-modal facility that serves the region's demand for connectivity to national and international markets. An expanded role is also under consideration with the provision of harbour master and marine safety services at the privately operated ports of Cape Cuvier and Useless Loop.

In serving this demand the MWPA plays an essential service for the Mid West and State economies. Its operation is guided by the following purpose;

To create social and economic opportunity by sustainably linking regional industry with national and international markets

4.2 Vision

MWPA's vision is derived from its key performance objectives, which are to;

1. Define and sustainably achieve the State Government's governance, trade facilitation and financial expectations;
2. Define and consistently meet port user service expectations;
3. Protect and optimise life cycle management of port infrastructure;
4. Apply risk management principles to all commercial transactions and port operations & services;
5. Identify and provide third party infrastructure investment opportunities;
6. Create organisational resilience to commodity price shocks; and
7. Efficiently incorporate the provision of services to the ports of Cape Cuvier and Useless Loop.

This strategic plan defines a pathway to address these objectives and to ensure the organisation delivers its vision and a resilience within its workforce to address all future challenges in a professional and timely manner.

Specifically, the vision of the organisation is to deliver its core objectives by:

Providing innovative, efficient and timely infrastructure and port service solutions within a seamless 24 hour operation at multiple port locations.

4.3 Key Challenges

At a broad level the major challenges facing the MWPA are summarised as follows;

	Challenge	Implication
1	Reduced trade volume in outer years of the planning horizon.	Lower or changed demand for services and impacts on MWPA's organisational structure and expenditure profile.
2	Achieve Government's rate of return expectation.	For plausible trade scenarios, plans are established to balance expenditure and income to achieve the organisation's target rate of return performance.
3	Port congestion pressure will ease but the management team will be under sustained pressure to; <ul style="list-style-type: none"> a) Justify and reduce fixed costs; b) Meet the service level expectations of customers; and c) Maintain positive community relations & sustainable community interfaces. 	<p>The pressure to reduce service costs may adversely impact infrastructure reliability and MWPA's capacity to maintain service levels.</p> <p>Uncertainty impacts on staff engagement and productivity.</p> <p>Opportunities to invest in new technology or other specialised resources is missed or deferred.</p> <p>Service level failures negatively impact on stakeholder perceptions of MWPA performance.</p>
4	Maintaining positive staff and stakeholder relations following structural change to enable the more efficient supply of mooring and Bulk Handling Facility services.	Efficiency objectives are compromised.
5	Maintain positive customer and Government relations following the introduction of substantial change to port charges.	<p>Customer dissatisfaction following PEP debt repayment and the introduction of a revised suite of port charges.</p> <p>Reputational damage.</p>
6	Maintaining momentum for the integration of Useless Loop and Cape Cuvier port responsibilities effective 1 July 2018 and planning for the delivery of services to these facilities on a commercially acceptable basis.	<p>Delays to the passage tranche 2 legislation may impact the timing of transitional work.</p> <p>Delays to the targeted 1 July 2018 transition date.</p>

5. Operating Environment

The MWPA is planning to respond to its strategic challenges by focussing its efforts during 2017/18 on five key strategies and by continuing to deliver existing strategic initiatives.

5.1 Key Strategies

1. Infrastructure and service needs of stakeholders are reliably met;
 - Port assets provide reliable services
 - Harbour and channel depth are maintained
 - Surge impacts are mitigated
 - Marine services are delivered efficiently
 - Trade expansion opportunities are actively identified and nurtured;
 - Fair and equitable access to port services and facilities is provided; and
 - Opportunities for the private sector to invest in port infrastructure and to deliver port services are actively considered.
2. Financial Performance;
 - Equitable and transparent port charges support the provision of port services;
 - The State Government's approved ROA targets are sustainably achieved;
 - The method of service provision is critically reviewed & savings are identified and implemented; &
 - Plausible trade scenarios are identified and analysed and organisational response plans are established.
3. Continuous Improvement;
 - An integrated management system incorporates the management of service quality, safety and the environment in compliance with ISO 9001, AS/NZS 4801 & ISO 14001 and the rail terminal is managed in compliance with the conditions set down by the national rail regulator;
 - The performance and reliability of the port's infrastructure is monitored and improved;
 - The asset management planning horizon is expanded; and
 - Board committees effectively oversee governance, risk and finance and audit functions.
4. Employer of choice initiatives;
 - Expectations are clearly communicated to staff and through regular formal consultation and managers review and update these expectations;
 - Organisational values, in addition to the code of conduct are established and staff compliance is encouraged and monitored at all organisational levels;
 - Compliance training is identified and actively managed; and
 - Performance reviews are up to date.
5. Port amalgamation
 - An action plan is established in consultation with State Government agencies to support the timely planning for the transition of services by Mid West Ports to the private ports of Cape Cuvier and Useless Loop; and
 - Actions are implemented in accordance with the agreed implementation schedule.

6. Goals Performance Indicators and Targets

The success measures, performance indicators and targets for each of MWPA's 5 goals are detailed in the following section.

Goal 1	Success Measures	Performance Indicator	Target
To reliably meet the infrastructure and service needs of port customers and stakeholders	Reliability of Bulk Handling Facility.	Reliability KPI's	Reliability 98% Mean time between failures TBC Mean time of failure (<1.5 hours)
	Depth of berth pockets, harbour & channel don't hinder departure draughts.	Declared depth at lowest astronomical tide (LAT) (Berth pockets 13.4m, Harbour basin 12.4m, Channel 12.4m)	Declared depths do not impact on maximum potential departure drafts by more than 1%
	Reliability of rail terminal infrastructure.	Reliability KPI's	100%
	Reliable provision of utilities.	Reliability KPI's	Use WP & WC reliability targets BM to confirm.
	Reduced lost berth time due to harbour surge.	Threshold limits	Berth 3 threshold limit increased to 18cm (20%)
	Efficiency of marine services	Cost of marine services per vessel	< \$26,457/vessel

Goal 2	Success Measures	Performance Indicator	Target
To achieve the State Government's target for return on assets	Financial target met.	Return on Asset (ROA)	ROA of 8.4%

Goal 3	Success Measures	Performance Indicator	Target
To continuously improve the port's; a) Safety & environmental performance and b) Business processes and systems	Management systems	Integrated Management System re-certification	Recertification to the following standards; <ul style="list-style-type: none"> AS/NZS 4801 AS/NZS ISO 14001 AS/NZS ISO 900 National rail accreditation
	Compliance with legal & regulatory obligations	Regulatory non-conformance notifications	Zero
	Declining workplace injury	Annual LTIFR Annual MTIFR	Zero or 10% reduction Zero or 10% reduction

Goal 4	Success Measures	Performance Indicator	Target
Employer of choice	Stable workforce	Staff retention	95%
	Staff engagement	Staff engagement survey results	80% Participation rate 80% feel positive about their work & 75% would recommend MWPA as an employer.

Goal 5	Success Measures	Performance Indicator	Target
<p>Facilitate the transfer of Cape Cuvier and Useless Loop responsibilities</p>	Provision of Port Services	Management structure is established for each port.	Transfer of responsibilities on 1 July 2018.
	Marine Safety	Port boundaries are finalised.	Port boundaries are finalised by 1 July 2017.
		Marine safety management planning.	Plans are endorsed by 1 July 2017
	Financial/Risk Management	Timely provision of operating licences.	Pilots, tugs & providers of ancillary marine services are licenced by 1 May 2018.
		Services are provided on a cost recovery basis.	MWPA's right to implement cost recovery charges is confirmed and appropriate charges are approved.
		Environmental management	Environmental due diligence is completed and action plan, if necessary is established.
		Transfer of assets.	All transferring assets are identified and 15 year management plans are available.
	Jetty management.	Jetties Act licences are replaced with modern equivalent agreements.	

7. Financial Information

7.1 Revenue, Expenditure and Dividend Provision

The Authority's 2015/16 Statement of Corporate Intent is based on the following assumptions:

- a) Trade
Trade estimates are based on a combination of historical performance and customer advice.

For the financial year ending 30 June 2018, the Port is projecting a total trade of 14.444 million tonnes.

- b) Revenue
Total revenue for the financial year ending 30 June 2018 is estimated to be \$64.873M.

- c) Expenditure
Expenditure for the financial year ending 30 June 2018 is estimated to be \$54.836M.

Each operating expense item has been assessed to determine the level of increase or decrease required. This assessment took into account existing commitments and initiatives to be undertaken during this budget period.

- d) Dividend
The forecast dividend payable during 2017/18 is \$4.211M.

This comprises two instalments. The first is due by 31 December 2017 and will be an amount equal to the balance of the dividend payable in respect to 2016/17 (nominally 25% of the dividend owing) and the second payable by 30 June 2018 being 75% of the forecast dividend payment in respect to 2017/18.

- e) Performance Ratio's
The forecast return on assets (ROA) is calculated using the deprival asset valuation methodology and a 6.4% ROA is forecast for the year ending 30 June 2018.

7.2 Trade Summary (2016/17 & 2017/18)

Tonnes	Forecast 2016/17	Budget 2017/2018
Grain	1,700,000	1,700,000
Iluka imports	480,000	400,000
Iluka exports	410,000	390,000
Fertilisers	45,000	97,000
Imerys	80,000	90,000
MMG	175,000	200,000
IGO	120,000	100,000
Sandfire	135,000	180,000
GMA	330,000	320,000
MGI	3,250,000	3,000,000
KML	7,500,000	7,700,004
Fuel imports	280,000	256,290
Livestock	8,000	11,000
Cruise ships - number	12	12

Total tonnes	14,513,000	14,444,294
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7.3 Schedule of Tariffs

The Mid West Ports Authority's pricing review process is underpinned by a comprehensive review of trade and forecast expenditure. The forecast tariffs are as follows;

Charges	Charge Unit	2016/2017	2017/2018
Rail Terminal Access Charge	\$/train	538.	537
Standard TU	\$/tonne	1.6492	1.6987
Standard Wharfage	\$/tonne	1.8816	1.9380
Minimum Wharfage	\$/vessel	5,517.75	5683.37
Standard Ship Charge	\$/GRT	2.9851	3.0747
B4 shiploading	\$/tonne	4.3430	4.4733
B5 shiploading	\$/tonne	4.8826	5.0291
Pipeline	\$/tonne	0.1900	0.1171
Wharfage Fuel	\$/tonne	3.3485	4.4701
Cruise Ship - berthed	\$/GRT	0.6716	0.6918
Cruise Ship - anchored	\$/GRT	0.4925	0.5073
Berth 4 Slow Loading Charge	\$/hr	878.00	904.34
FBH Pen Fees	\$/Vessel Length	323.35	
	\$/Pen Length		365.6

7.4 Capital Works

Mid West Ports has one of three major capital works projects in respect to Berth 4 scheduled for completion during 2017/18. This project involves the structural remediation of Berth 3 and 4 wharf facilities. MWPA's total capital expenditure for 2017/18 is summarised as follows;

2017/18 Financial Year

Minor Capital Works	\$4,512,000
Berth 4 Structures	\$5,266,000
Total Approved Capital Projects	\$9,778,000

Berth 3 and 4 Structures

Berth 4 and the Berth 3 Wharf Extension were constructed in 1964-65 with a steel sheet pile abutment wall and a continuous capping beam, reinforced concrete slab decking cast in situ and founded on steel piles and beams. A major extension to the front of the wharves was added in 1998 including 5 new dolphins which were cast in situ.

Berth 4 currently supports a rail mounted ship loader used to load bulk mineral sands, metal concentrates, talc, garnet and some break bulk cargoes. Berth 3 and its extension support a ship loader used to load grain. In addition, the berth may be used for unloading of general or bulk cargo using ship mounted cranes. The Berth 3 Extension is primarily to enable Panamax size vessels to service the grain trade on Berth 3 and is also a critical access point to Berth 4 for trucks and other vehicles.

Whilst the Berth 3 Extension and Berth 4 structures have been assessed as being in a generally good condition, but the rear capping beam and the top and the underside of the reinforced concrete decking are displaying signs of concrete delamination, concrete cracking, chloride ingress and corrosion of the reinforcing steel. The residual life of these components was assessed as between 0 and 5 years.

A business case has been submitted and approved to complete the following works;

Structure	Works in Scope
Berth 3 Extension & Berth 4 Structures	<p>Remedial work to localised steel elements, rear capping beam, sub-structure and the deck structure;</p> <p>Remedial works to include concrete patch repairs, steel coating repairs, installation of cathodic protection, waterproofing and replacement of damaged components; &</p> <p>Increase the residual life to a minimum of 30 years for all berth components.</p>

The 2017/18 capital projects will be funded as follows;

Project Description	2017-18 \$'000
Minor Capital Works - Approved	4,512
Berth 4 Structures	5,266
Total	9,778
<i>Proposed Funding Sources</i>	
Borrowings	5,266
Internal Funds and Balances	4,512
Total	9,778

As required by Section 34A of the *Port Authorities Act 1999*, MWPA will comply with approved requirements regarding capital expenditure limits and associated funding and endeavour to achieve financial outcomes that are consistent with forecasts contained in approved financial statements.

7.5 Accounting Policies

The following accounting policies will be adopted in the preparation of the financial statements:

- i) The financial statements will be prepared in accordance with Schedule 5 of the Port Authorities Act 1999 and the Accounting Standards.
- ii) Subject to the valuations conducted for taxation purposes, the financial statements will be drawn up on the basis of historical cost principles.
- iii) The accrual basis of accounting is being applied.

7.6 Information Requirements

The Mid West Ports Authority supplies detailed financial and operating performance information to the Minister for Transport.

The annual report will include a report from the Chairman on operations, financial statements, performance indicators and trading results in accordance with the Port Authorities Act 1999.

The half-yearly report will include financial statements and a report on major variations and planned improvements.

7.7 Salaries and Wages

Future enterprise agreement negotiations and planning of wage increases and associated conditions are in accordance with the guidelines contained in the Western Australian Government Public Sector Wages Policy Statement 2017, or any subsequent update.

7.8 Community Service Obligations

a) Sand by-passing program

The Mid West Ports Authority has a Memorandum of Understanding with the City of Greater Geraldton, which outlines the commitment to supply sand to the northern beaches. This commitment is ongoing and has an estimated annual cost of \$200,000.

b) Heavy Boat Lifter

To assist with the establishment of a marine servicing precinct at Geraldton's Fishing Boat Harbour, a peppercorn lease was offered to a consortium proposing a 200 tonne boat lifting operation. This lease arrangement continues until the lifting service achieves a profit, after which a commercial rental will be payable. Estimated annual value of this concession is \$106,203.

c) Karara Assistance

The Mid West Port Authority's major customer, Karara Mining, is facing an uncertain future as a result of low iron ore prices. In response the State Government has approved a financial assistance package for Karara Mining that includes a reduction in port charges equal to \$0.72/tonne in 2016/17 and \$0.66/tonne in 2017/18.

A rebate equal to the discount offered is payable to MWPA by the State Government

7.9 Issues Potentially Impacting the Financial Position

The major influence on Mid West Ports Authority's ability to achieve its budgeted 2017/18 performance is the realisation of the forecast trade which in turn is influenced by seasonal conditions and commodity prices, particularly for iron ore. The difficulties facing Karara Mining in particular, are well documented.

Mid West Ports has undertaken scenario planning to underpin the drafting of a response plan for sustaining the Authority's performance should either or both of Mid West Port's iron ore exporters cease their operation.

During 2017/18 grain exports are forecast to comprise 11% of total port trade. The performance of the region's grain sector is substantially dependent on seasonal conditions. Good rains through the northern agricultural region during the 2016 growing season has resulted in grain production well above the long run average. The volume of this season's un-exported grain which will be carried into the 2017/18 financial year is also expected to be above average placing some upward potential on total 2017/18 grain exports.

Mineral sand exporters are Iluka Resources and GMA Garnet. Iluka's operation is dependent on concentrate imported from outside of the Mid West region including from the South West and the Eucla Basin. GMA Garnet's mining operation at Port Gregory is supported by long term reserves.

Metal concentrates are being supplied to the port by MMG Golden Grove (Cu, Zn & Pb),

Independence Group (Cu & Zn) and Sandfire Resources (Cu). The MMG product is handled by the Berth 4 shiploading circuit while products supplied by Independence Group and Sandfire Resources are handled by Qube's rotainer operation on Berth 6.

MMG is considering the sale of its Golden Grove mine at Yalgoo. This deal is expected to be concluded before the commencement of 2017/18 and is not expected to impact on forecast exports from this mine.

High quality talc is mined by Imreys at Three Springs and this operation is also supported by long term reserves. Export volumes rarely vary considerably from prediction. However, the companies sees some upside demand and is exploring the opportunity to double its throughput. Some medium term upside in respect to talc exports exists.

Fertiliser imports are seasonal and the region's requirements are supplemented by fertilisers manufactured in WA being transported by road into the region.

Fuel is imported via Geraldton Port by BP and while volumes have risen considerably in recent years, in lock step with mining developments, a steady operational state should result in volumes being held as forecast into the foreseeable future.

Trade forecasts are closely and continuously monitored to ensure that the Authority's resources and cash reserves are maintained at an appropriate level.

The Authority will monitor trade performance on a monthly basis and in consultation with port customers update trade intentions as these are made available to ensure early warning of any expected trade variation. The Authority will respond to changes in forecast trade by amending its operations to minimise adverse impacts on the Authority's and on the State's budgets.



7.10 Approved Financial Parameters

The following table summarises MWPA's financial parameters for 2017/18.

	\$'000
Total Revenue	64,830
Total Expenses	55,495
Profit/(Loss) Before Tax	9,335
Notional Income Tax	2,801
Profit/(Loss) After Tax	6,534
Dividends Paid	3,930
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Asset Investment Program	9,778

To the extent that the financial parameters within the 2017/18 SCI contain unapproved capital expenditure, net debt and net flows to/from Government, Government approval will be obtained prior to any commitments and/or actions being undertaken which will affect approved parameters. Government approval will also be sought prior to commencing new projects not included within the State Government's approved financial parameters.

**MID WEST PORTS AUTHORITY
APPROVED FINANCIAL PARAMETERS
2017/18**

	\$'000
Total Revenue	64,830
Total Expenses	54,708
Profit/(Loss) Before Tax	10,122
Notional Income Tax	3,037
Profit/(Loss) After Tax	7,085
Dividends	14,382
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Asset Investment Program	10,266

As part of the 2017-18 State Budget, Government approved a range of efficiency measures applying to Port Authorities as Government Trading Enterprises (GTEs) including net debt reduction targets, increased dividend payout ratios from 65% to 100% of Net Profit After Tax from 2016-17 (payable in 2017-18), and legislative amendments to be determined by the Salaries and Allowances Tribunal (SAT) to prescribe a wage freeze for CEO remuneration and all comparable positions covered under the SAT for the next four years.

As requested by the Treasurer, the Mid West Ports Authority has reflected the financial impacts of these measures in the updated Financial Statements attached to these documents

To the extent that the financial parameters within the 2017/18 SCI contain unapproved capital expenditure, net debt and net flows to/from government, Government approval will be obtained prior to any commitments and/or actions being undertaken which will affect approved parameters. Government approval will also be sought prior to commencing new projects not included within the State Government's approved financial parameters.