2021-2022 Statement of Corporate Intent

Kimberley Ports Authority
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Disclaimer

Kimberley Ports Authority (KPA) has used all reasonable care in the preparation of this document. Please note however that:

- KPA has finalised a port master plan for the Port of Broome and will develop port master plans for other ports that will be governed by KPA. Consequently this document has been prepared without the benefit of a long term master plan for ports other than the Port of Broome.

- This document has been prepared in good faith on the basis of information available at the date of publication without any independent verification. KPA does not guarantee or warrant the accuracy, reliability, completeness or currency of the information in this publication nor its usefulness in achieving any purpose. Readers are responsible for assessing the relevance and accuracy of the content of this publication. KPA, its directors, officers and employees will not be liable for any loss, damage, cost or expense incurred or arising by reason of any person using or relying on information in this publication. Where applicable law does not permit such exclusion of liability, the liability of KPA its directors, officers and employees (in any class or for any formulation of liability whatsoever, including for negligence or any other tort) shall be limited to the amount (if any) you paid to access the information.
Being a Primary Driver for Economic Development in the Kimberley

The Kimberley Ports are strategically located to facilitate the development of significant onshore and offshore hydrocarbon reserves and benefit from growing demand for food and resources in Asia. The Kimberley Ports Authority (KPA) plays an essential role in planning, facilitating trade and striving to establish resilient Kimberley Ports which are vital to State and Regional communities.

The long term viability of ports in the Kimberley is dependent on efficient port operation, understanding all facets of the supply chain, facilitating appropriate development opportunities, and meeting the changing needs of KPA’s customer and community expectations, whilst protecting environmental and heritage values. KPA must endeavour to conduct these activities in a way whereby the benefit of the port activities exceeds the input costs involved and a return can be realised.

KPA’s key strategy of “Being a Primary Driver for Economic Development in the Kimberley” spans the whole organisation by ensuring KPA has the capability to deliver on the State Government’s mandate to facilitate the development of trade and commerce generally for the economic benefit of the State and strategies to foster new developments in the Kimberley region following the amalgamation of the Kimberley Ports. This approach is designed to enable KPA to identify opportunities that lead to better outcomes for port users and the State.

This one year Statement of Corporate Intent (SCI) incorporates the actions surrounding KPA’s strategy. All actions proposed in the SCI are designed to support KPA continuing toward the next stage in its development, and are consistent with the actions required to further expand responsibilities into additional areas along the Kimberley coastline.

It should be noted that this SCI considers the future of:

- the Port of Broome;
- the Port of Yampi Sound which includes operations on Cockatoo and Koolan Islands;
- the Port of Derby;
- the Port of Wyndham, and
- the Port of Browse which is currently a greenfields site vested in KPA.

The Kimberley ports amalgamation is expected to come into effect on 1 July 2021, which will incorporate the Ports of Yampi Sound, Derby and Wyndham into Kimberley Ports.

In addition, it should be noted that this SCI, and the associated financial information, may alter in the future in response to a range of factors beyond KPA’s control, including unforeseen growth opportunities, and/or trade reductions similar to those that have occurred due to the COVID-19 pandemic.
1. Introduction

The Kimberley Ports Authority (KPA) is a Government Trading Enterprise (GTE) responsible for managing the Port of Broome, the greenfields site of the Port of Browse, Ports of Derby, Yampi Sound and Wyndham. The Kimberley ports are strategically positioned to service the growing demand for food and resources in Asia, India and China; and to assist in the development of the onshore and offshore hydrocarbon reserves.

In drafting this SCI, KPA has assumed that:

- Progress has been made on obtaining the required approvals for the Kimberley Marine Supply Base Pty Ltd’s (KMSB) proposal to construct a Kimberley Marine Material Offloading Facility at the Port of Broome;
- That all governmental and regulatory approvals and legislative updates to facilitate the transfer of the Ports of Yampi Sound, Derby and Wyndham will be in place by 1st July 2021;
- Demand for agricultural commodities (primarily cattle), and general cargo will continue at similar rates during 2021 / 2022;
- The significant reduction in global demand for oil and gas, due to less travel being undertaken as a result of the COVID-19 pandemic, may not recover appreciably during the reporting period with an ongoing and unpredictable impact on production, supply and shipping;
- The anticipated reduction in demand for oil and gas related services continues since the development of the current offshore facilities;
- INPEX is expected to continue a drilling campaign which commenced in October 2020 increasing vessel visits by two per month. Shell Australia’s five well drilling campaign has been delayed and is not expected to commence during the life of this SCI; and
- The primary base in the Kimberley for the support of the Browse Basin exploration and to a lesser degree development of the Browse Basin will continue to be the Port of Broome. However, it should be noted that the Ports of Derby and Yampi Sound may also develop support capacity for this industry.

A range of agricultural projects have been trialled in the Kimberley with varying degrees of success. Issues facing the agricultural sector include difficult climatic conditions and isolation from other Australian centres. However, the steady investment and expansion of agriculture and aquaculture industries in the Kimberley should contribute to the introduction of a liner service to Asia into the future.

This one year SCI is another step in ensuring that KPA is optimally positioned to maximise development opportunities and manage threats to its ability to fulfil statutory obligations including facilitating trade, and developing strategic assets which encourage a cycle of development for the Kimberley, and an economic return for KPA and the State.

KPA is responsible for:

- the efficient, safe, and effective operation of the Port of Broome, the greenfields Port of Browse site and the Ports of Yampi Sound, Derby and Wyndham;
- planning for the future;
- acting in a commercial manner;
- maintaining facilities; and
- being the custodian of the physical environment of KPA ports.

The Board and management are focused on building a resilient KPA able to effectively meet and respond to cyclical changes to trade and port related activities over the life of this SCI. KPA will take on the exciting challenge of efficiently managing remote ports, working directly with port managers, customers and relevant stakeholders, augmenting KPA’s understanding of the supply chain and developing innovative responses to the freight task in the Kimberley Region. The Port of Broome will continue to be a central hub for many customers and KPA will provide the leadership necessary to play its part in diversifying trade and developing opportunities for the Kimberley such as facilitating the KMSB project.

KPA will strive to capitalise on the opportunities which are evolving in the Kimberley. To support this objective, KPA will continue to build on its reputation as a reliable operator, with innovative solutions, a strong customer focus, and a motivated team of maritime professionals. Our thinking will be well-directed toward creating value and opportunity for port customers, our community and contributing to the development of Western Australia. This SCI incorporates all the requirements necessary for KPA to fulfil its obligations under Part 5, Division 1, of the Port Authorities Act 1999 (PAA).
2. Strategic Framework

KPA plays a strategic role in facilitating regional trade and economic development, coupled with its corporate social responsibilities. Facilitating maritime trade involves the promotion of safe, timely and effective transportation of intermodal freight and passenger cargoes. In this regard ports are recognised by State and Federal Governments as both drivers for economic growth and as important catalysts for business and employment opportunities.

Vision

KPA’s vision is:

“To be the safest and most competitive ports network in regional Australia.”

The Vision recognises the role KPA plays in supporting the Kimberley to reach its potential, and the strategic importance of its geographic proximity to Asian markets. All of our planning, operations, decision making, and influence are directed toward maintaining the highest safety standards, and competitiveness with other ports to support regional development.

Mission

KPA’s mission is:

“The facilitation of maritime trade and tourism to deliver sustainable economic and social benefits for stakeholders across our region.”

The Mission outlines why KPA exists, and reflects its key function under the PAA. It recognises the central obligation upon KPA to operate its ports in a sustainable and professional manner to bring benefits to the community and other stakeholders.

Values

KPA’s values continue to define how the organisation will conduct its activities, and are based on respect for employees and all who come in contact with KPA.

Safety - We make safety our number one priority;
Respect - We treat our customers, our community and each other with respect;
Excellence - We take pride in doing our jobs to the highest professional standard;
Teamwork - We work as a team to achieve our common goals;
Service - We seek to understand and serve the needs of our customers and community, and
Environment - We care for our environment.

Figure 2 Skandi Darwin
3. Statutory Framework

**Port Authorities Act 1999**

Under Section 30 of the *Port Authorities Act 1999*, the KPA has the following statutory functions:

- To facilitate trade within and through the Port, and plan for future growth and development of the Port;
- To undertake or arrange for activities that will encourage and facilitate the development of trade and commerce generally, for the economic benefit of the State through the use of the Port and related facilities;
- To control business and other activities in the port or in connection with the operation of the Port;
- To be responsible for the safe and efficient operation of the Port;
- To be responsible for maintaining Port property;
- To be responsible for Port security; and
- To protect the environment of the Port and minimise the impact of Port operations on that environment.

These statutory obligations underpin the thrust and outcomes of this Statement of Corporate Intent.

**Compliance with other Legislation**

KPA will comply with all relevant legislation, including the *Environmental Protection Act 1986* in going about its business. KPA is committed to continuing to improve its compliance systems, and in addition to KPA’s existing systems, KPA has implemented software systems which allow it to monitor compliance with relevant legislation.

As a corporatised entity, KPA is not specifically required to comply with legislation such as the *Financial Management Act 2006*, or parts of the *Public Sector Management Act 1994*. However, KPA is committed to the tenet of such legislation and models its internal procedures to reflect prudent management practices.

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**Legislative Reform, Due Diligence and Kimberley Ports Transfer**

On 1 July 2014, Broome Port Authority was renamed the Kimberley Ports Authority after the passage of the *Ports Legislation Amendment Act 2014* through Parliament.

The *Ports Legislation Amendment Bill 2019* passed through Parliament on 26 February 2019 enabling the transfer of the Department of Transport’s (DoT) responsibility for trading ports, governed under the *Shipping and Pilotage Act 1967 (SPA)*, to KPA.

The State’s objectives to deliver this reform is to ensure safety, improved planning and coordination of port development, economies of scale and provide opportunities for the smaller regional ports to be better resourced.

To achieve the State’s objectives KPA is working with port operators at the Ports of Wyndham, Derby, and Yampi Sound to effect a seamless transition to KPA’s management under the PAA planned for 1st July 2021.
4. Kimberley Ports Characteristics

Historically, the major mode of transport into the Kimberley region was by sea; with Broome, Derby, and Wyndham ports operating as gateways for hinterland imports and exports. Live cattle, mining and other agricultural commodities continue to be exported from the region, and general cargo and fuel is imported through the Ports of Broome and Wyndham. Naval and Customs vessels, fishing craft, pearlimg and tourism vessels also use these ports. Barge landing facilities are available at both Derby and Wyndham and small craft facilities are available at Broome, Derby, and Wyndham.

Development prospects for Kimberley ports are closely linked with those of the resources sector, for example the large onshore and offshore gas and oil reserves of the Canning and Browse Basins. The Kimberley region holds extensive mineral deposits such as iron ore, which is exported from Wyndham and Yampi Sound ports. In addition, the resource sector has expressed interest in the further export of crude oil, coal, mineral sands and other commodities from Kimberley ports.

Of particular interest to KPA are the locations of potential future mineral resources and agricultural developments that will require logistics support from the nearest regional port, with the type of capability suited to that industry. Given the proximity of Kimberley agricultural and resources industry opportunities, KPA’s strategic and operational planning will include servicing these future commercial operations.

Port of Broome Operating Environment

The operating model for the Port of Broome consists of areas that are operated as a Service Port and areas that are operated as a Landlord Port. The Port of Broome is a mix of both models with land leased to private companies, but the port authority is also responsible for executing cargo handling operations through the use of stevedores that are employed by KPA.

Operations and services, such as pilotage, provision of towage, and fuel bunkering, are licenced to third party operators. KPA’s Board of Directors regularly consider its strategy in relation to arrangements to facilitate the participation of potential suppliers in the provision of port services, with a view to complying with KPA’s statutory obligations and progressing the interests of the State of Western Australia.

Business is expected to remain subdued until import/export projects proceed and the COVID-19 pandemic is controlled worldwide. KPA’s trade projections are based on an environment of uncertainty due to:

a) Woodside Energy Ltd delaying their final investment decision (FID) to the end of 2023. While the gas will be piped and processed in the Pilbara; Broome is being considered for support work, but KPA will face competition from the Pilbara regarding the location of the supply base or a significant part of their supply chain;

b) The sensitivity of the livestock export industry to political decisions, that are outside KPA’s control, including Australia’s relationship with Indonesia. In recent years a number of livestock exports have been delivered to Vietnam and in 2020 to Malaysia;

c) Future security requirements the Department of Home Affairs may require Kimberley Ports to comply with, under the auspices of the Critical Infrastructure Act 2018, are yet to be fully understood but may increase operational costs and
information sharing. In response to the enforcement of subsection 229 (1) of the Biosecurity Act 2015 KPA has established an interim international vessel disembarking passenger baggage inspection and processing facility, with further facilities required to be identified by Department of Agriculture, Water and the Environment;

d) The only significant onshore resource project with export potential that KPA is aware of is the Sheffield Resources mineral sands project. The Foreign Investment Review Board has approved the proposed 50:50 joint venture with Yansteel enabling this important resource project to proceed. Sheffield Resources have the opportunity to export through both the Ports of Derby and Broome;

e) The onshore Canning Basin exploration companies such as Theia Energy are still to prove up reserves and investment, but have signed an Indigenous Land Use Agreement with traditional owners. Buru Energy Ltd while producing crude oil are not in a position to export large quantities within the life of this document. The West Australian Government’s approval of fracking in areas with permissive licensing adds some assurance to both Theia and Buru Energy;

f) A continuing global environment of economic uncertainty, for example the continuing trade war between China and the USA;

g) High road transport costs to the port from within the region; and

h) The unexpected COVID-19 pandemic and far reaching impacts including the worldwide economic downturn and border closures, causing considerably less travel, has reduced demand for oil and gas with no identified timeline for these impacts to abate.

The growth or decline in regional mining and transport sectors are important factors in determining future demand for fuel. The Kimberley region is heavily reliant on the import of petroleum products delivered by sea.

Large and expeditionary cruise vessel visits had increased at Port of Broome and KPA finalised the widening and deepening of the approach channel in 2019 to accommodate this trade sector. Cruise shipping was expected to continue to increase, however the effect of the COVID-19 pandemic on cruise lines and passengers means that the industry may not recover until at least the end of 2022 and is contingent upon the pandemic coming under control worldwide.

An increase in oil and gas shipping occurred in October 2020 with the commencement INPEX’s drilling campaign which is expected to continue for four years with a resultant increase of two vessels visits per week at Port of Broome. However, INPEX’s decision to commence a further drilling campaign has been deferred until 2022. The Port of Broome will carefully monitor trade fluctuations associated with the oil and gas industry due to 70% of its revenue being derived from oil and gas vessel visits and associated fuel imports and bunkering.

KPA will continue to concentrate on increasing efficiencies and reducing costs, due to the COVID-19’s impact on revenue, while still maintaining the ability to scale up again when demand increases.

Kimberley Marine Support Base Pty Ltd (KMSB) has been provided land assurance through the signing of lease documents with KPA, with endorsement of the State Government, which has enabled KMSB to proceed with the next steps to establish an independent multi-user material loading and offloading facility near the existing Port of Broome wharf. KPA has been working closely with KMSB to facilitate the project by providing timely approvals and assistance as required.

KMSB have secured heritage approval from Nyamba Buru Yawuru, environmental approval by the Federal Department of Water, Agriculture and the Environment and the WA Environmental Protection Agency. KMSB are also progressing the selection of an Operator for the facility and have issued a design and construct tender for marine construction with negotiations continuing with respondents. This project will alleviate the need to provide more berth space, which the current KPA Port Master Plan identified as a requirement by approximately 2025.

KPA is directing effort towards land development to facilitate KMSB and other interested parties; expanding the secured area and separating operational traffic from recreational traffic as Entrance Point facilities expand.

Community Support
Along with commercial aspects of the Port of Broome KPA supports recreational and small craft activities through:

a) Maintaining the slipway area for small craft maintenance and dry docking;

b) Maintaining the Entrance Point boat ramps;
c) Provision, maintenance and cleaning of public toilets and gardens of public access areas surrounding the port;

d) Provision, maintenance and cleaning of the public walkway adjacent to the wharf, and

e) Maintenance of pedestrian beach access.

KPA self-funds this community support but does from time to time access funding through other sources provided by the State Government to improve facilities.

The Shire of Broome, Nyamba Buru Yawuru, DoT’s Coastal Infrastructure Business Unit (CIBU) and KPA have formed a working group and identified a suitable location for an improved small boat launching facility at Entrance Point. CIBU is progressing a Government business case to fund the facility.

**Port of Derby Operating Environment**

The Port of Derby is operated by the Shire of Derby West Kimberley (SDWK) with a lease and Management Agreement in place until 2040. In order to allow KPA to meet its obligations under the PAA, a deed of variation of the lease and management agreements have been finalised with SDWK.

It should be noted that SDWK:

- has entered into Access Agreement with Sheffield Resources over the bulk handling facility at the Port of Derby for the export of mineral sands;
- has entered into a lease for a five year term ending December 2023, with a one year option, for approximately 115 hectares to develop a proposal for a lock basin facility at the Port. DoT and KPA were involved in this negotiation with DoT’s CEO granting formal consent to the sublease as the Minister’s delegate, and
- Port of Derby continues to facilitate barge operations to Koolan Island, and vessel movements to and from Cone Bay Barramundi farms.

**Financial Impact**

There is a risk that KPA could be exposed to costs of maintaining / upgrading the Derby wharf to a safe operating standard should SDWK be unable to fund these works. Current use of the wharf includes offloading barramundi for road transport and fuel receivals. It is estimated that up to $10 million will be required, over the life of the existing lease, for wharf maintenance and upgrades.

**Challenges**

KPA’s due diligence identified a range of issues which have been addressed through the negotiation of the Derby agreements. However, it is important to highlight some of the residual challenges which are set out below:

a) there will be ongoing discussions between KPA and SDWK concerning which items of the Port infrastructure should be upgraded to an acceptable, safe and usable condition and the implications of the significant costs that will be incurred. These discussions will focus on the wharf but are likely to expand to include other items such as water, roads, power, and drainage;

b) there may be contaminated sites which may need to be remediated. In this regard it should be noted that the provisions of the *Contaminated Sites Act 2003* will apply in addition to SDWK’s obligation under the lease and management agreements; and

c) the Port is currently not viable as a stand-alone operation and is likely to require ongoing financial support. However, the Port is strategically located and given its ability to handle bulk commodity exports such as mineral sands through barging operations and transhipment for Sheffield Resources, at some time in the future, the Port may become a viable facility.
Future growth opportunities

There are a number of proponents that have expressed interest in the Port of Derby, including:

- Sheffield Resources has entered into an Access Agreement with the SDWK over the bulk handling facility at the Derby Wharf. This agreement confirms Sheffield as the preferred proponent and provides the company with exclusive access to the bulk handling facility. This project is referred to as the Thunderbird mineral sands project. The Thunderbird deposit is the first major mineral sands deposit to be discovered in the Canning Basin and the mine life is projected to last 37 years. Sheffield Resources have secured Foreign Investment Review Board approval of a 50:50 joint venture with Hong Kong based Yansteel with a take or pay deal for 100% of the ilmenite produced in Stage One of the project. The final finance, construction and mining schedule is still to be confirmed.

- Marine Produce Australia (MPA) already land barramundi from their Cone Bay operations at the Port of Derby. MPA have been in operation for over eight years and have a 21 year aquaculture lease over 669 hectares, with a 21 year renewal option. Barramundi Asia Pte Ltd acquired the majority of shares in MPA and this link between farms in Singapore and Malaysia has seen increased investment and production from the Cone Bay operations. MPA have been granted an increase in its production licence from 2,000 tonne to 6,990 tonne per annum. The increased barramundi production could be exported directly to Singapore if a regular liner service was established to Asia from the Kimberley.

- Enquiries have been made from proponents to dredge sand in King Sound, within Derby Port waters, for export to South East Asia and China for construction purposes. This is due to a ban on sand mining in some Asian countries.

- The Port of Derby is well positioned to support further barge operations to Koolan and Cockatoo Islands when required.

There are a number of mining companies such as Rey Resources (oil, gas and coal) and Buxton Resources (metalliferous ore) with tenements in the vicinity of Derby and KPA is monitoring the ongoing exploration and investment in these ventures for export potential.

Port of Wyndham Operating Environment

The Port of Wyndham proper is operated by Cambridge Gulf Ltd (CGL), with Kimberley Metals Group Logistics Pty (KMG) operating an iron ore export facility to the North of the Port. The CGL agreement expires in July 2021 and KPA sought Requests for Proposals for the lease and management of the port and negotiations are underway with the preferred provider which will be finalised in Q2 2021.

Financial impact

KPA continues to engage with CGL regarding the current subdued trading environment at the Port of Wyndham. KPA is in the process of developing a strategy to manage the Port and meet ongoing funding requirements.

Challenges

The due diligence process identified a range and number of issues and it is important to highlight some of the residual risks, which still exist after transfer:

- There are contaminated sites which are the subject of site plans and the Contaminated Sites Act 2003 will apply in addition to the obligations of tenants and licensees; and

- KPA has assessed that Port revenue will be inadequate to fund repairs, maintenance and targeted upgrades of port infrastructure and equipment, as such the State has committed to operating subsidies and equity injections, from July 2021.
Future growth opportunities

There are a number of proponents which have expressed interest in utilising the Port of Wyndham, including those set out below. KPA has been monitoring these projects and where appropriate fostering the use of the Port. The projects include:

- Buru Energy continues to ship crude oil from the Port of Wyndham.

- The Ord irrigation projects with the potential for the export of a range of products including chia, sugar, sorghum, timber, corn and cotton. The successful establishment of these industries is likely to result in imports of fertiliser, fuel and other inputs. Corn exports continue to grow from Wyndham Port heading to South Korea.

- Project Sea Dragon is a 10 year project and is expected to produce 100,000t to 120,000t of black tiger prawns for export per annum. The farm will be located at Legune Station in the Northern Territory, near the WA border. Sea Farms are committed to a processing plant being established in Kununurra and have a long term lease with the Western Australian Government for this purpose. Sea Farms may select the Port of Wyndham or Darwin to facilitate feed imports and prawn exports. Sea Farms have opened an office in Darwin and Kununurra and are well advanced in gaining approvals and licenses for the project.

- INDUS Mining has taken over the Rydges iron ore mine previously mined by Kimberley Metals Group followed by Gold Valley Iron Pty Ltd. INDUS is facilitating operations from pit to port with several shipments already exported from Wyndham.

- Panoramic Resources owns and operates the Savannah underground nickel sulphide mine. Mining recommenced at Savannah in December 2018 with the first shipment of concentrate departing Wyndham port in February 2019. Operations have been suspended due to operational uncertainties, including the impact of COVID-19. Panoramic also have the Panton PGM Project and continue to investigate separation methods to capitalise on the high grade platinum and palladium mineralization.

- Agrimin have a land lease adjacent to the Port of Wyndham and will be constructing (subject to FID) a barge facility to export potash from 2022/23. Sulphate of Potash (SOP) is a premium form of potash fertiliser that is vital for high value agricultural crops. Lake Mackay is the world’s largest undeveloped potash bearing salt lake. The current potash resource is expected to support at least 20 years of production. Agrimin are looking to establish a large scale fertiliser finishing plant in Wyndham which would be a significant economic boost to the region.

- Enquiries have been received by Cambridge Gulf Ltd to dredge sand, within Wyndham Port waters, in order to export sand into South East Asia and China for construction purposes.

There are a number of companies throughout the eastern Kimberley who are undertaking exploration and small scale development activities, which KPA will continue to monitor including:

- Hexagon Resources’ graphite mine;

- Hastings Technology Metals Ltd’s rare metals mine, and

- Northern Minerals’ dysprosium rare earth mine.

Ports of Yampi Sound

Existing Management Arrangements

The islands that form the Yampi Sound area of responsibility are Koolan, Cockatoo and Irvine Island. These islands are operated under Mining Act tenancies and KPA has a reduced role on these islands, except for marine side security, safety and environment.

Cockatoo Island

Cockatoo Island Mining Pty Ltd (Cockatoo) in late October 2020 confirmed that it is the new owner of tenements previously held by Pluton Resources Limited with respect to Cockatoo and Irvine Islands. Cockatoo has subsumed significant environmental issues on the island. Cockatoo plan to commence mining activities as soon as possible to take advantage of the high iron ore prices. Other activities on Cockatoo Island include:

- Cockatoo Island Pty Ltd operates the resort and tourism activities which may increase overtime on the island, and

- There is a proposal to establish an aviation and/or oil and gas supply base on Cockatoo Island inclusive of accommodation, vessel servicing and a deep water berth. If this proposal is successful the number and range of vessels able to access this Port will increase.

Irvine Island

The Irvine Island project is situated immediately adjacent to the Cockatoo Island hematite mining operation. Irvine Island was the subject of a Pre-Feasibility Study and has now been leased to Cockatoo Island Mining Pty Ltd. KPA will monitor developments on the island.
Koolan Island

The Koolan Island hematite mining operation is located 140km north of Derby in Yampi Sound. Iron ore from the island is very high quality and low in impurities. Mount Gibson acquired the project through its successful takeover of Aztec Resources in early 2007. Hematite shipments commenced in June 2007, and passed the 20 million tonne milestone in February 2014.

Operations at Koolan Island were suspended in November 2014 following a seawall failure which resulted in the flooding of the main pit. Production and sales of high-grade hematite recommenced in April 2019 following a two-year seawall reconstruction and mine refurbishment program. Mount Gibson has exported in excess of 25Mt of ore from Koolan Island.

The islands are currently serviced by barge from the Port of Derby with ore exported directly to overseas destinations.

Figure 6 Koolan Island ship loading

5. Core Strategy

Being a Primary Driver for Economic Development in the Kimberley

The strategy ensures the creation of an organisation which enables KPA to:

- Meet its statutory obligations including endeavouring to operate profitably;
- Optimise the operating model and capability to respond to fluctuating revenue and also potential increases in demand which may develop on short notice;
- Identify and facilitate new trade and revenue sources;
- Maintain assets and plan for infrastructure that will meet trade demand;
- Drive productivity gains through adopting new technology and processes;
- Prioritise stakeholder management to bring benefits to the community;
- Ensure safety first by building new capability and managing the environment;
- Facilitate the seamless transition of the Kimberley Ports, and
- Proactive facilitation of KMSB’s proposal comprising of a floating wharf, along with associated onshore terminal facilities.

KPA will focus on improving business performance, enhancing corporate governance, attracting private sector investment, where appropriate, and extending economies of scale benefits for service provision in order to build a resilient organisation that drives economic activity.

KPA will work with its customers to ensure that innovative approaches to achieving better efficiency, productivity and value for money are identified and applied. Areas where investment decisions can be improved will be identified and assessed in detail. The attraction of private sector investment, such as the KMSB project is essential to the growth and sustainable competitive advantage of the ports.

COVID-19 Response

KPA has an Infectious Disease Preparedness and Response Plan as well as a specific COVID-19 Pandemic Response Plan which has informed activities at the Port of Broome during
restrictions. A key aim of KPA’s COVID-19 response is to ensure appropriate controls and actions are being taken to minimise risk to employees and the community while also maintaining essential port operations.

KPA continues to work closely with Australian Border Force, Department of Agriculture, Water and Environment, WA Police and Health on all matters relating to the arrival and departure of vessels and crew at Kimberley Ports.

Leading the Way in Safety

“Leading the way in safety” enables KPA to implement practical methods to continually improve and strengthen occupational health and safety (OHS) performance at KPA Ports, through proactive safety leadership and innovation. This is achieved through:

- Maintaining Port of Broome occupational health and safety management system (OHSMS) in line with ISO 45001: 2018 and continually improving this system;
- Establishing a program for amalgamated ports to ensure their OHSMS’s align with ISO 45001: 2018 and KPA’s OHSMS, and foster a strong safety culture in these ports;
- Ensuring compliance with all relevant legislation, including WH&S harmonisation laws when adopted by WA, and
- Adopting a continuous improvement approach to drive a strong safety culture through safety leadership, ongoing training and support, and promoting safe behaviours in the workplace.

Enhancing Kimberley Ports Competitive Advantage

The Kimberley Ports are strategically vital to Australia’s continuing and future trade interests and KPA is focused on ensuring that these competitive advantages are not only maintained but also expanded upon. KPA’s competitive advantages include:

- **Government backing** - realising benefits of Government backing through access to competitive loan arrangements. Government equity injections to give effect to capital projects and acquisitions, to improve efficiencies that deliver benefits to the economy of the Kimberley and the State;
- **Location / geography** - promoting the Kimberley ports’ close proximity to the Browse and Bonaparte Basins and onshore oil and gas and resource reserves. Proximity to Asia to respond to developing agricultural and pastoral industries of the Kimberley. Access to a reliable road network and domestic airports with the future prospect of an international air link to Asia, through the Broome International Airport. Growth in tourism and capacity to become a gateway for cruise shipping;

- **Availability of land** - optimising and rationalising land availability to accommodate the needs of current and future customers;
- **Port infrastructure** - appropriately maintaining and upgrading assets in order to maintain and increase capacity or improve efficiencies and planning for required assets to facilitate future trade;
- **Industry support services** - further developing services through establishing and maintaining supportive and symbiotic strategic partners;
- **Maritime safety culture** - further development through obtaining or maintaining safety and environment accreditations across all KPA ports, and
- **The entrepreneurial behaviours of amalgamated ports** - further developing and preserving relevant skills and capabilities, including a strong customer focus. The existing networks at Derby and Wyndham ports are to be utilised, and relationships strengthened.

Seeking the Balance between Sustainability and Economic Growth

This encompasses all facets of the organisation and environment in which it operates, including the port operations, workforce relationships, stakeholder needs (e.g. industry, government, community, traditional owners), planning and development needs, management and maintenance of assets, physical environment and heritage values of the Ports and surrounding areas.

KPA will play an increasingly important role in planning for the region, to ensure that growth is sustainable and recognises the needs of KPA’s customers and key stakeholders. This will be achieved through:

- Developing a master plan for all Kimberley Ports;
- Maintaining Port of Broome environmental management systems (EMS) in line with AS/NZS ISO 140001;
- Establishing a program for amalgamated ports to ensure their EMS’s align with AS/NZS ISO 140001 and KPA’s EMS;
6. Key Strategic Vision for 2021 - 2022

While KPA has established a vision across five years ending in June 2026, the first year’s priorities ending in June 2022, are included in this document. This forward looking vision will enable KPA to formulate ongoing innovative options in the areas where KPA can improve or add value, through future proofing Kimberley Ports.

The initiatives outline the growth opportunities which can be pursued over the life of this plan to improve KPA’s ability to facilitate trade and develop economic activity in the Kimberley Region.

Setting the Foundation – to be accomplished by June 2022.

1. Successful planning and transfer of Kimberley Ports of Yampi Sound, Derby and Wyndham.
2. Kimberley Ports alignment of security, environment and safety standards.
3. Proactive facilitation by KPA of the Kimberley Marine Support Base (KMSB) project, comprising a floating wharf, along with associated on shore terminal facilities.
4. Ensuring Port of Broome is development ready in line with the master plan and to ensure facilitation of economic benefits to the region.
5. Securing suitable cranes to best enable and attract new trade.
6. Planning for the construction of alternative infrastructure to support industry requirements.
7. Prepare a business case for the removal of the wharf shed to provide greater wharf space and operational flexibility.
8. Investigate the viability of establishing container parks, including reefer facilities.
9. Enhancing cyber security.
10. Developing business opportunities across the Kimberley.

The major projects for 2021/22 will be facilitating the smooth transition of the Kimberley ports under KPA’s responsibility from DoT, progressing the Kimberley Marine Support Base proposal to the commitment milestone and the preparation of business cases for removal of the Port of Broome wharf shed, First Point of Entry Biosecurity Act 2015 infrastructure compliance and future crane options.

Western Australian port authorities have identified a set of Key Performance Indicators that reflect financial, safety, environmental and stakeholder outcomes for each port.
### Key Performance Indicator

<table>
<thead>
<tr>
<th>Key Performance Indicator</th>
<th>2020/21* (est)</th>
<th>2021/22 (est)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on Assets (%)</td>
<td>-7%</td>
<td>-4%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>-$986,194</td>
<td>$726,055</td>
</tr>
<tr>
<td>Economic Rate of Return (%)</td>
<td>-9%</td>
<td>-5%</td>
</tr>
<tr>
<td>Debt to Equity Ratio</td>
<td>0.31</td>
<td>0.16</td>
</tr>
<tr>
<td>Total Port Trade (’000 Tonnes)</td>
<td>199,089</td>
<td>222,500</td>
</tr>
<tr>
<td>Total Number Vessel Visits</td>
<td>678</td>
<td>741</td>
</tr>
<tr>
<td>Customer Satisfaction Score (%)</td>
<td>64% (prev)</td>
<td>65%</td>
</tr>
<tr>
<td>Loss Time Injury Frequency Rate (LTIFR)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Number Reportable Environmental Incidents</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Employee Satisfaction Score (%)</td>
<td>64%</td>
<td>65%</td>
</tr>
<tr>
<td>Berth Availability</td>
<td>70.22%</td>
<td>68%</td>
</tr>
</tbody>
</table>

*2020/21 based on budget.

---

### 7. Strategic Actions

KPA has three Key Strategic Areas that are currently being implemented across the organisation. The strategic actions identified to enable KPA’s resilience are categorised under those strategies where performance is critical to KPA achieving its strategic aims during the life of this plan.

#### Facilitate Trade Development

**Objective**  
Develop business opportunities across the Kimberley.

<table>
<thead>
<tr>
<th>Strategies/Actions</th>
<th>Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identify trade opportunities near each Kimberley port and exploit existing infrastructure / equipment to support trade.</td>
<td>June 2021</td>
</tr>
<tr>
<td>Facilitate sand mining exports at Ports of Wyndham and Derby.</td>
<td>June 2022</td>
</tr>
<tr>
<td>Facilitate Defence Force arrangements at Port of Broome.</td>
<td>June 2022</td>
</tr>
<tr>
<td>Facilitate Sheffield Resources mineral sands exports at the Ports of Derby and Broome.</td>
<td>June 2022</td>
</tr>
</tbody>
</table>

The measures and targets for assessing success in this Key Result Area are:

- **Strategic Measures**
  - KPA achieves accreditation for OSH and environmental systems.
  - New trade sectors utilise Kimberley ports.

- **Targets**
  - Successful audit against standards compliance.
  - Increase in trade figures from the 2020/2021 year for all ports.
Increase Governance

Objective

- Enhance cyber security.

<table>
<thead>
<tr>
<th>Strategies/Actions</th>
<th>Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>KPA to become compliant with the Australian Signals</td>
<td>December 2021</td>
</tr>
<tr>
<td>Directorate Essential Eight cyber security standards.</td>
<td></td>
</tr>
</tbody>
</table>

The measures and targets for assessing success in this Key Result Area are:

- **Strategic Measures**
  - Undertake an audit for cyber security compliance.

- **Targets**
  - Pass the audit with no medium to major non-compliances reported.

Planning and Assets

**Objectives**

- Successful planning and transfer of Kimberley Ports of Yampi Sound, Derby and Wyndham.
- Kimberley Ports alignment of security, environment and safety standards.
- Proactive facilitation by KPA of KMSB, comprising a floating wharf, along with associated on shore terminal facilities.
- Ensuring Port of Broome is development ready in line with the master plan and to ensure facilitation of economic benefits to the region.
- Securing suitable cranes to best enable and attract new trade.
- Planning for the construction of alternative infrastructure to support industry requirements.
- Remove the wharf shed to provide greater wharf space and operational flexibility.
- Facilitating the establishment of container parks, including reefer facilities.

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Strategies/Actions</th>
<th>Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1</td>
<td>Activities prior to July 2021 include:</td>
<td>By July 2021</td>
</tr>
<tr>
<td></td>
<td>- Complete transition planning for amalgamated ports;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Complete Ports Amalgamation Communications Plan;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Finalise RfP with new lease and management agreements in place for Port of Wyndham, and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Comprehensive infrastructure maintenance plans, with budgets, formulated for all ports.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Strategic Asset Plans formulated</td>
<td>Dec 2021</td>
</tr>
<tr>
<td>A2</td>
<td>Activities prior to July 2021 include:</td>
<td>By July 2021</td>
</tr>
<tr>
<td></td>
<td>- Obtain baseline/benchmarking environmental studies at each port;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- A gap analysis of security measures to be completed at amalgamated ports, and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Ensure access to tidal data measuring equipment at each port.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>An AIS system to be deployed across the region.</td>
<td>December 2021</td>
</tr>
<tr>
<td></td>
<td>Develop HSE standards for Kimberley ports.</td>
<td>June 2022</td>
</tr>
<tr>
<td></td>
<td>HSER, security and assets audits and reports finalised.</td>
<td>June 2022</td>
</tr>
<tr>
<td>A3</td>
<td>Facilitation of KMSB infrastructure to support industry requirements. Activities prior to July 2021 include:</td>
<td>September 2021</td>
</tr>
<tr>
<td></td>
<td>- Undertake an assessment of KMSB’s cyclone loading and redundancy engineering;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Complete preliminary landside concept plan;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Review final design documentation that specifies vessel types the KMSB facility is designed to accommodate, including mooring and operational layout, and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Ensure compliance with commitment process documented in the CWLL.</td>
<td></td>
</tr>
</tbody>
</table>
A4  Ensure Port of Broome master planning development by July 2021 including:
   - Develop landside plan including the walkway, relocating the security gatehouse and traffic management;
   - Prepare a business case to become First Point of Entry accredited for cruise ship passenger transfers and container trade facilitation, and
   - Develop a Climate Change Adaption Strategy.
   Develop a Structure Plan to underpin the Port of Broome Master Plan.
   By Dec 2021

A5  Develop a new business case for the KPA Board, reviewing all crane options.
   July 2021

A6  Scope alternative wharf infrastructure to meet trade demand and develop a business case.
   June 2022

A7  Prepare a business case for the removal of the wharf shed to provide greater space and operational flexibility.
   Dec 2021

A8  Proactively facilitate infrastructure, subject to review and a business case, for a container park with reefer facilities for the Port of Broome.
   Dec 2021

The measure and targets for assessing success in this Key Result Area are:

**Strategic Measures**
- Services meet needs of customers.
- KMSB project proceeds in compliance with CWLL requirements.
- Kimberley ports transition to KPA’s security, safety and environmental standards.

**Targets**
- 65% net agreement among customers (client survey)
- No delays in the KMSB project caused by KPA.
- Ports pass a compliance audit for HSE and security standards.

8. **Policy Statements**

**Pricing Policy**
KPA’s fees and charges are designed to facilitate trade within the Port while endeavours to meet the Government’s annual return on assets target. KPA is conscious of the need to keep port dues to a level that is competitive. However, KPA also recognises that revenue must keep pace with the growth and development needs of the port, as well as being able to provide for new capital infrastructure. KPA needs to continue to invest to keep pace with export activity and regional development, and hence correct pricing of services is essential.

Prices that are too low will lead to non-investment or delayed investment in essential infrastructure and services. KPA will continue to monitor and review charging on an annual basis and will make adjustments to the pricing policy as necessary to achieve the strategic and operational objectives of KPA. In 2021/22 KPA will be increasing fees and charges by three percent (in general). KPA will undertake benchmarking its pricing against other Australian regional ports and a review of fees and charges in the next two to three years.

KPA will continue to seek commercial rents for all its properties and to develop further industrial land to support industry, subject to the COVID-19 State Government initiated rent relief measures which have been delivered by KPA for eligible leaseholders at Port of Broome.

**Investment Policy**
Internal funds are placed in approved investments until required to meet new capital initiatives or to provide working capital through periods of heightened development activity in the Port.

KPA’s investment policy aims to maximise the return on investments whilst minimising the authority’s exposure to risk. The KPA Board determines the extent and nature of the investment policy. Funds are invested predominately in commercial bills and term deposits with recognised financial institutions. As far as practicable KPA targets a minimum cash flow requirement, in order to maximise the amount of retained earnings that can be invested.

**Procurement Procedure**
The Procurement Procedure sets clear guidelines regarding the procedure to be followed when services and products are procured. Staff members authorised to purchase goods and services on behalf of the port authority are assigned limits on the value of goods and services that they can purchase.
KPA’s procedures also address approved expenditure for entertainment, plus expenditure limits for credit cards to ensure correct expenditure protocols are followed.

The Procurement Procedure refers to the State Supply Commission’s Buy Local Policy that details a range of provisions for local purchasing.

Financial Policies
Under the provisions of the PAA, reporting requirements are in line with those applicable under Corporations Law. Accounting policies and accounting treatments are contained in the Annual Reports of KPA. KPA has adopted the applicable international accounting standards, in accordance with Government guidelines. KPA’s financial reports are prepared using the Australian Accounting Standards.

Borrowings
Existing borrowings are provided through West Australian Treasury Corporation. KPA does not expect to make any further borrowings in the 2021/22 year, hence borrowings remain at approximately $9.8M.

Dividend Policy
Dividends are paid to Government at the level of 75 percent of, after tax, profits. The Board recommends a level of dividend to the Minister annually, or the Minister may determine, in consultation with the Board (under Section 84 of the Act), a different dividend payment.

Asset Valuation Methodology
KPA has adopted the assets valued at cost for the purpose of calculating the rate of return on assets. Assets are tested for impairment at each balance date, and if required re-valued to its recoverable amount. The Government’s long term target average rate of return for KPA is between 7-12 percent, however due to the economic conditions it is expected that this target will not be met in 2021/22.

Asset Management
KPA’s Strategic Asset Plan (SAP) demonstrates that its services and assets continue to remain of critical value and strategic significance to the State Government and KPA’s mandate for the delivery of safe, accessible, sustainable and efficient port facilities and services to facilitate trade.

Critical assets are the assets without which a port would not be able to service its function, and include: the wharf and access channel. Key assets are those assets that allow for future growth in cargo throughput and port operations including land. Assets that are classified as high importance are those assets that are needed to allow day to day operations to proceed and are not easily replaced or substituted. These assets include: navigation aids, tugs, pilot services, roads, drainage, sewage works, ICT systems, buildings, water services, electrical services, and cranes.

The estimated carrying amount of KPA’s asset base is forecast to be $76M as at 30 June 2022, inclusive of the Ports of Yampi Sound, Derby and Wyndham.

Community Service Obligations
The Port of Broome has legacy non-commercial leases with the Department of Fisheries for the aquaculture park and community service groups; and organisations such as the Broome Volunteer Sea Rescue Group and Broome Fishing Club. KPA funds these community service obligations which amounts to $602,000 in forgone lease revenue.

Reporting Requirements
The PAA defines KPA’s reporting requirements, these include a Half Year Report and Annual Report to the Minister, and in addition to these requirements, KPA is also regulated by the Government Financial Responsibility Act 2000 which provides for mid-year review estimates, and provision of quarter of whole-government data.

In all other cases, KPA seeks to minimise reporting requirements, except as necessary to assist the Government in its planning and reporting. Each request for additional information is assessed individually.

Government Policy
KPA endeavours to comply with the wages increase limits set in the State Salaries and Wages Policy, as amended from time to time.

In 2021/2022 the Aboriginal Procurement Policy requires 3% of contracts over $50,000 in value to be awarded to registered Aboriginal businesses, and KPA will make every effort to achieve with this procurement obligation.

KPA meets its Western Australian Industry Participation Strategy (WAIPS) obligations by requiring prospective suppliers to provide a WAIPS plan as a standard part of all Requests for Proposals and the proposed WAIPS plan is in turn a key evaluation criterion during the proposal evaluation phase. Similarly, the standard KPA contract template requires contracted suppliers to report progress of its WAIPS plan.

KPA is custodian, on behalf of the State Government, of the Kimberley Ports strategic assets and the ongoing maintenance and renewal of these assets is vital to facilitate trade and grow the region.

KPA has an annual approved capital works programme and for 2021/22 this includes:

- a minor works allocation of $2.075M, to be expended on a range of projects throughout the year, and
- the completion of wharf essential works (electrical) costing $0.661M.

KPA will receive further funding of $600,000 (on top of the $600,000 received during 2020/21) under the State Government’s WA Recovery Plan to complete the refurbishment of the underdeck access system used for maintenance purposes. In 2020/21 KPA received $1.8M to apply protective coating to the 2007 wharf sub-structure to ensure this recurring maintenance activity prolongs the life of the structure, $300,000 will be carried over into 2021/22 to finalise the project.

During 2020/21 KPA experienced a downturn in trade impacting revenue and profitability due mostly to the COVID-19 pandemic and the resultant impact on worldwide oil and gas prices and company exploration activities. KPA will be receiving an equity injection of $3M during 2021/22 to defray the loss of revenue derived from oil and gas and cruise ship trade.

The following budget is formulated for the Ports of Broome, Wyndham, Derby and Yampi Sound. Given the current limited revenue derived from the Kimberley ports the State Government has allocated funds to carry out capital works of up to $500,000 and up to $2.5M pa operational funds to take over the DoT responsibilities for the Kimberley ports.

Under Section 34A of the PAA, KPA 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.

<table>
<thead>
<tr>
<th>KIMBERLEY PORTS AUTHORITY APPROVED FINANCIAL PARAMETERS 2021 / 2022</th>
<th>$'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue</td>
<td>21,558</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>24,594</td>
</tr>
<tr>
<td>Profit/(Loss) Before Tax</td>
<td>(3,036)</td>
</tr>
<tr>
<td>Notional Income Tax</td>
<td>0</td>
</tr>
<tr>
<td>Profit/(Loss) After Tax</td>
<td>(3,036)</td>
</tr>
<tr>
<td>Dividends</td>
<td>0</td>
</tr>
<tr>
<td>Asset Investment Program</td>
<td>2,736</td>
</tr>
</tbody>
</table>
10. Contact Information
Kimberley Ports Authority has an office located at the Port in Broome.

Broome Office
Lot 549 Port Drive, BROOME WA 6725
TelephoneNumber: 61 8 9194 3100
Fax: 61 8 9192 1778 Operations Fax: 61 8 9194 3188
Email: info@kimberleyports.wa.gov.au
Emergency after hours contact: 0419 044 765

Postal Address
PO Box 46, BROOME WA 6725