

PORT HEDLAND PORT AUTHORITY
STATEMENT OF CORPORATE INTENT
2005 – 2006



MARCH 2005





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PORT HEDLAND PORT AUTHORITY STATEMENT OF CORPORATE INTENT 2005/2006

INTRODUCTION

This Statement of Corporate Intent 2005/06 is the Port Hedland Port Authority's plan for its activities in the 2005/2006 year. It has been prepared in accordance with the requirements of the Port Authorities Act 1999.

This Plan provides an outline for the Port's objectives and planned major achievements for the year to June 2006. These activities are consistent with the Authority's Strategic Development Plan 2005-2009.

The Port of Port Hedland is predominantly a large volume bulk minerals export port. BHP Billiton operates 4 bulk berths over which it loads its iron ore. The company commissioned a fourth berth on Finucane Island early in 2004 as part of its Products and Capacity Expansion (PACE) project. The Port Authority owns and operates two public berths over which the remaining cargoes are handled. Additionally, the Port Authority extended its No.1 berth during 2004/05 to effectively create a third public berth.

The Port Authority also manages the movement of all vessels within the port. This is a very important Port Authority activity and the large increase in throughput capacity that has been achieved can be directly attributed to the application of new technology as part of the Authority's management of vessel movement.

In line with the push towards greater efficiencies, Port Hedland initiated the contracting-out of services some years ago. To this end, almost all services are contracted out. This has resulted in a small, dedicated workforce.

Trade in 2003/04 continued to grow significantly, up by 10% to set a new trade record of 89.8MT making Port Hedland once again the largest tonnage port in Australia. This was directly attributable to the growth in demand for iron ore. We are experiencing further growth during 2004/05 not only in iron ore exports but in associated minerals such as manganese and chrome. In addition, exports of salt are progressively growing and we expect to be exporting copper concentrates from the start of February 2005. We anticipate that throughput in 2004/05 may exceed 100 MT and in 2005/06 we are predicting total throughput in excess of 112 MT, all largely driven by the sharp increase in demand from China for iron ore.

Two new iron ore projects, Hope Downs Management Services (Hope Downs) and FMG Ltd, which are currently in the planning stage, are expected to obtain project approval during the year. Both require Port Authority leases for stockyards and berth facilities. The Authority will work with both developers to facilitate their projects, preferably through common user arrangements.



The Port Authorities Act 1999 establishes a commercial and autonomous charter for the Authority. It stipulates that the primary function of Port Authorities is trade facilitation; a role adopted for Port Authorities by Government in 1994. The fulfilment of this trade facilitation role is the basis for much of this plan. Therefore, the Authority will continue to place emphasis on trade facilitation and the licensing of key port and marine services not provided by the Authority, such as stevedoring. Together, it is hoped that these will further enhance the port's efficiency and thus be of value to our clients.

LEGISLATION

The Port Hedland Port Authority is a corporate body established by the Port Authorities Act 1999, proclaimed on 13 August 1999.

This document is part of the framework provided in the Act to ensure the continued accountability of the Authority to Government.

VISION, MISSION AND BROAD OBJECTIVES

The Authority has adopted the following Vision, Mission, and Broad Objectives to guide its decision making:

VISION

To be recognised by customers and other stakeholders as providing the best mix of facilities and services at the Port of Port Hedland.

MISSION

To facilitate trade through the Port of Port Hedland.

BROAD OBJECTIVES

Service Provision

The provision of reliable, competitive and efficient port and marine services that meet and are responsive to the needs of users.

Port Facilities

The provision and maintenance of suitable, reliable and competitive port facilities to meet user needs.

Planning and Development

Through forward planning, ensure that future development is not unreasonably constrained by external restrictions, effectively meets the needs of expected trades, is coordinated, and efficiently uses the port area.



Trade Facilitation

Facilitate trade and business opportunities within and through the Port.

Financial

To establish pricing for users of port services and facilities commensurate with the achievement of the required return on Government investment and consistent with the Authority's trade facilitation objective.

Human Resources

To provide a safe, healthy and supportive environment which encourages employees to work with commitment and enthusiasm to achieve corporate objectives.

Environment, Community Safety and Health

To protect the environment of the port area and minimise the impacts of port activities on the environment and the community by ensuring that environmental management is incorporated in our operations and port development.

Community Support

Establish and maintain a close relationship with the Port Hedland community in order to win support for current port operations and future developments.

TRADE FORECAST FOR 2005/2006

Total trade in 2003/04 of 89.8MT was a new record and represented growth of 10% over the previous year. The strong demand from China for iron ore is expected to underpin ongoing and rapid growth in exports over the next five years. Specifically, we anticipate that trade will reach 111MT in 2004/05 and we estimate total throughput will exceed 112MT in 2005/06 with further records in subsequent years..

BHPB commissioned its Product and Capacity Expansion Project (PACE) during 2003/04. The new berth on Finucane Island was first used on 30 January 2004. The fourth iron ore berth supports BHPB's predicted increase in sales and exports of iron ore with the company shipping 97MT of the commodity in calendar year 2004, and tonnages well in excess of 100MT in the years following. BHPB are continuing with second stage of the PACE work.

Newcrest Mining Limited's \$1.1 billion expansion of the Telfer gold/copper mine is well advanced and exports of the copper concentrates started in February 2005. The Birla Group is also proposing to open a new deposit at the Nifty mine and commence exports of copper concentrate from the port in during 2005. We are expecting to export approximately 100,000 tonnes of copper concentrate in 2004/05 but this will increase in the following years when Birla adds a full year's exports to the total.

We are also expecting strong growth in other commodities associated with the steel making industry including manganese and chromite. While HBI exports ceased in



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2004/05 and are have not been included in forecasts for 2005/06, manganese exports from the Woodie Woodie mine are expected to exceed previous throughput levels. Chromite exports from the deposit at Coobina are also expected to grow quickly to new records in the budget year.

Trial shipments of manganese super fines in December 2004, with a possibility of an additional 250,000 tonnes per annum should this project proceed.

Salt exports have continued to recover from the downturn in trade experienced four years ago anticipating in excess of 2.5MT for 2004/05 increasing to 3.2MT for the budget year.

Livestock exports have declined in the last few years due to poor rains and other factors affecting the international market. Our budget for livestock exports for 2005/06 is conservative and in line with recent experience.

Again, some increase in general cargo throughput is expected with the import of construction materials and consumables for the mineral industry.

MAJOR GOALS PLANNED FOR 2005/2006

Service Provision

MAJOR GOALS FOR 2005/06	STRATEGIES
Achieve zero disruption to marine operations	<ul style="list-style-type: none">• Test operating procedures and emergency response plans by running one desktop exercise and one field exercise.
Seek Recognition through Port of the Year Awards	<ul style="list-style-type: none">• Submit entry
Move towards becoming a progressive / leading edge port	<ul style="list-style-type: none">• Introduce use of Portable Pilotage Units (PPUs)• Review the physical location of the communications centre.
Achieve efficient stevedoring services	Continue to monitor stevedoring licensees according to established KPIs
Ensure towage and line launch service providers offer safe, effective and coordinated services	Introduce MOUs or licence agreements for towage and line launch services
Ensure port service providers contracted to the Port Authority offer safe, effective and coordinated services	Establish and monitor KPIs for each service.



Port Facilities

MAJOR GOALS FOR 2005/06	STRATEGIES
Minimal escape of material from shiploading system	Continuous improvements of containment at spillage points.
Plan and facilitate relocation of tenants dislocated by Consolidated Minerals' new stockpiling arrangements	Plan and oversee relocation of existing or construction of new buildings.
Satisfy regulatory requirement for connection to deep sewer.	Arrange connection of port buildings to deep sewer
Plan common user bulk (solids &/or liquids) facility on west/south side of harbour	<ul style="list-style-type: none"> • Liaise with potential users. • Develop optional designs and costs. • Seek budget allocation or negotiate funding arrangements with users.
Shiploading of bulk materials at No1 Berth limits pollution of marine environment to acceptable standards.	<ul style="list-style-type: none"> • Continuous improvement of shiploading system to contain spillage. • Dam No 1 Berth to contain any spillage

Planning and Development

MAJOR GOALS FOR 2005/06	STRATEGIES
Ultimate Development Plan - Secure future development options identified in Port Planning Study.	Purchase two properties per annum with a view to minimizing constraints induced through caretaker accommodation in neighbouring industrial areas.
Assist resolution of conflict between industry and residential in west end of Port Hedland.	Assist in implementing the actions agreed at Enquiry by Design held late 2004
Port Capacity Study – Develop a plan for the effective development and management of the port's channel and basin that caters for growth in shipping capacity needs.	Complete the study commenced in 2004/05 in consultation with users.
Timely completion of all pre-construction planning and tenure issues for Hope Downs and FMG.	Apply appropriate resources and work in consultation with companies and relevant Government Agencies



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Plan for common user service corridor and appropriate utilities to west side of Harbour and to Anderson Point.	<ul style="list-style-type: none"> • Consult with BHPB, Hope Downs and FMG. • Consult with utility providers • Complete plans that can proceed in conjunction with developments planned by resource companies.
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Trade Facilitation

MAJOR GOALS FOR 2005/06	STRATEGIES
Minimise increases in core charges for 2005/06.	Any increases to be based on a detailed examination of pricing to ensure, as far as is possible, each program area is self sufficient.
Have a Development Plan for the Port	Promote the Ultimate Development Plan.
Support increased production and shipping of all shippers.	<ul style="list-style-type: none"> • Complete upgrade of DUKC • Continue review of Pilotage parameters • Introduce PHPA scheduling of all vessel movements.
Capture container and break bulk trade	<ul style="list-style-type: none"> • Examine an opportunity for a direct shipping link with SE Asia • Market the port to existing and potential customers in the short term.
Capture port related industries for Port Hedland	<ul style="list-style-type: none"> • Develop a partnership approach to the planning and development of industry at Boodarie and the port with DOIR. • Commence promotion of Port Hedland to prospective industries
Attract RAN to establish base at Port Hedland	Prepare submission to establish RAN interest



Financial

MAJOR GOALS FOR 2005/06	STRATEGIES
To keep increases in charges to the minimum necessary to maintain target ROR.	<ul style="list-style-type: none"> • Contain expenses by identifying and implementing efficiencies. • Ensure maximum value from operating and maintenance expenditure.
Achieve a target ROR of 6.5%.	Sound business management.
Benchmark port charges	Conduct a review of port charges showing relevant Port Authority and private service provider charges separately.
Implement International Financial Reporting Standards (IFRS)	<ul style="list-style-type: none"> • Identify and implement IFRS issues to ensure compliance with standards. • Seek advice from Accounting Consultants and the Office of the Auditor General to assist with a smooth transition. • Ensure staff are adequately trained to implement changes.

Human Resources

MAJOR GOALS FOR 2005/06	STRATEGIES
Zero harm to employees and others in the Port area.	<ul style="list-style-type: none"> • Seek Australian Standard accreditation for OS&H • Confirm reporting system effectively captures all incidents • Pursue implementation of oversight of contractors systems & attend their tool box meetings • Foster a PASS (Positive Attitude Safety System) culture
Employees skilled in their jobs	Promote training programmes, particularly for technical skills



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Drug and Alcohol free work environment	Implement D&A policy
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Environment, Community Safety and Health

MAJOR GOALS FOR 2005/06	STRATEGIES
Port Security is maintained	Conduct exercise to test plan.
Finalise and implement new Marine Pollution Response Plan	<ul style="list-style-type: none"> • Review and finalise draft • Implement through exercise
Minimise contamination of the harbour sediments from product spillage	<ul style="list-style-type: none"> • Continuous improvement of shiploading system to contain spillage.
Dust escaping from PHPA area minimised	Continue monitoring and carrying out improvements in moisture control and product handling.
Removal of loose material from roads and hardstand areas that act as a dust source.	Replace road sweeper
Promote our dust management record to public	Prepare publications based on results of dust monitoring records.

Community Support

MAJOR GOALS FOR 2005/06	STRATEGIES
Be recognised as a good corporate citizen.	<ul style="list-style-type: none"> • Develop a program of works eg Board Walk Through Mangroves • Tourism displays & support for tourism • Sponsorship programs • Programme to encourage aboriginal employment • Seafarer support programmes • Assist Town with maintenance of Boat Ramp • Participate in the carbon credit program • Assist in planning a future for the Yacht Club and Spoil Bank.



FINANCIAL

Operating Budget Forecast

The Operating Budget for 2005/2006 indicates a before tax profit of \$4,831,893 compared with an estimated pre tax profit of \$2,647,672 for 2004/2005.

Revenue for 2005/06 is budgeted to grow by \$3,902,338 to \$24,134,960 an increase of 19%. This additional revenue will be achieved from anticipated growth in bulk mineral exports over the Authority's wharves and a budgeted general increase in port charges of approximately 10%.

Operating expenses are expected to rise by \$1,718,116 (9.8%) to \$19,303,067. Increases are expected in contracted services, consulting expenses relating to the port capacity and expansion programs, depreciation and staff costs flowing from the implementation of the 2004 Staff Agreement. In order to achieve the target Rate of Return required by the Minister, in accordance with the Port Authorities Act (1999), the increases in Pilotage, Tonnage, Wharfage and Berthage charges were necessary. No increase was applied to wharfage on salt which is governed under a State Agreement.

Notwithstanding an extensive capital expenditure program during 2004/05 commensurate with providing infrastructure for the port's growth, together with taxation equivalent and dividend obligations, the Authority's forecast liquidity and financial position is sound. The Authority will finance the capital expenditure for the budget year from internal funds.

The following table compares the results of the budget year with estimates for 2004/2005 and the actual results for the previous financial year.

	Actual 2003/04 \$'000	Estimated 2004/05 \$'000	Budget 2005/06 \$'000
Total Revenue	17,018	20,233	24,135
Total Expenditure	<u>13,711</u>	<u>17,585</u>	<u>19,303</u>
Net Profit /(Loss) Before Tax	3,308	2,648	4,832
Income Tax Expense	<u>1,070</u>	<u>0</u>	<u>1,444</u>
Net Profit After Tax	2,238	2,648	3,388
Dividend Provision	<u>1,119</u>	<u>1,324</u>	<u>1,694</u>
Retained Earnings for Year	<u>1,119</u>	<u>1,324</u>	<u>1,694</u>

Dividends

The Authority will continue to pay a dividend to the Western Australian Government in line with Dividend Policy. The dividend provided for the budget year is \$1,694,000.



Rate of Return (ROR)

The Authority has budgeted for a Rate of Return (ROR) of 6.5% for the budget year. Although revenue is to increase markedly in the budget year due to volume and increased charges, there will also be substantial cost increases in contracted services, consultancy, salaries and depreciation expense. The long term average ROR significantly exceeds the Government ROR policy requirements, however these estimates are dependant on a successful implementation of proposed Hope Downs and FMG operations.

Port Charges

To achieve the target ROR it was necessary to increase charges for the budget year despite trade growth. An increase in Pilotage and Tonnage charges by 10% addressed a looming under recovery from iron ore. Wharfage and Berthage increases ranging from 10% to 13% on bulk mineral and general cargoes were imposed to recoup the balance required to meet ROR requirements for 2005/06.

Accounting Policies

The Accounting Policies of the Port Hedland Port Authority are consistent with the provisions of the Port Authorities Act 1999 and Australian Accounting Standards. In accordance with the Australian Accounting Standards Board, the Authority is adopting International Financial Reporting Standards which is first reflected in the half year ending 31st December 2005 and year ending 30th June 2006.



CAPITAL WORKS PROGRAM

The Authority's capital works program for 2005/06 totals \$4.509m of which only \$1.404m is currently approved by Government. The additional expenditure is awaiting approval. The major capital work planned for the year is upgrading and replacement of various items of plant including a roadsweeper, security/workboat, security cameras and navigation aides together with a number of projects as per the list below

Item	2005/06 BUDGET \$000's
Fire Water Mains	215
Roadsweeper	324
Extend BC3 for Birla	150
Electronic Navigation Aids	200
Spillage containment No 1 Berth	250
Ship scheduling software	250
Security Patrol/ Workboat	400
Additional AWAC units	210
Cameras	340
Kerbing, Sealing and truck layby for Gilbert ST	200
Lanscaping along Gilbert St	150
Minor Projects & Contingencies	1420
Electrical Upgrade	100
Cattle grids on Stockpile exits	100
Swell Direction buoys	100
Replace Fresh Water Tanks	100
Total Capital Expenditure	4,509



PERFORMANCE INDICATORS

The Port Authority will continue to monitor its performance against its Mission and Supporting Objectives by maintaining and developing suitable performance indicators. The table on the following page sets out a selection of key indicators.

Notes to Performance Indicators (page 13)

1. Average Port productiveness (tonnes per hour) is calculated on ship alongside, hours from first line to last line.
2. Average Ship Turnaround Time is measured as the number of hours between the time a ship crosses the Port Boundary to enter port and the time the last line is released on departure from the berth.
3. Average Anchorage Delay Time is measured as the number of hours between the time a ship crosses the Port Boundary to enter the port anchorage and the time the ship weighs anchor to move to a free berth.



PORT HEDLAND PORT AUTHORITY – PERFORMANCE INDICATORS

	2003/04 ACTUAL	2004/05 ESTIMATED	2005/06 BUDGET
Financial			
Rate of Return On Assets (%)	6.7	2.8	6.5
Cargo Revenue through Wharfage (\$)	0.79	0.73	0.80
Revenue Earned Per Ship (\$)	12,442	12,846	13,164
Total Cost – Per Unit of Cargo (\$)	0.15	0.16	0.17
Non Financial			
Total Port Trade ('000 tonnes)	89,799	111,408	112,228
Cargo Use of Berths (000's tonnes)			
Iron Ore – BHP Nelson Pt x 2 berths	68,186	72,000	72,000
BHP Finucane Is x 2 berth	17,854	34,000	34,000
Other – PHPA x 2 Berths (3 from 1/1/05)	3,759	4,908	5,728
Average Port Productiveness (tonnes per hour) ¹			
Iron Ore – BHP Nelson Pt x 2 berths	4,520	5,000	5,000
BHP Finucane 2x2 berth	2,172	3,500	3,500
Salt	1,185	1,160	1,450
Dry Bulk	698	600	700
Tankers	513	550	550
Livestock	61	60	60
General	44	60	65
Average Ship Turn around Time (hrs) ²			
Iron Ore – BHP	130	136	130
Salt	38	37	37
Dry Bulk	90	69	70
Tankers	36	47	40
Livestock	40	34	30
General	46	40	40
Average Anchorage Delay Time (hrs) ³			
Iron Ore – BHP	91	99	90
Salt	7	9	9
Dry Bulk	30	15	15
Tankers	3	12	12
Livestock	22	15	15
General	15	10	10
Berth Occupancy (%)			
PHPA No. 1 Berth	36	48	45
PHPA NO. 2 Berth	-	-	10
PHPA No. 3 Berth	34	46	40



INFORMATION TO BE REPORTED TO THE MINISTER FOR PLANNING & INFRASTRUCTURE

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

Annual Report

- A report on the major operations and activities of Port Hedland Port Authority during the year under review.
- A review and assessment of performance against targets.
- Financial Statements
- Any other information required by legislation to be included in the Annual Report.

Half Year Report

- A review of the Authority's trade and financial performance for the Half Year.
- Financial Statements

OTHER INFORMATION TO BE SUPPLIED

The Authority also provides information to other Agencies. It will continue to provide that information that is required by Statute or by proper policy direction. Also, the Authority will provide other information that might be requested that does not create additional costs to the Authority and that is not commercially sensitive.