



Please direct all responses/queries to:
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Our reference: 11002911

Mr Ray McDermott
Manager Financial Services
City of Karratha
PO Box 219
Karratha WA 6714

24 May 2016

Dear Mr McDermott

PROPOSED 2016/17 DIFFERENTIAL RATES

Thank you for your letters of 29 April 2016 providing details of the City of Karratha's (the City) proposed differential rates model for 2016/17 covering the following Woodside-operated North West Shelf (NWS) Project and Pluto LNG properties:

- A54538 - L3799 Rankin Road, Gap Ridge (Bay Village)
- A76495 - L30 Bayly Avenue, Gap Ridge (Heliport)
- A78641 - L384 MOF Road, Burrup
- A78664 - L572 Burrup Road, Burrup
- A89855 - Lot 525 Madigan Road, Gap Ridge
- A5482 - L151 King Bay Road, Burrup
- A5539 - L194 Burrup Road, Burrup
- A5547 - L195 Burrup Road, Burrup
- A5555 - L196 Burrup Road, Burrup
- A 5563 - L197 Burrup Road, Burrup
- A5589 - L199 Burrup Road, Burrup
- A88967 - Lot 471 King Bay Road, Burrup
- A78894 - Lot 3019 Village Road, Burrup

As you would be aware, Woodside and our joint venture participants make sustainable contributions to the Pilbara community through the Woodside-operated NWS Project and Pluto LNG. These contributions include amongst other things, a large residential workforce who live with their families in Karratha, significant investments in community infrastructure and ongoing contributions to community programs. The NWS Project's social investment contributions to the region now exceed A\$300 million, including a recent commitment of \$3.2 million towards the Karratha Arts and Community Precinct project.

We value the services and facilities provided by the City to the community. Woodside is committed to paying rates and we understand that rates revenue makes a significant contribution to the sustainable provision of services. In 2015/16, rates derived from Woodside-operated properties, including residential housing, contributed approximately 17% of the City's budgeted rate yield of \$40,580,172.

The proposed 2016/17 differential rates model proposes large increases for property categories that apply predominately to the resource sector; specifically the Transient Worker Accommodation (TWA) and Strategic Industry differential rates categories.

In total, the proposed 2016/17 differential rates model would result in rate increases for Woodside-operated properties in the TWA and Strategic Industry categories of more than \$1.5 million; representing an increase of more than 31% from rates levied in 2015/16.

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Under the proposal, rates for the Pluto LNG-owned Gap Ridge Village property will increase by 35% (4.5 x the differential rate for residential properties), while 10 Woodside-operated properties in the Strategic Industry category are subject to a rates increase of nearly 30% (3 x the differential rate for residential properties; 2 x the differential rate for pastoral properties).

The proposed rates model for 2016/17 will raise \$43.0 million compared with \$40.4 million levied in 2015/16; representing a 6.4% increase. This is inconsistent with a statement in Ordinary Council Meeting Minutes of 18 April 2016 which states: *"The proposed differential rates align with the principles of the rating strategy in the corporate business plan and long term financial plan, however they differ in application as the proposed increase to rates in the dollar (predominantly 1.7%) is significantly lower than the 5.5% increase forecast for 2016/17 in the Long Term Financial Plan. This reduction is a response to the changing economic conditions in the district and implementation of efficiency measures within the organisation."*

While the majority of rating categories will increase by 1.7%, the City's overall rates yield will increase above 5.5% increase forecast for 2016/17 in the Long Term Financial Plan, with the increase being disproportionately derived from the TWA and Strategic Industry differential rate categories.

The proposed increase in differential rates for Strategic Industry properties would deliver the City an additional \$1.72 million in 2016/17 compared with 2015/16; a 30% increase in rates revenue derived from properties in this category.

The proposed rate increases come at a time when the resources sector, including Woodside, is facing a challenging external environment. In response, Woodside is continuing to look for opportunities deliver efficiencies and cost savings throughout our business while seeking to reduce the costs of doing business.

The City's proposal to significantly increase differential rates in the Transient Worker Accommodation and Strategic Industry categories without a commensurate increase in the use of services or infrastructure is inequitable.

Woodside would like to understand why the City is seeking to significantly increase its rates revenue, largely from industry-related property categories, when it continues to maintain a healthy operating surplus and holds significant reserves.

Woodside supports reasonable and predictable rates increases that are applied equitably across all ratepayers in the City of Karratha. We seek your consideration of reducing the proposed 2016/17 rate in the dollar for the Transient Workforce Accommodation and Strategic Industry categories to more closely align with the residential rate in the dollar increase of 1.7%.

I am available at your convenience to discuss this matter further.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Niall Myles', with a long horizontal flourish extending to the right.

Niall Myles
Senior Vice President
North West Shelf Project



26 May 2016

Manager Financial Services / CFO
City of Karratha
Welcome Road
Karratha WA6714

**DEVIL CREEK GAS PLANT AND ASSOCIATED ACCOMMODATION CAMP
ADVERTISED DIFFERENTIAL RATES MODEL 2016/17 (Ref; OCR143156 & 143169)
UV (STRATEGIC INDUSTRY) AND TRANSCIENT WORKFORCE ACCOMMODATION**

Dear Ray

We refer to City of Karratha (CKI) letters, dated 29 April 2016 in relation to Advertised Differential Rates Models 2016 for properties associated Devil Creek Gas Plant (UV-Strategic and TWAWA) where CKI are proposing the rates increase of up to 29%.

We are disappointed to see such increases in the current economic climate, where our revenues are adversely impacted. Consequences of such impacts drove us to operate at much lower costs where every dollar counts and are under increasing pressure for further cost reductions.

We believe that our ability to continue operating in constrained commodities price environment provides significant benefit to the Pilbara community; and in particular CKI. As you will be aware we have been proactively (directly or indirectly) contracting with Karratha based personnel wherever possible in support of the regional community.

Accordingly, we respectfully request consideration by CKI to reduce our rates to 10% lower than that of 2015/16 rates.

Should you have any queries please do not hesitate to contact me.

Yours faithfully

For and on behalf of
QUADRANT ENERGY AUSTRALIA LIMITED

A handwritten signature in blue ink, appearing to read 'G. Bamford'.

Gareth Bamford
PRODUCTION MANAGER, GAS ASSETS