



PORT OF TOWNSVILLE LIMITED  
STATEMENT OF CORPORATE INTENT  
2016-2017



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# DIRECTORS' STATEMENT AND AGREEMENT OF SHAREHOLDING MINISTERS

This Statement of Corporate Intent (**SCI**) and all attachments, for 2016-2017, are presented in accordance with Chapter 3, Part 8 of the *Government Owned Corporations Act 1993* (Qld) (**GOC Act**).

In accordance with Chapter 1, Part 3, section 7 of the GOC Act, this SCI represents a formal performance agreement between the board of Port of Townsville Limited (**POTL**) and its shareholding Ministers, namely:

- the Honourable Curtis Pitt MP, Treasurer, Minister for Employment and Industrial Relations, and Minister for Aboriginal and Torres Strait Islander Partnerships; and
- the Honourable Mark Bailey MP, Minister for Main Roads, Road Safety and Ports and Minister for Energy and Water Supply.

In signing this document, our board undertakes to achieve the financial and non-financial targets proposed in this SCI for the financial year.

This SCI is consistent with our 2016-2021 Corporate Plan submitted to, and agreed by, shareholding Ministers in accordance with Chapter 3, Part 7 of the GOC Act.

We undertake to report to shareholding Ministers on a quarterly and annual basis with respect to our progress towards achieving the financial and non-financial performance targets specified for the financial year.

Major changes to key assumptions and outcomes detailed in this SCI, and which come to the board's attention during the year, will be brought to the attention of shareholding Ministers. Any modifications to this SCI will be dealt with in accordance with the GOC Act.

This SCI is signed by the Chairman on behalf of all the directors in accordance with a unanimous decision of the board of POTL.



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**Renita Garard**  
**Chair**

Date: 16 May 2016

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**The Honourable Curtis Pitt MP**  
**Treasurer, Minister for Employment and**  
**Industrial Relations, Minister for Aboriginal**  
**and Torres Strait Islander Partnerships**

Date: \_\_\_\_ / \_\_\_\_ / 2016

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**The Honourable Mark Bailey MP**  
**Minister for Main Roads, Road**  
**Safety and Ports, Minister for Energy**  
**and Water Supply**

Date: \_\_\_\_ / \_\_\_\_ / 2016

# 1. OUR BUSINESS

## OUR VISION

Northern Australia's Transport Link to the World

## OUR PURPOSE

We facilitate prosperity for the region now and for generations to come by advancing trade and commerce, strengthening global connections and stimulating investment in economic infrastructure and industries.

## OUR VALUES

COMMITTED	We are driven to achieve our vision
INNOVATIVE	We think outside the box
RESPECTFUL	We value each other
INTEGRITY	We do the right thing, and do what we say

## OUR BUSINESS

POTL is a company Government Owned Corporation (**GOC**) incorporated under the *Corporations Act 2001* (Cth). POTL owns and manages the ports of Townsville and Lucinda in North Queensland.

The Port of Townsville was founded in 1864, and plays a significant role in the local, regional and State economy and is one of four Priority Ports under the *Sustainable Ports Development Act 2015* (Qld). The Port of Townsville services 70% of Northern Australia's population and is located in the heart of Northern Australia's largest city. The Port is one of the most diverse ports in the country handling over 30 different commodities, and is the country's largest sugar, copper, lead, zinc and fertiliser exporter and the country's second largest live cattle exporter. The Port also provides strategic defence capabilities and has cruise ship facilities.

Situated approximately 100 kilometres north of Townsville, the Port of Lucinda is primarily dedicated to the export of raw sugar from the Herbert River sugar-growing district. As one of Queensland's six bulk sugar terminals, the Port of Lucinda's primary role in the bulk sugar industry network is to receive, store and export raw sugar to domestic and international customers. The Port of Lucinda also services nearby islands with general cargo barge services.

## OUR MAIN UNDERTAKINGS

POTL's core business functions are to:

- establish, manage and operate effective and efficient port facilities and services;
- make land available for the establishment, management and operation of effective and efficient port facilities and port services by other persons, or other purposes consistent with the operation of our ports;
- provide for ancillary services or works necessary or convenient for the effective and efficient operation of our ports;
- keep appropriate levels of safety and security in the provision and operation of our port facilities and port services;
- provide other services incidental to the performance of our other functions, or likely to enhance the usage of our ports;
- perform any other functions and exercise any other powers conferred on us under the *Transport Infrastructure Act 1994* (Qld) (**TI Act**), the GOC Act and Regulations or another Act or under our SCI or Corporate Plan;
- provide port services and ancillary services whether in or outside our ports, whether in or outside Australia and whether for another port or for other parties; and
- carry out any activity that is incidental to the attainment of the objects set out above.

These core business functions are consistent with our Constitution, the TI Act and shareholding Ministers' expectations.

## 2. PERFORMANCE DRIVERS

The operating environment, demand change drivers and supply change drivers envisioned over the medium to long term are detailed in the Corporate Plan 2016-2021. Key factors that may affect POTL's operations and performance over 2016-2017 are outlined below.

### GLOBAL & LOCAL ECONOMIC CONDITIONS

- The long term demand for key commodities in the region remains strong, particularly agriculture and minerals trade demand in Asia. However over the next 12 months key commodities will continue to be challenged by low commodity prices and the over-supply of several commodities in the global marketplace.
- High energy costs and lack of water security placing increased pressure on local mining and agriculture projects.
- Trend of manufacturing and refining activities exiting Australia, increasing the requirement for imported goods.
- The Northern Australia White Paper presents significant opportunity for North Queensland and the Port of Townsville in particular, as the major trading hub for Northern Australia, if supported by the right policy settings.

### FINANCIAL PERFORMANCE AND NEW INVESTMENTS

- One of POTL's largest customers, Queensland Nickel Pty Ltd, went into liquidation on 22 April 2016 due to continued financial losses of the Yabulu Nickel Refinery in Townsville. Imports of nickel ore through the Port of Townsville ceased in February 2016. A decision on the future of the refinery is expected to be made late-2016.
- POTL is investigating a number of major new major capital investments necessary to attract and grow key trades that will underpin the success of the Northern Australia strategy. The Channel Capacity Project (first stage of the Port Expansion Project) will require \$220 million of investment. POTL will continue to examine various funding models in partnership with the State Government, Federal Government and investors.
- Dividend policy and the impact on ability to re-invest into the business and long-term financial position.

### SUPPLY CHAIN EFFICIENCIES AND CAPACITY

- Inability of larger vessels (i.e. > 238m length; 32m beam) to access the Port of Townsville due to channel size constraints.
- Increasing customs and quarantine requirements placing increasing constraints on efficiency of operations and increasing supply chain costs.
- The Berth 4 Upgrade Project will impact a number of trades that currently utilise the berth. Temporary arrangements have been made to allow cement and caustic soda operations to continue at the berth however other cargoes will need to utilise other berths which will present some short-term operational challenges.
- Continued implementation of initiatives in partnership with Queensland Rail set out under a Heads of Agreement to improve efficiency and capacity of the supply chain. Investments are needed to achieve efficiency improvements and facilitate growth in freight in the medium-long term outside of urban networks, notably construction of the Townsville Eastern Access Rail Corridor.

### ENVIRONMENTAL AND SOCIAL CONDITIONS

- Delays and increased costs for developments due to lengthy environmental approvals processes and increasing conditions and constraints being imposed.
- A Maintenance Dredging Strategy for Queensland is being developed as a key action under Reef 2050 Plan which may have impacts on operations.
- Expansion of environmental monitoring programs and improved communications and transparency to demonstrate the stewardship and sustainability of port operations within a growing urban centre.
- The Townsville Waterfront Priority Development Area incorporates a number of POTL land holdings which will be redeveloped to improve the amenity of previous industrial sites, create urban buffer zones and increase waterfront activity.

### 3. STRATEGIC OBJECTIVES, STRATEGIES AND KEY ACTIONS

Consistent with the long-term objectives detailed in the 2015-2021 Corporate Plan, POTL’s key actions for 2016-2017 are set out below.

#### STRATEGIC OBJECTIVE 1: NORTHERN AUSTRALIA’S PREMIER TRADE & BUSINESS HUB

Growing and diversifying trade and business opportunities is essential for POTL to deliver long term financial returns and to support investments into existing and new infrastructure, environmental, security and community projects and initiatives.

<b>KEY PERFORMANCE INDICATORS</b>	GROWTH IN MARKET SHARE FOR KEY SECTORS GROWTH IN ECONOMIC IMPACT \$/T GROWTH \$/HECTARE GROWTH PROJECTS ON-TIME/BUDGET % OF CAPITAL ON INVESTMENTS ROI ACHIEVED FOR PROJECTS OVERALL SUPPLY CHAIN COST/TONNE CUSTOMER SATISFACTION (%)
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STRATEGIES	2016-2017 ACTIONS
<b>Grow &amp; Diversify Trade &amp; Business Revenue</b>	<ul style="list-style-type: none"> <li>• Finalise Fuel Strategy</li> <li>• Implement Agriculture Strategy</li> <li>• Implement Container Strategy</li> <li>• Implement Grey &amp; White Ship Strategy</li> </ul>
<b>Maximise Value of Property Portfolio</b>	<ul style="list-style-type: none"> <li>• Finalise Property Development Strategy (PDS)</li> <li>• Complete West Bank (Precinct 1) EOI</li> <li>• Finalise Business Case for East Bank (Precinct 1)</li> <li>• ERA Business Case</li> </ul>
<b>Optimise Existing Assets</b>	<ul style="list-style-type: none"> <li>• Complete Design for Berth 9 CP</li> <li>• Asset Management Plan for Berths Completed</li> <li>• Complete B8/9 Pile Encapsulation</li> <li>• Commence Berth 3 Deck Upgrade</li> </ul>
<b>Deliver New Infrastructure to Support Growth</b>	<ul style="list-style-type: none"> <li>• Finalise Business Plan for Quarry and Dredging Operations</li> <li>• Complete RFP - Berth 4 Cranes</li> <li>• Berth 4 Construction Works</li> <li>• PEP - Channel Widening Business Case &amp; Secure Funding (Stage 1)</li> <li>• PEP - Berth 12 Investment Proposal &amp; Market Sounding</li> </ul>
<b>Efficient Supply Chain &amp; Port Services</b>	<ul style="list-style-type: none"> <li>• Develop Long Term Strategy for Supply Chain</li> <li>• Cost Analysis &amp; Benchmarking of Supply Chains</li> <li>• Participate on TEARC Business Case Steering Committee</li> <li>• Towage Tender</li> <li>• MCV Upgrades</li> </ul>



## STRATEGIC OBJECTIVE 2: STEWARDSHIP & SUSTAINABILITY

Ensuring that infrastructure and services across the supply chain are efficient, safe and secure, reliable and cost effective is increasingly important to our customers and the viability of their operations. We will be placing significant emphasis on identifying and implementing improvements that ensure our supply chains are integrated and tailored to the needs of our customers.

<b>KEY PERFORMANCE INDICATORS</b>	ENVIRONMENTAL SCORECARD EMS CERTIFIED ROA, DTE, >/= BBB- CREDIT RATING COMMUNITY RATING
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STRATEGIES	2016-2017 ACTIONS
<b>Environmental Leadership &amp; Trusted Community Partner</b>	<ul style="list-style-type: none"> <li>Develop Expanded Air Quality Program</li> <li>Finalise Blue Port Plan</li> <li>Complete DOE S19 Research</li> <li>Stakeholder Engagement Plan</li> <li>PEP Engagement Plan</li> </ul>
<b>Planning for Sustainable Growth</b>	<ul style="list-style-type: none"> <li>Complete Port Master Plan</li> <li>Zoning of Buffers to Protect Port</li> <li>Landscaping Amenity Plan</li> </ul>
<b>Financial Responsibility</b>	<ul style="list-style-type: none"> <li>Develop 20 Year Financial Management Plan (FMP)</li> <li>Private Investment Strategy</li> <li>Complete Pricing Structure Review &amp; Benchmarking</li> <li>Complete Pilotage Pricing Review with State Government</li> <li>Develop Project Management Framework</li> </ul>
<b>Safe &amp; Secure Port</b>	<ul style="list-style-type: none"> <li>Construction of New Townsville Pilot Vessel</li> <li>Develop Long Term Security Strategy</li> <li>Finalise Business Continuity Plan</li> </ul>



### STRATEGIC OBJECTIVE 3: OUR CAPABILITY

The Port of Townsville plays a critical role in local job creation and regional economic development. Therefore ensuring that POTL's ports operate in a socially responsible manner for the long term is critical to sustainable economic growth of the Port and the region.

<b>KEY PERFORMANCE INDICATORS</b>	HOURS OF EMPLOYEE TRAINING & DEPT EMPLOYEE RETENTION % (BENCHMARK) EMPLOYEE SATISFACTION RATING (%) QMS, SMS, ISMS CERTIFIED SAFETY CULTURE INDEX PRODUCTIVITY SAVINGS
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STRATEGIES	2016-2017 ACTIONS
<b>Attract Great People &amp; Develop Them</b>	<ul style="list-style-type: none"> <li>• Finalise Employee Development &amp; Retention Strategy</li> <li>• Complete Managers &amp; Leaders Program</li> </ul>
<b>Strong Team Culture, Safe Workplace &amp; Place People Enjoy Working</b>	<ul style="list-style-type: none"> <li>• Develop Employee Engagement Strategy</li> <li>• Review of Safety Management System</li> </ul>
<b>Smart Technology &amp; Systems that Support Strategic Priorities</b>	<ul style="list-style-type: none"> <li>• Finalise Scope for Port Information Management System (PIMS)</li> <li>• CRM Framework Rollout</li> </ul>





## 4. KEY PERFORMANCE TARGETS

POTL undertakes to provide sustainable growth and value to shareholders by capitalising on our strengths and appropriately managing key threats and weaknesses.

Our performance for 2016-2017 will be measured and monitored through the following key financial and non-financial performance targets.

### FINANCIAL TARGETS 2016-2017

Quarter 2016-2017				Performance Indicators	2016-17 Budget	2014-15 Actual	2015-16 Budget	2015-16 Forecast
Q1	Q2	Q3	Q4					
18.72	18.19	14.90	24.13	Operating Revenue (\$M)	75.94	75.95	80.82	76.10
11.31	10.87	10.80	12.73	Operating Expenditure (\$M)	45.70	45.53	47.50	45.69
15.61	14.98	11.77	20.57	Trade Income (\$M)	62.92	62.01	67.83	64.26
2.90	2.90	2.90	2.90	Property & Facilities Income (\$M)	11.58	10.21	11.42	10.64
7.41	7.32	4.10	11.40	EBIT (\$M)	30.23	30.41	33.33	30.41
4.79	4.16	2.23	5.72	NPAT (\$M)	16.90	17.83	19.79	17.81
0.00	0.00	0.00	16.90	Dividend (\$M)	16.90	13.10	15.49	17.81
5.07	5.08	2.84	7.80	Return on Assets EBIT (%)	5.17	4.90	5.10	4.99
3.20	2.85	1.53	3.82	Return on Assets NPAT (%)	2.82	2.75	2.99	3.12
1.15	0.99	0.53	1.36	Return on Equity (%)	4.03	3.95	4.15	4.02
0.96	0.84	0.71	1.31	Current Ratio	0.73	1.45	0.93	0.91
6.15	3.54	3.12	4.94	Interest Cover Ratio (EBIT)	4.97	5.94	6.60	6.12
0.24	0.23	0.23	0.19	Debt to Equity Ratio	0.23	0.17	0.16	0.18
6.89	10.63	9.43	9.39	Capital Investments (\$M)	36.34	12.71	29.81	23.80

### NON-FINANCIAL TARGETS 2016-2017

Quarter 2016-2017				Performance Indicators	2016-17 Budget	2014-15 Actual	2015-16 Budget	2015-16 Forecast
Q1	Q2	Q3	Q4					
2.26	2.14	1.54	2.20	Trade Throughput (Million Tonnes)	8.14	11.05	12.05	9.89
180	186	142	166	Vessels to Port	674	672	730	638
0	0	0	0	Reportable Security Incidents	0	9	0	1
0	0	0	0	Reportable Environmental Breaches	0	0	0	0
0	0	0	0	Lost Time Injury Frequency Rate	0	5.06	0	4.91
>85%	>85%	>85%	>85%	Community Satisfaction	> 85%	-	> 80%	> 80%

### KEY ASSUMPTIONS

	2016-2017 Budget	2015-2016 Estimated Actual
Consumer Price Index (CPI)	2.5%	2.5%
Wages Growth	3%	3%
Dividend Payout Ratio	100%	100%
Tonnage Throughput (Million Tonnes)	8.14	9.89
Port Charges Rate Increases	2.5%	5.5%

- Trade tonnage throughput forecasts have been based on customer contracts (where applicable), advice from customers, an assessment of the feasibility of new trades or increases in terms of capacity of supporting infrastructure, global market conditions for commodities as advised by QTC and long-term historical trade patterns.
- An allowance has been made for overall increases in port charges (cargo and berthage charges) of 2.5% per year for the forecast period 2016-2017 to 2020-2021.
- Capital expenditure includes \$36.34 million in 2016-2017 and \$88.28 million over the five years to 2020-2021 to complete a number of major projects and upgrades considered essential for continued growth and reliability, safety and efficiency of core assets. Further detail on capital expenditure can be found in section 5 of this SCI and the 2016-2021 Corporate Plan.
- Operating expenditure includes continued delivery of core services and maintenance with a strong emphasis on achieving efficiency and productivity savings and reducing discretionary spending and non-core operations.
- Wage increases effective 1 September 2015 of 3% for Enterprise Agreements for Administration and Port Services Officers and senior officer contracts subject to enterprise agreements, 2.75% for the Maintenance employees effective 1 December 2015, 3% for pilots effective 1 November 2015 and in accordance wage increases outlined in the Security Services Industry Award 2010 for POTL's new Maritime Security Guards. Wage increases in the budget period are fully offset by efficiency and productivity improvements savings. Constraint on filling of vacant positions is necessary to achieve the expenditure budget for 2016-2017 and the forecast period, with no increase in employment levels.
- Interest rate on borrowings has been calculated based on QTC debt pool of [REDACTED] and Competitive Neutrality Fee of [REDACTED]. Interest on investments has utilised [REDACTED] per annum consistent with QTC capital guarantee cash fund annual effective rate as at 1 April 2016.

POTL will report to our shareholding Ministers quarterly, half-yearly and annually on our operational performance in accordance with the GOC Act and shareholding Ministers' expectations.

POTL will also keep shareholding Ministers continually informed of any significant operational and financial issues affecting our operational performance, including its ability to meet the key performance results set out in this SCI.

## 5. TRADE & FINANCIAL OUTLOOK

### FINANCIAL MANAGEMENT

POTL is committed to responsible financial management and profit growth providing a sustainable return on assets and value to shareholders. Operating expenditure forecast in this SCI includes expenditure for continued delivery of core services and maintenance with a strong emphasis on achieving efficiency and productivity savings and reducing discretionary spending and non-core port operations.

Throughout the term of this SCI, POTL will continue to manage the business in a financially responsible manner by being flexible and responsive to changes in the operating environment and will continue to encourage our employees to find more efficient, productive and cost-effective ways of doing things.

This section provides a summary of POTL's income, capital and operating expenditures over the 2014/15 year, and financial forecasts for 2016-2017. Forecast financial results are detailed in the Income Statement, Statement of Financial Position and Statement of Cash Flows provided at **Annexure A**.

### TRADE FORECASTS

Trade forecasts for 2016-2017 have been based on information available at April 2016 in view of existing contracts, advice from customers, an assessment of the feasibility of new trades or increases in terms of capacity of supporting infrastructure, global market conditions for commodities as advised by QTC and long-term historical trade patterns.

Total trade throughput in 2014-2015 was 11.05 million tonnes, with 2016-2017 forecast reducing to 8.14 million tonnes, principally due to the one of POTL's largest customers, Queensland Nickel Pty Ltd, going into liquidation on 22 April 2016. As a result of this forecasts exclude trade relating to QN.

The major forecast increases in trade for 2016-2017 compared with 2015-2016 forecast include:-

- Bitumen imports ↑ 80,000 tonnes
- Cement Imports ↑ 50,000 tonnes
- Coke imports ↑ 45,000 tonnes
- General Cargo imports ↑ 60,468 tonnes
- General Cargo exports ↑ 60,000 tonnes

Major forecast decreases in 2016-2017 compared with the 2015-2016 forecast include:-

- Ammonia imports ↓ 40,000 tonnes
- Nickel ore imports ↓ 1,640,915 tonnes
- General purpose oil imports ↓ 100,000 tonnes
- Molasses exports ↓ 30,000 tonnes
- Magnetite exports ↓ 48,724 tonnes
- Sugar exports ↓ 100,000 tonnes

Bitumen imports are forecast to increase in 2016-2017 with Viva Energy Australia commencing imports through the Port of Townsville.

Cement and general cargo imports are also forecast to increase with the commencement of the Adani project in the northern Galilee Basin. It is also anticipated that oil imports will also increase as a result of this project in addition to the Port of Townsville's ability to now cater for larger LR1 vessels at Berth 1.

Cattle exports are expected to continue growing in line with the strong demand for live cattle in Asia together with general cargo exports to satisfy demand from Asian markets for Australian boxed meat and agricultural products.

Mineral concentrates are forecast to grow with the commencement of the Cudeco and MMG mining projects.

Sun Metals is also forecasting increases in zinc exports.

Trade forecasts for the Port of Townsville during the term of this SCI are expected to be as follows:

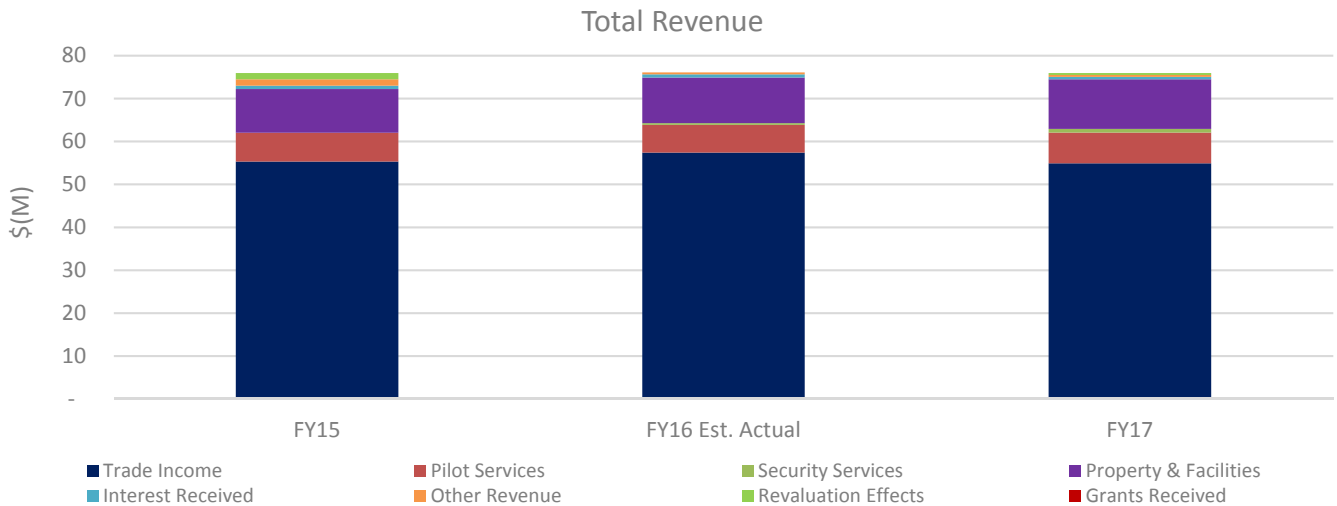
	2014-2015 ACTUAL	2015-2016 BUDGET	2015-2016 FORECAST	2016-2017 BUDGET
Oil - General Purpose	891,180	1,200,000	1,100,000	1,000,000
Nickel Ore	2,926,579	3,500,000	1,640,915	
General Cargo	263,869	343,500	280,000	340,468
Motor Vehicles	22,819	22,109	25,000	27,655
Fertilizer	114,356	125,500	125,500	125,000
Cement	414,645	470,000	400,000	450,000
Mineral Concentrates (Bulk)	290,973	260,000	331,766	330,000
Mineral Concentrates (Containers)	63,063	60,000	14,549	
Sulphur	79,210	100,000	100,000	100,000
Copper Anode	47,005	65,000	28,000	-
Bitumen	-	-	40,000	-
Sulphuric Acid & Ammonia	48,519	100,000	-	80,000
General Cargo - Lucinda	26,517	50,000	25,000	50,000
Coke	2,780	2,000	3,000	3,000
<b>TOTAL IMPORTS</b>	<b>5,191,515</b>	<b>6,298,109</b>	<b>4,113,730</b>	<b>2,551,123</b>
General Cargo	219,690	228,850	200,000	260,000
Sugar	1,140,806	1,000,000	1,300,000	1,200,000
Molasses	247,856	300,000	330,000	300,000
Meat & By Products	8,427	7,500	7,500	10,000
Cattle	152,890	170,808	170,808	170,000
Nickel Refined	14,863	19,000	6,274	-
Copper Refined	314,855	283,000	283,000	283,000
Refined Lead	109,201	165,000	165,000	165,000
Mineral Concentrates	1,633,523	1,758,899	1,285,399	1,277,000
High Analysis Fertilizer	923,987	900,000	900,000	900,000
Refined Zinc	155,567	166,464	166,464	170,000
Sulphuric Acid	-	-	31,923	-
Zinc Ferrites	226,857	250,000	300,000	300,000
Magnetite	153,095	-	48,724	-
Phosphate Rock	-	-	30,000	-
Sugar – Lucinda	547,410	500,000	545,625	550,000
General Cargo – Lucinda	8,447	4,000	8,000	8,000
<b>TOTAL EXPORTS</b>	<b>5,857,474</b>	<b>5,753,521</b>	<b>5,778,717</b>	<b>5,593,000</b>
<b>TOTAL TRADE</b>	<b>11,048,989</b>	<b>12,051,630</b>	<b>9,892,447</b>	<b>8,144,123</b>

## INCOME

Total income of \$75.94 million in 2016-2017 is a \$0.16 million decrease on the 2015-2016 forecast, principally due to the one of POTL's largest customers, Queensland Nickel Pty Ltd going into liquidation on 22 April 2016. As a result of this, forecast and budget calculations have been formulated with the exclusion of revenues relating to QN.

The 2016-2017 budget includes a 2.5% increase in overall port charges (cargo and berthage charges) per year for the forecast period 2016-2017 to 2020-2021.

During 2016-2017 POTL's income (excluding revaluation effects) is forecast to be \$75.5 million consisting of the following principal revenue sources:

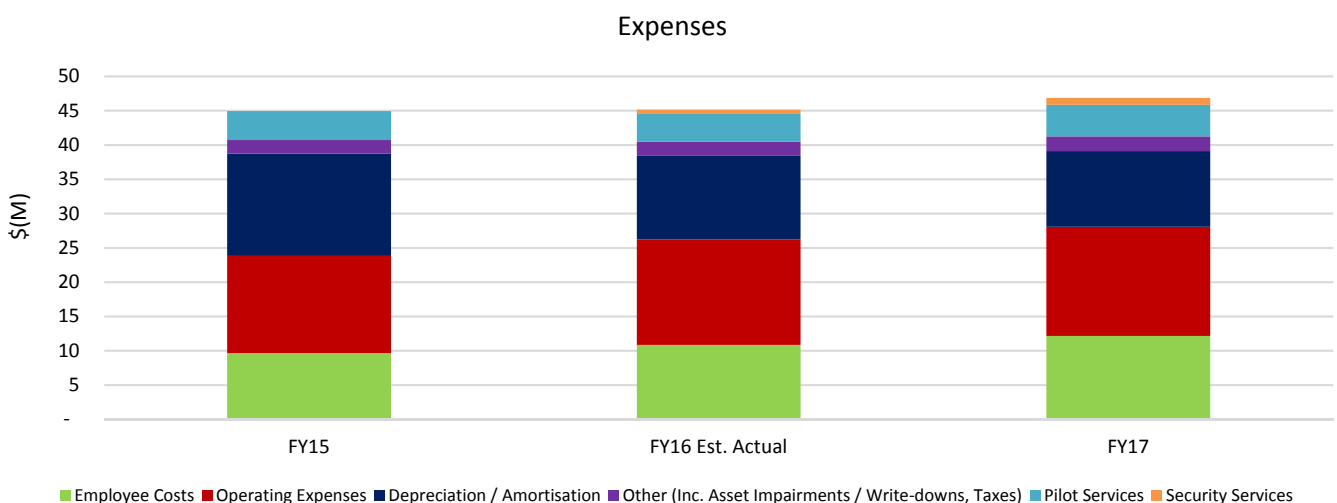


Properties and facilities income includes lease rentals and fees, mooring rentals and utility sales to tenants. Revenue from our properties and facilities is forecast to increase to \$11.15 million in 2016-2017 as an ongoing program of rental reviews continue to yield increases to market rates, coupled with uptake of new lands.

Pilotage services revenue is in line with increases notified by Maritime Safety Queensland, and POTL will continue to discuss future pilotage pricing options with the State Government.

## OPERATING EXPENDITURE

Total expenditure of \$45.7 million in 2016-2017 is a \$1.31 million (2.95%) increase on 2015-2016 forecast, primarily due to increased employee costs associated with provision of Security Services, trainee pilot and conversion of 5 external contractors to in-house labour.



POTL continuously reviews expenditure forecasts in response to changes in the internal and external operating environment that may impact on our operations and financial performance.

POTL implements initiatives in response to negative changes in the operating environment, such as deferring non-essential expenditure, divesting of non-core port activities/assets and constraints on filling vacant positions, whilst our employees have fully offset any wage increases by efficiency and productivity improvement savings.

## CAPITAL INVESTMENTS

Our capital budget for 2016-2017 incorporates sustaining capital works as well as investments that will improve flexibility and efficiency of existing Port infrastructure and provide capacity to facilitate projected trade growth.

Overall for 2015-2016, POTL expects total capital expenditure to be around \$24 million, or 17% less than the budget of \$29 million largely due to the timings associated with the Berth 4 Upgrade Project.

Major capital investments for 2016-2017 are detailed below.

Capital Project	Details	Key Focus Area	Budgeted Total Project Cost (\$)	2015-2016 Est. Actual (\$)	2016-2017 Budget (\$)	Expected Completion Date
Berth 4 Upgrade	Redevelopment of the Berth 4 facility including alignment with adjacent berth and deck surface works.	General Cargo Hub	\$ 40,500,000	\$ 5,000,000	\$26,000,000	Jun-18
Breakwater Groyne Removal & Beacon Relocation	Widening of the harbour mouth, breakwater groyne removal & beacon relocation to allow safe navigation of longer vessels in the Port of Townsville harbour.	ALL	\$ 1,550,000	\$ 1,200,000	\$350,000	Dec-16
Berth 8/9 Pile Encapsulation	Pile encapsulation program to 24 piles at B8 and 21 piles at B9 to extend the life of the structures by improving the integrity of the piles.	ALL	\$ 1,858,000	\$ 560,000	\$1,231,183	Jun-17
Replacement of PV Petrel II	Replacement of POTL's primary pilot vessel.	ALL	\$ 2,550,000	\$ 800,000	\$1,650,000	Jun-17
Berth 8/9 Central Pier Slab Strengthening for cargo storage	Strengthening of a section of slab to enable suitable storage area of cargoes.	Mining & Resources Hub	\$ 319,000	\$ 319,000	\$200,000	Jun-16
Records Management System Enhancement Project	Reimplementation of document management system, including data migration.	ALL	\$ 287,000	\$ 247,000	\$40,000	Aug-16
Berth 3 Paved Area Upgrade	Redesign and upgrade to resolve subsidence issues with pavers over area	ALL	\$ 1,050,000	\$ 50,000	\$250,000	Jun-20
Multi combination vehicle - Benwell / Archer Intersection - Upgrade to type 2	Works to improve access for multi-combination vehicles accessing the Port of Townsville	ALL	\$ 1,150,000	\$ 300,000	\$850,000	Jun-17
Berth 9 Cathodic Protection	Design and installation of cathodic protection system to extend the life of the structure by reducing corrosion - related damage	ALL	\$ 3,094,170	\$ -	\$94,170	Jun-20
Expanded Air Monitoring Network	Upgrade of internal air monitoring network to meet regulatory requirements for Port operations.	ALL	\$ 600,000	\$ -	\$300,000	Jun-19
Port management Information System	Review and update software for management of port shipping operations	ALL	\$ 1,300,000	\$ -	\$100,000	Jun-19
Security Upgrades - Long term Investigations and Works	Investigation works into whole-of-port perimeter security needs to meet regulatory requirements.	ALL	\$ 2,750,000	\$ -	\$50,000	Jun-21
Other	Minor asset replacements and acquisitions and minor infrastructure works around the Port of Townsville and Lucinda	ALL		\$ 15,326,256	\$5,222,144	Jun-17
<b>TOTAL CAPITAL WORKS</b>				<b>\$ 23,802,256</b>	<b>\$ 36,337,497</b>	

Consistent with advice of shareholding Ministers by correspondence dated 29 August 2012, any future capital investments over \$3 million not detailed above will require approval of shareholding Ministers, and any capital investments over \$1 million must be notified to shareholding Ministers.

## DEBT POSITION AND BORROWINGS

It is expected that POTL will hold cash reserves of \$20.98 million at 30 June 2016, and \$13.14 million at the end of 2016-2017.

Borrowings will be sourced through QTC under new loan terms and conditions agreed in September 2012. Interest on borrowings has been calculated based on QTC debt pool of ■■■% and a Competitive Neutrality Fee of ■■■%.

A Working Capital Facility of \$30 million has been maintained through QTC to provide flexibility in managing any cash flow adjustments for major capital works.

Performance Indicators	2016-2017 Budget	2014-2015 Actual	2015-2016 Budget	2015-2016 Est. Actual
Cash Balance (\$M)	\$13.14	\$28.97	\$21.08	\$20.98
New Borrowings (\$M)	\$24.00	\$0.00	\$0.00	\$0.00
Balance of Borrowings (\$M)	\$95.84	\$80.36	\$76.43	\$76.50

## DIVIDENDS, COMMUNITY SERVICE OBLIGATIONS AND TAX EXPENSE

On 15 December 2015 POTL was advised by shareholding Ministers for a requirement dividend payment of 100% of Net Profit after Tax (NPAT) as part of the Queensland Government Debt Action Plan.

Dividend is calculated as Payout Ratio x NPAT.

POTL has no declared Community Service Obligations.

	2016-2017 Budget	2014-2015 Actual	2015-2016 Budget	2015-2016 Est. Actual
Equity Injections / (Withdrawals) (\$M)	-	-	-	-
Dividends Provided For or Paid (\$M)	\$16.90	\$13.10	\$15.49	\$17.81
Dividend Payout Ratio	1.0	0.8	0.8	1.0
Tax Paid / Payable (\$M)	\$7.24	\$7.47	\$8.48	\$7.63
CSO Paid / Payable or Received / Receivable	-	-	-	-

# ANNEXURE A: FINANCIAL STATEMENTS

## STATEMENT OF COMPREHENSIVE INCOME

	2014-2015	2015-2016	2015-2016 Est.	2016-2017
	Actual	Budget	Actual	Budget
	\$	\$	\$	\$
<b>OPERATING INCOME</b>				
Trade Income	62,013,419	67,830,138	64,261,100	62,923,186
Property & Facilities	10,205,680	11,422,371	10,639,021	11,580,458
Interest Received	764,965	787,730	750,300	524,420
Other Revenue	1,501,624	351,794	449,126	469,916
Revaluation & Impairment Adjustments	1,460,729	430,715	-	438,399
Grants and Subsidies Received	-	-	-	-
	<b>75,946,417</b>	<b>80,822,750</b>	<b>76,099,548</b>	<b>75,936,379</b>
<b>OPERATING EXPENDITURE</b>				
Employee Related Expenses	12,699,196	13,449,410	13,951,254	15,633,190
Supplies & Services	15,363,641	17,434,847	16,337,748	17,024,857
Depreciation, Impairment & Amortisation	14,894,109	14,650,949	12,166,177	11,042,087
Impairments/Writedowns	685,288	-	-	-
Taxes & Government Charges	1,840,971	1,930,400	1,898,474	1,960,000
Other	51,481	30,750	1,336,784	42,286
	<b>45,534,686</b>	<b>47,496,356</b>	<b>45,690,436</b>	<b>45,702,419</b>
<b>EARNINGS BEFORE INTEREST AND TAX</b>	<b>30,411,731</b>	<b>33,326,394</b>	<b>30,409,112</b>	<b>30,233,959</b>
Finance Costs	5,116,206	5,051,185	4,967,929	6,088,232
<b>NET PROFIT (LOSS) BEFORE TAX</b>	<b>25,295,525</b>	<b>28,275,209</b>	<b>25,441,183</b>	<b>24,145,726</b>
Income Tax Equivalent	7,465,820	8,482,562	7,632,354	7,243,718
<b>NET PROFIT (LOSS) AFTER TAX</b>	<b>17,829,704</b>	<b>19,792,646</b>	<b>17,808,828</b>	<b>16,902,010</b>
Dividend	(13,095,181)	(15,489,544)	(17,808,828)	(16,902,010)
Movements in Retained Profits	49,721	263,398	(16,785)	510,557
Retained from previous periods	121,267,678	125,427,689	126,051,923	126,035,138
<b>RETAINED EARNINGS</b>	<b>126,051,923</b>	<b>129,994,189</b>	<b>126,035,138</b>	<b>126,545,694</b>

\* The 12% increase in Employee Related Expenditure from 2015-2016 forecast to 2016-2017 relates to provision of Security Services, taking on a trainee pilot and conversion of 5 external contractors to in-house labour.

\* Increase of finance costs from 2015-2016 is due to new borrowings in 2016-2017 of \$24 million.



## STATEMENT OF FINANCIAL POSITION

	2014-2015	2015-2016	2015-2016	2016-2017
	Actual	Budget	Est. Actual	Budget
	\$	\$	\$	\$
<b>CURRENT ASSETS</b>				
Cash & Cash Equivalents	28,969,223	21,081,330	20,976,969	13,139,910
Trade & Other Receivables	11,972,709	8,103,820	8,552,512	10,290,602
Current Tax Receivable	-	-	-	15,398
Non-Current Assets held for S:	380,000	-	380,000	-
Other	689,731	784,872	699,362	711,643
	42,011,663	29,970,022	30,608,842	24,157,554
<b>NON-CURRENT ASSETS</b>				
Property Plant and Equipment	563,099,281	588,782,477	496,064,236	531,674,960
Investment Properties	43,071,520	43,502,235	43,378,882	43,817,281
Other	-	-	-	-
	606,170,801	632,284,712	539,443,118	575,492,242
<b>TOTAL ASSETS</b>	648,182,465	662,254,734	570,051,960	599,649,796
<b>CURRENT LIABILITIES</b>				
Trade & Other Payables	4,468,916	5,311,300	4,854,582	5,947,000
Current Tax Liabilities	2,685,659	3,423,785	1,426,130	-
Financial Liabilities - Current	3,925,557	4,310,210	4,653,390	5,226,731
Provisions - Current	14,545,918	16,925,176	19,301,808	18,492,165
Other Current Liabilities	3,269,479	2,155,031	3,325,473	3,380,486
	28,895,529	32,125,502	33,561,383	33,046,382
<b>NON-CURRENT LIABILITIES</b>				
Financial Liabilities - NC	76,438,117	72,117,338	71,843,823	90,617,092
Provisions - NC	2,101,367	2,097,309	2,185,378	2,250,939
Deferred Tax Liabilities	42,095,056	46,102,770	19,796,907	24,734,007
Other	28,162,500	26,929,167	26,929,167	25,604,167
	148,797,041	147,246,584	120,755,275	143,206,206
<b>TOTAL LIABILITIES</b>	177,692,569	179,372,086	154,316,658	176,252,588
<b>NET ASSETS</b>	470,489,895	482,882,648	415,735,302	423,397,208
<b>EQUITY</b>				
Retained Profits	126,051,921	129,994,189	126,035,138	126,545,694
Reserves	241,375,267	249,825,753	186,637,458	193,788,808
Issued Shares	103,062,706	103,062,706	103,062,706	103,062,706
<b>TOTAL EQUITY</b>	470,489,895	482,882,648	415,735,302	423,397,208

STATEMENT OF CASH FLOWS

	2014-2015	2015-2016	2015-2016 Est.	2016-2017
	Actual	Budget	Actual	Budget
	\$	\$	\$	\$
<b>SOURCE OF FUNDS</b>				
Receipts from Customers	68,346,175	78,613,173	77,548,849	71,439,482
Loan Raisings	-	-	-	24,000,000
Grants and Subsidies Received	-	-	-	-
Tax Refund	8,224,782	-	-	-
Sales of fixed assets	-	523,000	193,364	526,000
Interest received	764,965	787,730	750,300	524,420
<b>Total Cash Inflow</b>	<b>77,335,922</b>	<b>79,923,903</b>	<b>78,492,513</b>	<b>96,489,902</b>
<b>EXPENDITURE</b>				
Dividend	7,715,423	13,208,406	13,095,181	17,808,828
Payments to Suppliers & Employees	30,770,139	31,179,328	32,987,095	32,687,081
Capital Expenditure	12,711,587	29,807,892	23,802,256	36,337,497
Redemption on Loans	3,918,400	3,937,036	3,866,461	4,653,390
Finance Costs	5,202,197	5,065,015	5,002,802	6,027,156
Income Tax Equivalents	8,434,497	7,154,021	7,730,970	6,813,008
<b>Total Cash Outflow</b>	<b>68,752,243</b>	<b>90,351,699</b>	<b>86,484,765</b>	<b>104,326,961</b>
<b>Net cash inflow/(outflow)</b>	<b>8,583,679</b>	<b>(10,427,796)</b>	<b>(7,992,253)</b>	<b>(7,837,059)</b>
<b>Opening Cash Balance</b>	<b>20,385,542</b>	<b>31,509,126</b>	<b>28,969,221</b>	<b>20,976,969</b>
<b>Net cash inflow/(outflow)</b>	<b>8,583,679</b>	<b>(10,427,796)</b>	<b>(7,992,253)</b>	<b>(7,837,059)</b>
<b>CLOSING CASH BALANCE</b>	<b>\$28,969,221</b>	<b>\$21,081,330</b>	<b>\$20,976,969</b>	<b>\$13,139,910</b>

WACC CALCULATION (AS AT DECEMBER 2015)

**[REDACTED]**

# ANNEXURE B: SPONSORSHIPS, MEMBERSHIPS, DONATIONS & ADVERTISING

Forecast expenditure on sponsorships, memberships, corporate entertainment and events, donations and advertising during 2016-2017 is outlined below:-

Detail	Description / Benefit	2015-2016 Budget (\$)	2015-2016 Est. Actual (\$)	2016-2017 Budget (\$)
<b>1. SPONSORSHIPS</b>				
James Cook University Scholarships	To promote employment within the north Queensland region and the Corporation as a potential employer.	-	1,800	1,800
<b>Total over \$5,000</b>		-	1,800	1,800
<b>Other Sponsorships (total) below \$5,000</b>		2,000	3,690	4,500
<b>TOTAL (1)</b>		<b>2,000</b>	<b>5,490</b>	<b>6,300</b>
<b>2. MEMBERSHIPS</b>				
Townsville Enterprise Limited	To increase our profile within the industry to promote trade.	35,000	33,500	35,000
Queensland Ports Association	To participate, along with other Queensland ports, in common issues and activities and to share information where appropriate in the interests of the State's economic development.	9,300	9,300	9,300
Ports Australia	To participate in Australia's peak representative body for Australian ports and marine authorities.	30,000	31,391	36,000
MITEZ	To support the diversification of new industries, expansion of new markets and promotion of existing investment opportunities in the region.	15,000	15,000	15,000
<b>Total over \$5,000</b>		<b>89,300</b>	<b>89,191</b>	<b>95,300</b>
<b>Other Membership (total) below \$5,000</b>		9,940	10,849	11,100
<b>TOTAL (2)</b>		<b>99,240</b>	<b>100,040</b>	<b>106,400</b>
<b>3. CORPORATE ENTERTAINMENT &amp; EVENTS</b>				
Employee End of Year Function	Year in review, recognition / appreciation of employee efforts, employee morale and increase team building.	9,500	7,425	7,500
<b>Total over \$5,000</b>		9,500	7,425	7,500
<b>Other (total) below \$5,000</b>		10,140	20,727	14,150
<b>TOTAL (3)</b>		<b>19,640</b>	<b>28,152</b>	<b>21,650</b>
<b>4. DONATIONS</b>				
Maritime Museum	To support community endeavours and promote the Port of Townsville's historical significance to the area.	25,000	25,000	25,000
<b>Total over \$5,000</b>		25,000	25,000	25,000
<b>Other (total) below \$5,000</b>		-	518	-
<b>TOTAL (4)</b>		<b>25,000</b>	<b>25,518</b>	<b>25,000</b>
<b>5. ADVERTISING</b>				
Townsville City 150 Year Anniversary Celebrations Program	Publication of material in the Townsville Bulletin to celebrate 150 years since the establishment of the Port of Townsville and birth of the Townsville City a year later. This publication will complement Townsville City Council's T150 birthday celebrations.	25,000	19,990	50,000
Schools Program	Publication of education material pertaining to the Port and its operations in local media publications on a regular basis to promote the importance of the Port to the regional community.	10,000	10,000	2,500
<b>Total over \$5,000</b>		35,000	29,990	52,500
<b>Other (total) below \$5,000</b>		18,500	31,020	21,500
<b>TOTAL (5)</b>		<b>53,500</b>	<b>61,010</b>	<b>74,000</b>
<b>TOTAL</b>		<b>199,380</b>	<b>220,210</b>	<b>233,350</b>

We do not undertake any Community Service Obligations (CSOs) as that term is defined in the GOC Act.

# ANNEXURE C: EMPLOYMENT & INDUSTRIAL RELATIONS PLAN

## 1. Strategic Framework and Outcomes

Over the next (5) five years Port of Townsville Limited (**POTL**) will focus on achieving efficiencies of existing infrastructure and services, enacting Government directives and establishing critical port infrastructure to meet future trade demand in a sustainable manner.

We will continue to undertake workforce planning to ensure employment and skill levels are sufficient to ensure that our objectives can be achieved.

Our Employment and Industrial Relations objective is to achieve a work environment that is equitable and safe and attracts, develops and retains motivated, skilled and high-performing people committed to achieving business objectives.

Strategies and key actions to be implemented during 2016-2017 are as follows:

Strategy	Performance Outcome	Performance Measure	Performance Target
Promote POTL as an employer of choice to attract and retain employees who align with POTL's business objectives	<ul style="list-style-type: none"> <li>▪ Employee satisfaction</li> <li>▪ Improved recruitment outcomes</li> </ul>	<ul style="list-style-type: none"> <li>▪ % successful completion of qualifying periods</li> <li>▪ Number of applications for advertised positions</li> </ul>	<ul style="list-style-type: none"> <li>▪ &gt; 80% successful completion</li> <li>▪ &gt; 6 applications received for each advertised position</li> </ul>
Ensure workplace policies, conditions and systems encourage diversity and enable employees to better manage work and personal life commitments	<ul style="list-style-type: none"> <li>▪ Workplace free from discrimination and harassment</li> <li>▪ Employees have access to flexible working arrangements</li> <li>▪ Employees have access to an Employee Assistance Program (<b>EAP</b>)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Number of incidents of discrimination or harassment in the workplace</li> <li>▪ Number of incidents of discrimination or harassment in the workplace reported and dealt with in a prompt and appropriate manner</li> <li>▪ % employee access to flexible working arrangements (subject to operational requirements)</li> <li>▪ % of employees aware of and have access to EAP</li> </ul>	<ul style="list-style-type: none"> <li>▪ Nil incidents of discrimination or harassment in the workplace</li> <li>▪ 10 trained Contact Officers</li> <li>▪ 100% availability of flexible working arrangements for employees (subject to operational requirements)</li> <li>▪ 100% of employees aware of and know how to access EAP</li> </ul>
Provision of corporate management systems and technologies to support more efficient and productive output	<ul style="list-style-type: none"> <li>▪ Improved productivity and output</li> <li>▪ External certification of corporate management systems</li> </ul>	<ul style="list-style-type: none"> <li>▪ \$ value of productivity savings over term of Enterprise Agreements</li> <li>▪ External certification of all corporate management systems</li> </ul>	<ul style="list-style-type: none"> <li>▪ \$975,511 in productivity savings over term of Enterprise Agreements</li> <li>▪ Systems externally certified</li> </ul>
Maintain an equitable and safe workplace	<ul style="list-style-type: none"> <li>▪ Equity training provided to employees</li> <li>▪ Nil Lost Time Injury Frequency Rate (<b>LTIFR</b>)</li> <li>▪ Safety management system (<b>SMS</b>) externally certified</li> </ul>	<ul style="list-style-type: none"> <li>▪ % of employees trained in equitable workplace behaviours</li> <li>▪ LTIFR</li> <li>▪ External certification of SMS</li> </ul>	<ul style="list-style-type: none"> <li>▪ 100% of employees trained in equitable workplace behaviours</li> <li>▪ Nil LTIFRs</li> <li>▪ External certification of SMS maintained</li> </ul>

## 2. Significant and Emerging Issues

The key issues related to industrial relations and human resources during 2016-2017 are detailed below.

### 1. Employment Security and Economic Sustainability

We are committed to maintaining appropriate employment levels whilst remaining economically sustainable and will continue to monitor employment arrangements as the economic climate changes and take appropriate action as necessary. We will strive to maintain employee numbers at levels that meet our operational and capital works program. We have implemented a number of initiatives to achieve this such as aligning our corporate structure to maximise existing internal skills to improve customer service delivery, improving operational efficiency and productivity and reviewing positions as and when they become vacant to determine whether there is a genuine operational requirement for the position to be filled.

### 2. Attracting and Retaining Employees

We regularly review and align our recruitment strategies, structure, and succession planning to ensure that resources are sufficient and appropriate to meet corporate objectives. We will continue to implement and review our career development program to ensure appropriate skilling and knowledge of employees. Career planning and development activities are undertaken via the formal and informal performance review process providing employees with assistance to develop realistic career goals and strategies to realise them. We also undertake regular reviews of position descriptions to ensure accuracy for position requirements.

We are committed to fostering a work environment that continues to challenge and motivate individuals and recognise and reward performance. A range of practices are in place which promote flexibility for the business and employees with regard to hours of work and workloads. These flexible work practices include flexible work hours and part time arrangements; option to purchase additional annual leave, paid parental leave, telecommuting, multi-skilling and job rotation, study leave, leave without pay and special leave (includes Defence Reserve leave, emergency service leave and blood products donation leave).

### 3. Workplace Relations

We are focussed on maintaining good workplace relations to ensure that employees are committed to achieving our strategic objectives. We will continue to implement strategies to improve workplace relations, some of the key actions for 2016-2017 include:

- monitoring of all terms and conditions contained within the Enterprise Agreements including agreed productivity initiatives; and
- employee satisfaction surveys to monitor levels of employee satisfaction and identify any negative workplace and organisational issues, with formulation and implementation of strategies that continually improve the work environment for employees.

### 4. Enterprise Bargaining

There are four Agreements that cover our employees:

- Port of Townsville Port Services' Collective Agreement 2013 (Port Services). There are approximately seventeen (17) employees covered by this Agreement, combination of white/blue collar. Nominal expiration date is 30 June 2016.
- Port of Townsville Administrative, Technical, Supervisory and Professional Employees' Collective Agreement 2013 (Administrative). There are approximately forty-six (46) white collar employees covered by this Agreement. Nominal expiration date is 30 June 2016.
- Port of Townsville Maintenance Employees' Collective Agreement 2013 (Maintenance). There are approximately fifteen (15) blue collar employees covered by this Agreement. Nominal expiry date 31 December 2016.
- Port of Townsville Marine Pilots Collective Agreement 2014 (Pilots). There are 9 employees covered by this agreement. Nominal expiration date is 30 October 2017.

We will provide quarterly reports to shareholding Ministers' on the progress of initiatives and efficiency measures related to enterprise agreements.

## 3. Director/Senior Executive Remuneration

Our directors and senior executives are remunerated in accordance with their terms of appointment and remuneration policies approved by shareholding Ministers.

Our *Policy for Recruitment and Remuneration of Chief and Senior Executives* approved by shareholding Ministers governs the terms and conditions of employment and nature of chief and senior executive remuneration and performance payments. This policy provides for a review of senior executive remuneration in June each year with any adjustments effective 1 July each year.

This policy also provides for performance payments to senior executives of up to 15% of TFR, subject to meeting pre-determined performance targets for the business and individual performance targets. Any such performance payments are to be notified to shareholding Ministers within one (1) month of being paid.

Whilst senior executive TFR remains constant for the year, the other remuneration components included are an estimate that may vary from amounts actually paid at year's end due to the June review of salaries, and the impact of other variable factors such as fringe benefit payments and salary sacrificing options chosen.

Full details of director and senior executive remuneration are reported in our financial statements in accordance with accounting standards and government policies. **on-Executive Directors' (including Chairman) Remuneration as at 29 March 2016**

	Director Fees	Committee Fees	Other Benefits	Super	Total
Given Name	\$	\$	\$	\$	\$
R. Garard (Chair)	50,000	10,203	-	5,719	65,922
B. Webb (Director)	25,750	4,372	-	2,862	32,984
M. Heywood (Director)	25,750	5,831	-	3,000	34,581
S. Hanran (Director)	25,750	4,372	-	2,862	32,984
F. Pidgeon (Director)	25,750	4,372	-	2,862	32,984
<b>Total</b>	<b>153,000</b>	<b>29,150</b>		<b>17,305</b>	<b>199,455</b>

## Senior Executive Remuneration as at 29 March 2016

CEO / Senior Executive	Base Salary <sup>1</sup>	Employer				Other Personal Benefits <sup>5</sup>	Total Fixed Remuneration <sup>6</sup>	Other Non-personal Benefits <sup>7</sup>	Performance Payment <sup>8</sup>
		Superannuation Contribution <sup>2</sup>	Motor Vehicle <sup>3</sup>	Car Park <sup>4</sup>					
Chief Executive Officer*	317,591	33,042	-	-	-	350,623	0	Up to 15% of TFR	
Chief Financial Officer	216,347	20,553	-	-	-	236,900	0	Up to 15% of TFR	
General Manager Infrastructure and Planning	216,347	20,553	-	-	-	236,900	0	Up to 15% of TFR	
General Manager Marine and Logistics	216,347	20,553	-	-	-	236,900	0	Up to 15% of TFR	
General Manager Trade and Property	210,111	26,789	-	-	-	236,900	0	Up to 15% of TFR	
Manager Marine Pilots	274,726	34,007	20,288	-	-	329,021	0		

\*Employer Superannuation based on salary as at 01 July (Defined Benefits Member).

1. Includes salary sacrifice items plus cash salary.
2. Employer contributions to superannuation (other than by salary sacrifice).
3. Value of a motor vehicle for business and personal use (other than by salary sacrifice).
4. Value of car park if car park is a personal benefit to the Executive (other than by salary sacrifice).
5. Includes, but is not limited to, general/expense allowances, subscriptions, home telephone/communication expenses, FBT not elsewhere included, etc. (other than by salary sacrifice).
6. Sum of columns 1-5.
7. Include the value of non-personal benefits provided to the Executive to assist in the performance of their duties.
8. Performance payments of up to 15% of TFR may be paid subject to meeting pre-agreed performance targets.

## 4. Employment Conditions

We have four (4) certified Enterprise Agreements negotiated in accordance with the *Fair Work Act 2009* (Cth) (**Fair Work Act**). These Agreements provide for benefits equal to the National Employment Standards including basic rates of pay and casual loadings, maximum ordinary hours of work, request for flexible working arrangements, parental leave, annual leave, personal/carer's leave, and compassionate leave, community service leave, public holidays and notice of termination and redundancy pay.

Our Enterprise Agreements comply with the provisions contained in the Fair Work Act with regards to content, coverage, bargaining and lodgement process of Enterprise Agreements. Our Agreements also contain all mandatory clauses as described in the Fair Work Act.

*The Port Authority Award 2010* would have application but for the operation of our agreements, and is utilised for the "better off overall test" for the agreements under the Fair Work Act. We comply with the relevant Government Policies and Guidelines on Agreement making in Government Owned Corporations.

We also engage some employees on a contractual basis. There are currently five (5) employees on senior executive contracts. These include the General Manager Trade and Property, General Manager Infrastructure and Planning, General Manager Operations and Logistics, Chief Executive Officer and the Chief Financial Officer. There are currently three (3) employees on senior employee contracts that exceed the limit of remuneration set by the Enterprise Agreements. There are fifteen (15) employees (casual Maritime Security Guards) on individual twelve (12) month employment agreements.

The remaining employees are covered by the four (4) Enterprise Agreements that are currently in operation, namely:-

- *Port of Townsville Limited Port Services Enterprise Agreement 2013;*
- *Port of Townsville Limited Administrative, Technical, Supervisory and Professional Employees Enterprise Agreement 2013;*
- *Port of Townsville Limited Maintenance Employees Enterprise Agreement 2013; and*
- *Port of Townsville Limited Marine Pilots Enterprise Agreement 2014.*

We do not have any gain sharing schemes.

## 5. Enterprise Bargaining and Productivity Initiatives

No industrial action was taken during 2015-2016 and none is expected during 2016-2017.

We continually review all employment conditions and policies with the objective of:

- ensuring consultative arrangements agreed in terms of content covered by the Fair Work Act; and
- supporting a preference for the regulation of employment conditions via enterprise agreements negotiated in conjunction with unions.

We continue to maintain a good relationship with employees and unions.

## 6. Type of Employment and Workforce Planning

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We have in place a Workforce Plan which identifies the employment challenges facing the organisation and details strategies to be implemented to ensure that our employment profile will be capable of meeting future corporate objectives in accordance with shareholding Ministers' directives.

The table below outlines current employee numbers as at 29 March 2016:

Employment Category	Number of Employees
Permanent	82
Casual	19
Temporary	5
Contract	12
Total	118

There has been an increase in employee numbers from 2015 -2016 with the introduction of the new Maritime Security Unit (MSU); this has increased employee numbers by 15 full time equivalents. The MSU was established following changes to legislation and a May 2015 audit by Australian Customs which highlighted issues with access control within the Port of Townsville Limited. Management of access control (gate security) for POTL common user wharves and wharf related areas are now undertaken by POTL and under Federal Legislation (*Customs Act 1901* (Cth)) POTL's obligations cannot be subcontracted out.

Workforce Profile Snapshot:

- POTL currently employs 118 people across a wide range of occupations/disciplines;
- The average age of employees is 47.5 years;
- Almost 47% of POTL's employees are aged over 50 years;
- 69% of POTL's employees are male and 31% are females;
- Average length of service with POTL is just under 8 years; and
- 48% of POTL's employees have been with the organisation for less than 5 years; (N.B: this includes Marine Pilots 2 years with POTL and Maritime Security Guards less than 1 year with POTL).

### Future Employment Requirements

POTL will continue to undertake workforce planning to ensure employment and skill levels are sufficient to ensure that our objectives can be achieved.

Our Employment and Industrial Relations objective is to achieve a work environment that is equitable and safe and attracts, develops and retains motivated, skilled and high-performing people committed to achieving business objectives.

Based on the Corporate Plan priorities and projects, the number of employees and basic skills required of employees are unlikely to change markedly over the next five (5) years. The key skills that will become more important over the period of this plan include:-

- Customer Service;
- Contract Management;
- Continuous Improvement;
- Team Leadership;
- System design and implementation; and
- Business and Commercial Skills.

A number of existing employees have undertaken, are undertaking or have identified training in these areas to improve skills for example there are thirteen (13) POTL employees participating in the annual POTL Developing Managers and Leaders Program which has several Australian Quality Training Framework accredited units in the program.

With the exception of the establishment of the Maritime Security Unit, an analysis of historical information has shown that POTL's operating costs, including employee numbers, remain fairly constant despite growth or decline in trade throughput.

POTL's future efforts are directed at planning, approvals and construction works necessary to ensure the Port of Townsville's preparedness and flexibility to meet future trade growth.

## 7. Work Health & Safety

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We are committed to complying with our obligations under the *Work Health and Safety Act 2011* (Qld). Our board and senior executives have established a Safety Management System designed to provide and maintain the best possible standard of occupational health and safety for everyone at our places of work, including employees, contractors and visitors. All employees have a collective and individual responsibility with regard to the prevention of workplace injuries and working safely.



## 8. Equal Employment Opportunity (EEO) and Anti-Discrimination

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We have an Equity Policy which aims to promote equality of opportunity by prohibiting unfair discrimination, sexual harassment and associated objectionable conduct. The policy contains information relating to EEO, Anti-Discrimination, Sexual Harassment and Prevention of Harassment and Bullying. New employees are trained in this Policy during induction and all employees are required to attend annual training in relation to this Policy. Any reported breaches of POTL's Equity Policy are investigated promptly and any person found to be in breach of the policy may be subject to disciplinary action in accordance with POTL's Disciplinary Procedure. We also have nine trained Contact Officers located throughout the Port.

Under section 148 of the *Government Owned Corporations Act 1993 (Qld) (GOC Act)*, we are a relevant EEO agency for the *Public Service Act 2008 (Qld) (PS Act)*, Chapter 2. In accordance with section 31 of the PS Act, we must for each financial year give the Public Service Commissioner a report about the outcome of its actions required under section 30 of the PS Act during the financial year. This report must be provided no later than three (3) months after financial year end.

## 9. Redundancy Provisions

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We are committed to providing redundancy provisions in accordance with Division 11 of the Fair Work Act and as prescribed by the certified Enterprise Agreements. Under the Agreements redundancy payment is calculated on the basis of three weeks' salary per year of service. Accrued Recreation and Long Service Leave is paid out on termination if the entitlement exists.

## 10. Superannuation

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We apply the *Superannuation Guarantee (Administration) Act 1992 (Cth)* (as varied) and associated legislation in respect to employees' entitlement to superannuation. As we use QSuper as our default superannuation fund, it does not have access to any surplus from defined benefit funds.

An employee who chooses to have their employer superannuation contributions made to the QSuper Scheme has two (2) options, either contributory or non-contributory.

### Contributory

Employees may contribute up to 5% of their base wage to the scheme. We then contribute an additional 3.50% of the employee's base wage bringing the employer contribution to 12.75%. This contributory option is only available for employees using QSuper as their Superannuation fund. There are currently sixty-five employees utilising the contributory option.

### Non-Contributory

Employees who decide not to make contributions will have an amount as determined by the Superannuation Guarantee Legislation paid into the QSuper Accumulation Plan by POTL. This amount is currently 9.5% of the base wage.

We continue to actively encourage employees to become contributory members of superannuation and to consider the long term benefits of salary sacrifice and additional voluntary contributions. QSuper seminars have been provided for employees in work time and attendance is supported and encouraged. All current Enterprise Agreements provide for employees to transfer their long service entitlement into their superannuation account. To date, no employee has exercised this option.

## 11. Consultative Arrangements

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Name	Dates Consulted	Comments	POTL Response
Commercial Monitoring Queensland Treasury and Trade			
Department of Justice and Attorney-General			
Department of Premier and Cabinet			
Department of Transport and Main Roads			
Industrial Relations Public Service Commission			
Maritime Union of Australia	31 March 2016	Nil Received	Nil Required
Australian Maritime Officers Union	31 March 2016	04 April 2016 No comments to add	Nil Required
All POTL Employees	31 March 2016	Nil Received	Nil Required