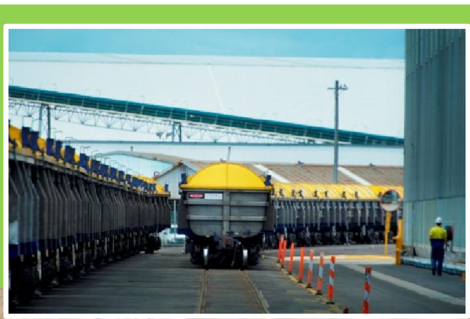
PORT OF TOWNSVILLE LIMITED

STATEMENT OF CORPORATE INTENT

2012 | 2013



PORT of TOWNSVILLE
Nexus North Queensland

SEPTEMBER 2012

DIRECTORS' STATEMENT AND AGREEMENT OF SHAREHOLDING MINISTERS

This Statement of Corporate Intent (SCI) and all attachments, for 2012-2013, 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 (the Corporation) and its shareholding Ministers, the Honourable Tim Nicholls MP, Treasurer and Minister for Trade and the Honourable Scott Emerson MP, Minister for Transport and Main Roads. In signing this document, the Corporation's board undertakes to achieve the financial and non-financial targets proposed in this SCI for the financial year.

This SCI is consistent with the Corporation's 2012-2017 Corporate Plan submitted to, and agreed by, shareholding Ministers in accordance with Chapter 3, Part 7 of the GOC Act.

The Corporation undertakes to report to shareholding Ministers on a quarterly and annual basis with respect to the Corporation's 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 Chair on behalf of all the directors in accordance with a unanimous decision of the board of Port of Townsville Limited.

Ross Dunning AC
Chairman

Date: _____ / _____ / 2012

The Hon. Tim Nicholls MP
Treasurer and Minister for Trade

Date: _____ / _____ / 2012

The Hon. Scott Emerson MP
Minister for Transport and Main Roads

Date: _____ / _____ / 2012

1. CORE BUSINESS, STRATEGIC PRIORITIES AND MAJOR INITIATIVES

1.1 VISION

Seamless movement of products across the supply chain; creating value with every connection.

1.2 CORE BUSINESS

The Corporation's core business as set out in its constitution and the *Transport Infrastructure Act 1994* (Qld), is to:

- act commercially and optimise the value of the business whilst endeavouring to achieve sustained long-term business growth;
- establish, manage and operate effective and efficient port facilities and services at its ports;
- make land available for the establishment, management and operation of effective and efficient port facilities and port services at its ports by other persons, or other purposes consistent with the operation of its ports;
- provide or arrange for the provision of ancillary services or works necessary or convenient for the effective and efficient operation of its ports;
- keep appropriate levels of safety and security in the provision and operation of the port facilities and port services;
- provide other services incidental to the performance of the Corporation's other functions, or likely to enhance the usage of its ports;
- perform any other functions and exercise any other powers conferred on the Corporation;
- provide port services and ancillary services whether in or outside its 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.

1.3 STRATEGIC PRIORITIES

Consistent with the Corporation's Corporate Plan 2013-2017 and the strategic expectations of shareholding Ministers, the Corporation will pursue the following strategic priorities in 2012-2013:-

FINANCIAL STRENGTH: Responsible financial management and profit growth delivering sustainable value to shareholders and capacity for future investment.	▪ Diversify revenue sources and effectively manage counter-party risks to ensure financial resilience and sustainability of operations. ▪ Maintain transparent and competitive pricing structures that reflect value for money and deliver acceptable returns on assets. ▪ Improve commercial returns from existing assets through efficiency reforms. ▪ Pursue appropriate private financing structures for port expansions and developments.
COMPETITIVE & EFFICIENT OPERATIONS: Customer focussed approach to delivering competitive, reliable and efficient supply chain solutions.	▪ Optimise flexibility and capability of existing transport supply chain infrastructure to meet future demand and trade growth. ▪ Secure strategic planning approvals and actively progress port developments to ensure responsive and timely delivery of infrastructure to meet customer growth objectives. ▪ Actively partner with customers and other service providers to ensure that freight movement across the supply chain is seamlessly integrated.
SOCIAL RESPONSIBILITY: Port developments and operations are transparent, responsible and provide demonstrated value to all stakeholders.	▪ Actively and transparently engage with the community and stakeholders regarding developments, operations and performance. ▪ Develop transitional areas at the port-city interface to ensure compatibility and encourage public use of the waterfront. ▪ Manage potential impacts from existing port operations and new projects through comprehensive and reliable management systems and environmental monitoring. ▪ Actively partner with all stakeholders to ensure robust systems are in place to ensure the health and safety of all employees, operators and visitors at the Corporation's ports.

1.4 MAJOR INITIATIVES

During the period of this SCI, the Corporation will undertake the following major initiatives:

- achieve alignment and integration of capacity and performance across the Mount Isa – Townsville supply chain;
- implement capacity-based pricing structures that promote efficient port asset utilisation;
- establish a long term asset management plan to clearly define appropriate maintenance and renewal costs and program;
- determine commercial frameworks and financing structures for planned port expansions;
- redevelop or rationalise surplus and non-performing assets to diversify revenue and improve commercial performance;
- secure environmental approvals for the Port Expansion Project to ensure infrastructure can meet demand.

2. BUSINESS OUTLOOK

International demand for mineral resources and agricultural products, whilst expected to slow slightly in the short-term, is forecast to experience steady growth in the medium to long term. Queensland's North West and North East Mineral Provinces will continue to be a reliable supplier of resources, with its full potential yet to be realised. The Corporation is continuing to work closely with a number of proponents on significant new mining projects in advanced stages of investigation that have the potential to result in a step-change increase in exports through the Port of Townsville.

In addition, the Townsville and northern Queensland region continues to grow at a rapid pace. Forecast population growth and regionalisation strategies necessitate the establishment of essential transport infrastructure, including port infrastructure, to support this growth in a sustainable manner.

Trade through the Corporation's ports totalled 12.89 million tonnes in 2011-2012, a record throughput for the third consecutive year. Trade is forecast to remain relatively consistent at 12.82 million tonnes in 2012-2013, increasing to 15.1 million tonnes by 2017 (18% increase over five years).

Tonnage throughput and commodity mix in 2012-2013 are expected to remain consistent with 2011-2012 results, with several slight variances.

IMPORTS	2011-2012 Actual	2012-2013 Budget	Movement
Bitumen	-	100,000	100,000
Cement	482,254	450,000	- 32,254
Concentrates Containers	52,714	50,000	- 2,714
Copper Anode	73,564	50,000	- 23,564
Fertilizer	96,817	100,000	3,183
General Cargo	300,493	250,000	- 50,493
General Cargo - Lucinda	3,337	1,500	- 1,837
Mineral Concentrates (bulk)	250,230	220,000	- 30,230
Motor Vehicles	27,092	20,000	- 7,092
Nickel Ore	3,978,616	4,000,000	21,384
Oil - General Purpose	1,111,296	1,050,000	- 61,296
Sulphur	112,733	100,000	- 12,733
Sulphuric Acid	63,396	50,000	- 13,396
Total Imports	**6,552,542**	**6,441,500**	**- 111,042**
EXPORTS			
Cattle	10,863	20,000	9,137
Contaminated Oil	8,628	3,000	- 5,628
Copper Refined	272,221	250,000	- 22,221
General Cargo	191,585	155,000	- 36,585
General Cargo - Lucinda	9,522	3,000	- 6,522
High Analysis Fertilizer	866,066	850,000	- 16,066
Lead Ingots/Refined Lead	164,430	130,000	- 34,430
Magnetite Ernest Henry	684,804	800,000	115,196
Magnetite Mount Moss	161,719	150,000	- 11,719
Meat & By Products	21,288	15,000	- 6,288
Mineral Concentrates	1,362,030	1,656,000	293,970
Molasses	381,782	250,000	- 131,782
Nickel Refined	27,967	20,000	- 7,967
Refned Zinc/Zinc Ingots	156,889	170,000	13,111
Sand/Gravel/Coke	-	8,000	8,000
Sugar	1,490,541	1,200,000	- 290,541
Sugar - Lucinda	-	350,000	350,000
Sulphuric Acid	5,502	-	- 5,502
Timber	318,696	60,000	- 258,696
Zinc Ferrites	210,651	160,000	- 50,651
Zinc Oxide (Geothite)	-	130,000	130,000
Total Exports	**6,345,184**	**6,380,000**	**34,816**
TOTAL THROUGHPUT	**12,897,726**	**12,821,500**	**- 76,226**

A key risk to the achievement of revenue forecasts is trade volatility, [redacted]

In subsequent years, trade is forecast to continue to grow steadily, predominantly driven by growth in exports of mineral concentrates, magnetite and fertiliser products as a number of existing customers increase production levels and new mines commence operation.

The Corporation will continue to pursue alignment of capacity across the supply chain with Queensland Rail Limited, above rail freight operators, customers and other participants in the supply chain to ensure that forecast trade growth can be accommodated and future investments in infrastructure are appropriately staged and implemented to optimise available capacity.

3. PERFORMANCE TARGETS

3.1 KEY PERFORMANCE TARGETS

The Corporation undertakes to achieve the following key financial and non-financial performance targets in 2012-2013:

Performance Indicators	2011-2012 Actual	2012-2013 Budget	Movement (From 2011-2012)
Operating Revenue ($M)	90.27	73.10	-17.17
Operating Expenditure ($M)	47.39	38.90	-8.49
Trade Income ($M)	52.38	53.78	1.40
Property & Facilities Income ($M)	6.96	7.63	0.67
EBIT ($M)	42.88	34.20	-8.68
NPAT ($M)	28.64	22.11	-6.53
Dividend ($M)	5.30	9.20	3.90
Accounting Return on Assets (%)	9.19	7.03	-2.16
Return on Equity (%)	8.03	6.01	-2.02
Current Ratio	1.21	0.93	-0.28
Interest Cover Ratio (EBIT)	64.44	14.10	-50.34
Debt to Equity Ratio	0.03	0.15	0.12
Tonnage Throughput (Millions)	12.90	12.82	-0.08
Capital Investments ($M)	77.26	89.95	12.69
Lost Time Injury Frequency Rate (LTIFR)	0	< 5	0
Reportable Environmental Breaches	0	0	0

The Corporation undertakes to achieve the financial results detailed in the Income Statement, Statement of Financial Position and Statement of Cash Flows provided at Annexure A.

3.2 ASSUMPTIONS

The Corporation's 2012-2013 financial forecasts reflect changes to internal and external operating environments that may impact on the Corporation's operations in the current planning period. Key assumptions include:-

- Trade 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 Queensland Treasury Corporation and long-term historical trade patterns.
- An allowance has been made for overall increases in port charges (cargo and berthage charges) of 5.5% per annum for the Port of Townsville for the five year budget period, with no increases in port charges factored in for the Port of Lucinda.
- Capital expenditure includes $89.95 million in 2012-2013 and $153.56 million over the five years to 2016-2017 to complete a number of major projects approved by shareholding Ministers, as well as a number of other projects and upgrades considered essential for continued growth and reliability, safety and efficiency of core assets.
- 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 of 4% have been provided for employees covered by Enterprise Agreements and contract employees with correlative terms effective 1 July 2012. In subsequent years, wage increases will not exceed 3% in line with the *Government Owned Corporations Wages Policy 2012* approved by the Cabinet Budget Review Committee on 30 May 2012, with any increases to be fully offset by efficiency and productivity improvement savings. Director remuneration has not increased for 2012-2013, and senior executive remuneration has been increased by 2.5% effective 1 July 2012. Constraint on filling of vacant positions will be necessary to achieve expenditure forecasts, with no increase in employment levels allowed over the forecast period.
- Interest rate on borrowings has been calculated at [redacted]% 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.
- Where Grants and Subsidies received for the Berth 10A project fall within the definition of grants as described under the accounting standard *AASB120 Accounting for Government Grants and Disclosure of Government Assistance*, those monies will be treated as grants related to assets, and shall be presented in the balance sheet either as deferred income, or eventually by deducting the grant in arriving at the carrying amount of the asset. Monies received in consideration for material benefit and services, such as Department of Defence funding, will be treated under the appropriate accounting standard.

3.3 RISK MANAGEMENT

The Corporation's Board has ultimate responsibility for the management of all major risks for the Corporation. The Corporation's risk identification and management process is monitored by the Finance, Audit and Risk Management (FARM) Committee, which is a committee of the board and which reports to the board on a regular basis. The key strategic risks for the next 12 months that are regularly monitored by the board include:-

1. Trade volatility and counter-party risk;
2. Inadequacy of whole-of-supply chain infrastructure to support trade growth;
3. Inability to secure finance to support port expansions;
4. Environmental constraints on future port expansions and operations.

The Corporation's Strategic Risk Register details all key strategic risks monitored by the board. The risk management framework is designed to ensure that all potential financial, operational and other risks are regularly identified, assessed, monitored and reported to the FARM Committee and the board, along with appropriate risk mitigation and management plans. In particular, potential security risks have been considered and identified and a framework to respond to security events has been developed.

The board will continually monitor all risks and update the Corporation's response framework as necessary. Risk management plans have been incorporated in the Corporation's budgetary and strategic planning processes.

4. FINANCIAL MANAGEMENT

The Corporation is committed to responsible financial management and profit growth that delivers sustainable value to shareholders and capacity for future investment.

Financial performance results for 2012-2013 are detailed in the financial statements at Annexure A. These performance results will be achieved through:-

- pursuing new and diversified revenue sources and effectively managing counter-party risks to ensure financial resilience and sustainability of operations;
- continued implementation of pricing reforms that reflect value for money and deliver acceptable returns on assets;
- targeting substantial reductions in operating expenditure through constraint on discretionary spending and implementing efficiency reforms whilst ensuring core operations continue and core assets are maintained to appropriate standards of safety, reliability and availability;
- completing existing approved capital port upgrades and developments to improve the flexibility, capacity and efficiency of existing assets and accommodate and secure the long-term future of key commodities and industries for the region;
- securing strategic approvals for future port expansions to position the Port of Townsville to capitalise on future growth opportunities and increase attractiveness of privately financed expansions to potential investors;
- pursuing appropriate private financing structures for port expansions and developments; and
- redevelopment and rationalisation of surplus and non-core assets to improve commercial performance and value.

Operating costs (exclusive of depreciation and revaluation effects) have decreased from 2011-2012 actual by $3.82 million (12%). These reductions have been made possible as a result of changes in government policy that have increased the Corporation's flexibility to appropriately manage business operations and to reduce discretionary spending. Expenditure reductions achieved are considered sustainable, and will not compromise safety performance, core maintenance and core services delivered by the Corporation.

Reportable expenditure on sponsorships, donations, advertising and corporate entertainment is outlined below:-

Detail	2011-2012 Actual	2012-2013 Budget	Movement
Sponsorships	**$139,732**	**$30,000**	**$(109,732)**
Donations	**$89,790**	**$52,350**	**$(37,440)**
Corporate Entertainment & Events	**$35,527**	**$19,255**	**$(16,272)**

The Corporation's expenditure on sponsorships and donations relate to commitments that had been made prior to announced expenditure reductions. In future years the Corporation will continue to review and reduce discretionary spending in these areas.

The Corporation does not undertake any Community Service Obligations (CSOs) as that term is defined in the *Government Owned Corporations Act 1993* (Qld).

5. CAPITAL INVESTMENT

Capital expenditure for 2012-2013 totals $89.95 million, which is largely dominated by completion of major projects approved by shareholding Ministers, including the Berth 8 Upgrade Project and Berth 10A Upgrade Project and a number of other projects previously approved by the board.

During 2012-2013 the Corporation will complete the Environmental Impact Statement (EIS) for the Port Expansion Project to ensure strategic approvals are in place for creation of up to six new berths in the outer harbour to meet future trade demands.

The Corporation also expects to complete preliminary investigations for Berths 10B and 10C in the Inner Harbour in line with existing contracts with the State and Commonwealth to ensure Townsville Port has flexibility to respond to the strategic needs of defence, cruise and general cargo operations, however will defer completion of the full EIS in line with the expectations of shareholding Ministers.

Channel widening works will be completed, ensuring navigational safety and improved access for larger vessels to the Port of Townsville. The Corporation will complete the final property acquisition required to secure future supply of adequate quality and quantity of quarry products for port expansions.

Major capital investments for 2012-2013 over the budget period are detailed below:-

Capital Project	2011-2012 Actual	2012-2013 Budget
Berth 10A Upgrade	$23.99	$41.04
Berth 8 Upgrade	$13.7	$28.14
Channel Widening	-	$5.04
Suter Pier Shed Demolition	-	$3.50
Port Expansion Project EIS	$2.68	$2.93
Quarry	$2.46	$2.50
Berth 10B/C EIS	$1.44	$1.43
Other Capital Projects	$32.99	$5.37
TOTAL	**$77.26**	**$89.95**

Consistent with advice of shareholding Ministers by correspondence dated 29 August 2012, any future capital investments over $3 million will require approval of shareholding Ministers, and any capital investments over $1 million must be notified to shareholding Ministers.

With likely constraints on future capital investments and borrowing by Government Owned Corporations, it is essential that use of existing assets is optimised, and that clear frameworks for future privately financed investments are established.

The Corporation's extensive strategic planning in recent years has ensured a very clear framework for port and supply chain developments to accommodate future growth. The Corporation will continue to work closely with the Department of State Development and Projects Queensland regarding private financing structures for delivery of major port and supply chain capacity expansions.

In addition, the Corporation will continue with its program of rationalisation of surplus and non-core assets with a view to redevelopments and divestments that improve commercial returns for the Corporation and its shareholders.

6. DEBT POSITION AND BORROWINGS

At 1 July 2012 the Corporation held cash reserves of $34 million. It is expected that the Corporation will hold cash reserves of $14 million at the end of 2012-2013. The balance of existing borrowings at 30 June 2012 included $5.2 million current liabilities (notably a drawdown on the Corporation's Working Capital Facility with Queensland Treasury Corporation (QTC)) and $7.1 million of non-current liabilities with QTC.

New borrowings of $49 million will be required in 2012-2013 and [redacted] to fund capital works, notably Berth 10A and Berth 8 Upgrade projects. Any additional borrowing requirements for any new major projects will be addressed through separate approvals processes.

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

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

Performance Indicators	2011-2012 Actual	2012-2013 Budget	Movement
Cash Balance ($M)	34.21	14.35	(19.86)
New Borrowings ($M)	5	49	44
Balance of Borrowings ($M)	12.38	55.52	43.14

7. EMPLOYMENT AND INDUSTRIAL RELATIONS

The Corporation's Employment and Industrial Relations Plan 2012-2013 is included at Annexure B. This Plan has been prepared in accordance with the requirements of the *Government Owned Corporations Act 1993* (Qld).

8. REPORTING TO SHAREHOLDERS

The Corporation will report to its shareholding Ministers:-

- within one month after the end of each quarter a report on the operations of the Corporation for each quarter;
- annually on full performance results with detailed financial statements and the information required to be included in annual reports under the *Government Owned Corporations Act 1993* (Qld);
- as required to keep shareholding Ministers reasonably informed of the operations, financial performance and financial position of the Corporation and any significant issues affecting the Corporation, including its ability to meet the key performance results set out in this Statement of Corporate Intent.

INCOME STATEMENT

	2011-2012 Actual $	2012-2013 Budget $	Movement $
OPERATING INCOME			
Trade Income	52,374,730	53,781,096	1,406,366
Property and Facilities Income	6,966,956	7,634,122	667,166
Interest Earned	1,564,988	1,094,840	(470,148)
Major Projects Offset Income	996,188	-	(996,188)
Other Revenue	866,274	4,633,691	3,767,417
Revaluation and Impairment Adjustments	12,226,592	4,060,905	(8,165,687)
Grants and Subsidies Received	15,274,000	1,894,286	(13,379,714)
	90,269,728	73,098,940	(17,170,788)
OPERATING EXPENDITURE			
Employee Related Expenses (Operating)	9,757,876	9,785,924	28,048
External Service Providers	12,895,173	9,187,040	(3,708,133)
Materials & Consumables	6,546,541	7,339,376	792,835
Depreciation & Amortisation	11,732,936	11,706,860	(26,076)
Impairments/Writedowns	4,881,008	231,476	(4,649,532)
Taxes and Government Charges	583,891	564,000	(19,891)
Other	992,140	83,229	(908,911)
	47,389,564	38,897,905	(8,491,659)
EARNINGS BEFORE INTEREST AND TAX	42,880,165	34,201,035	(8,679,130)
Finance Costs	674,504	2,424,977	1,750,473
NET PROFIT (LOSS) BEFORE TAX	42,205,661	31,776,058	(10,429,603)
Income Tax Equivalent	13,570,061	9,664,673	(3,905,388)
NET PROFIT (LOSS) AFTER TAX	28,635,600	22,111,385	(6,524,215)
Dividend	(5,296,070)	(9,203,130)	(3,907,060)
Movements in Retained Profits	1,795,303	2,559,841	764,538
Retained from Previous Periods	75,791,203	100,926,036	25,134,833
RETAINED EARNINGS	100,926,036	116,394,133	15,468,097

STATEMENT OF FINANCIAL POSITION

	2011-2012 Actual $	2012-2013 Budget $	Movement $
CURRENT ASSETS			
Cash	34,213,743	14,351,105	(19,862,638)
Trade and Other Receivables	12,119,849	9,510,861	(2,608,988)
Non-Current Assets Held for Sale	1,380,000	-	(1,380,000)
Other	625,984	664,764	38,780
	48,339,576	24,526,729	(23,812,847)
NON-CURRENT ASSETS			
Property, Plant & Equipment	376,152,643	439,802,320	63,649,678
Investment Properties	34,643,000	34,268,495	(374,505)
Other	-	-	-
	410,795,644	474,070,816	63,275,172
TOTAL ASSETS	459,135,220	498,597,545	39,462,324
CURRENT LIABILITIES			
Trade and Other Payables	12,188,776	10,375,488	(1,813,288)
Current Tax Liabilities	2,643,248	3,637,108	993,860
Financial Liabilities	5,236,110	1,189,068	(4,047,042)
Provisions	5,499,189	9,590,583	4,091,394
Other	14,417,560	1,504,863	(12,912,697)
	39,984,884	26,297,110	(13,687,774)
NON-CURRENT LIABILITIES			
Financial Liabilities	7,147,672	54,333,179	47,185,507
Provisions	3,487,246	1,189,154	(2,298,092)
Deferred Tax Liabilities	10,778,229	5,382,474	(5,395,755)
Other	31,807,500	31,192,500	(615,000)
	53,220,647	92,097,307	38,876,660
TOTAL LIABILITIES	93,205,530	118,394,417	25,188,887
NET ASSETS	365,929,689	380,203,127	14,273,439
EQUITY			
Retained Profits	100,926,034	116,394,133	15,468,099
Reserves	163,257,487	162,062,826	(1,194,661)
Issued Shares	101,746,168	101,746,168	-
TOTAL EQUITY	365,929,689	380,203,127	14,273,438

STATEMENT OF CASH FLOWS

	2011-2012 Actual $	2012-2013 Budget $	Movement $
SOURCE OF FUNDS			
Receipts from Customers	53,914,598	64,642,402	10,727,804
Loan Raisings	5,000,000	49,000,000	44,000,000
Grants and Subsidies Received	29,974,000	6,314,286	- 23,659,714
Sales of Fixed Assets	5,773,342	6,460,000	686,658
Interest Received	1,564,988	1,094,840	- 470,148
Total Cash Inflow	96,226,928	127,511,528	31,284,600
EXPENDITURE			
Dividend	-	5,296,070	5,296,070
Payments to Suppliers & Employees	22,814,909	30,289,587	7,474,679
Capital Expenditure	77,258,627	89,947,425	12,688,798
Redemption on Loans	498,970	5,861,536	5,362,565
Finance Costs	678,154	2,424,977	1,746,823
Income Tax Equivalents	35,425,138	13,554,571	- 21,870,568
Total Cash Outflow	136,675,798	147,374,167	10,698,369
Net Cash Inflow/(Outflow)	(40,448,870)	(19,862,638)	20,586,232
OPENING CASH BALANCE	74,662,613	34,213,742	- 40,448,870
Net Cash Inflow/(Outflow)	(40,448,870)	(19,862,638)	20,586,232
CLOSING CASH BALANCE	**$34,213,742**	**$14,351,105**	- 19,862,637

1. Strategic Framework and Outcomes

Over the next five (5) years the Corporation's efforts will be focused on achieving efficiencies of existing infrastructure and services, and establishing critical port infrastructure to meet future trade demand in a sustainable manner. This will involve delivering major port developments including the Berth 10A Upgrade, Berth 8 Upgrade and planning for construction of a new Berth 12 and the Port Expansion Project at the Port of Townsville.

Whilst it is not envisaged that these projects will affect internal employment levels during the 2012-2013 financial year, the Corporation will continue to undertake workforce planning to ensure employment and skill levels are sufficient to support these major port developments and to ensure that the Corporation's objectives can be achieved. Any increase in future resources for major projects will be commensurate with the projects to be delivered and in accordance with Government directives.

The Corporation's primary 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 2012-2013 are as follows:

Strategy	Performance Outcome	Performance Measure	Performance Target
Promote the Corporation as an employer of choice to attract and retain employees who align with the Corporation's business objectives	▪ Employee satisfaction ▪ Improved recruitment outcomes	▪ % increase in employee satisfaction ▪ Number of applications for advertised positions	▪ > 80% employee satisfaction ▪ > 10 applications received for advertised positions
Ensure workplace policies, conditions and systems encourage diversity and enable employees to better manage work and personal life commitments	▪ Implementation of a workplace diversity plan ▪ Workplace free from discrimination and harassment ▪ Employees have access to flexible working arrangements ▪ Employees have access to an Employee Assistance Program (EAP)	▪ % of workplace diversity plan developed, implemented and promoted to employees ▪ Number of incidents of discrimination or harassment in the workplace ▪ % incidents of discrimination or harassment in the workplace reported and dealt with in a prompt and appropriate manner ▪ % employee access to flexible working arrangements (subject to operational requirements) ▪ % of employees aware of and have access to EAP	▪ 100% of workplace diversity plan developed, implemented and promoted to employees ▪ Nil incidents of discrimination or harassment in the workplace ▪ 100% availability of flexible working arrangements for employees (subject to operational requirements) ▪ 100% of employees aware of and know how to access EAP
Provision of corporate management systems and technologies to support more efficient and productive output	▪ Improved productivity and output ▪ External certification of corporate management systems	▪ $ value of productivity savings over term of Enterprise Agreements ▪ External certification of all corporate management systems	▪ $652,000 in productivity savings over term of Enterprise Agreements ▪ Systems externally certified
Maintain an equitable and safe workplace	▪ Equity training provided to employees ▪ Nil Lost Time Injury Frequency Rate (LTIFR) ▪ Safety management system (SMS) externally certified	▪ % of employees trained in equitable workplace behaviours ▪ LTIFR ▪ External certification of SMS	▪ 100% of employees trained in equitable workplace behaviours ▪ LTIFR <5 ▪ External certification of SMS maintained

2. Significant and Emerging Issues

The key issues for the Corporation relating to industrial relations and human resources during 2012-2013 are detailed below.

1. Employment Security and Economic Sustainability

The Corporation is committed to maintaining employment security whilst remaining economically sustainable and will continue to monitor employment arrangements as the economic climate changes and take appropriate action as necessary. The Corporation will strive to preserve employee numbers through economically challenging periods whilst there is productive work to be undertaken and it is economically viable to do so. Some initiatives the Corporation has implemented to ensure employee numbers are maintained include:

- managing leave entitlements to reduce leave balances;
- reviewing vacant positions prior to determining whether to fill the vacancy to:-
    - ensure positions are essential to the core operations of the Corporation; and
    - to determine if different skill sets are required that improve productivity, diversity and flexibility.

2. Attracting and Retaining Employees

The Corporation regularly reviews and aligns its recruitment strategies, structure, and succession planning to ensure that resources are sufficient and appropriate to meet corporate objectives. The Corporation will continue to implement and review its 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. The Corporation also undertakes regular reviews of position descriptions to ensure accuracy for position requirements.

The Corporation is 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 Corporation 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, sporting competition leave and blood products donation leave).

3. Workplace Relations

The Corporation is focussed on maintaining good workplace relations to ensure that employees enjoy working conditions and are committed to achieving the Corporation's strategic objectives. The Corporation will continue to implement strategies to improve workplace relations, some of the key actions for 2012-2013 include:

- monitoring of all terms and conditions contained within the Enterprise Agreements including agreed productivity initiatives;
- 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.

3. Director/Senior Executive Remuneration

Directors and senior executives of the Corporation are remunerated in accordance with their terms of appointment and remuneration policies approved by shareholding Ministers.

The Corporation's *Policy for Recruitment and Remuneration of Chief and Senior Executives* approved by shareholding Ministers governs the 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. The Board has the discretion to approve annual Total Fixed Remuneration (TFR) increases for Chief and Senior Executive positions up to the latest market median for the position's work value but limited to a maximum increase of 10%.

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 Corporation 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 the Corporation's financial statements in accordance with accounting standards and government policies.

Non-Executive Directors including Chairman Remuneration as at 1 July 2012

Given Name	Director Fees	Committee Fees	Other Benefits	Super	Total
R.W. Dunning (Chair)	45,187	21,865	1,800	6,035	74,887
S. Graw (Deputy Chair)	21,863	14,575	-	3,279	39,717
T. McGrady (Director)	21,863	8,744	-	2,755	33,362
D. Zetlin (Director)	21,863	8,744	-	2,755	33,362
R. Krayem (Director)	21,863	8,744	-	2,755	33,362
B. Webb (Director)	21,863	4,372	-	2,361	28,596
J. Coleman (Director)	21,863	8,744	-	2,755	33,362
N. Scopelliti (Director)	21,863	4,372	-	2,361	28,596

Senior Executive Remuneration as at 1 July 2012

CEO / Senior Executive	Base Salary1	Employer Superannuation Contribution[2]	Motor Vehicle[3]	Car Park[4]	Other Personal Benefits[5]	Total Fixed Remuneration[6]	Other Non-personal Benefits[7]	Performance Payment[8]
Chief Executive Officer	286,945	36,586	0	0	0	323,531	0	Up to 15% of TFR
General Manager Support Services	209,157	22,485	0	0	0	231,642	0	Up to 15% of TFR
General Manager Major Projects	212,515	19,127	0	0	0	231,642	0	Up to 15% of TFR
General Manager Operations	209,142	18,822	0	0	0	227,964	0	Up to 15% of TFR

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

The Corporation has three 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.

The Corporation's Enterprise Agreements comply with the provisions contained in the Fair Work Act with regards to content, coverage, bargaining and lodgement process of Enterprise Agreements. The Corporation's 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 the Corporation's agreements, and is utilised for the "better off overall test" for the agreements under the Fair Work Act. The Corporation complies with the relevant Government Policies and Guidelines on Agreement making in Government Owned Corporations.

The Corporation also engages some employees on a contractual basis. There are currently four (4) employees on Senior Executive contracts. These employees are the Chief Executive Officer, General Manager Support Services, General Manager Major Projects and General Manager Operations.

There are currently seven (7) employees on Senior Employee contracts that exceed the limit of remuneration set by the Enterprise Agreements. The Corporation is committed to the Government directive of no new individual contracts being entered into where total fixed remuneration is less than the monetary equivalent of a Level AO8, pay point 4 employee (covered by the *State Government Departments Certified Agreement 2009* and *Public Service Award – State 2003*) plus 12.75%.

The Enterprise Agreements that are currently in operation are:-

- AE882988 – *Port of Townsville Limited Port Services Enterprise Agreement 2010* between the Corporation and Australian Maritime Officers Union (AMOU) was lodged with Fair Work Australia on 10 December 2010, approved on 16 December 2010 and expiring on 30 June 2013. The agreement covers approximately twenty (20) Port Services Officers.
- AE882987 – *Port of Townsville Limited Administrative, Technical, Supervisory and Professional Employees Enterprise Agreement 2010* between the Corporation and Australian Maritime Officers Union (AMOU) was lodged with Fair Work Australia on 10 December 2010, approved on 16 December 2010 and expiring on 30 June 2013. The agreement covers approximately forty-seven (47) employees.
- AE883329 - *Port of Townsville Limited Maintenance Employees Enterprise Agreement 2010* between the Corporation and Maritime Union of Australia (MUA) was lodged with Fair Work Australia on 21 December 2010, approved on 5 January 2011 and expiring on 30 June 2013. The agreement covers approximately twenty-two (22) maintenance employees.

The Corporation acknowledges the *Government Owned Corporations Wages Policy 2012* approved by the Cabinet Budget Review Committee on 30 May 2012, and the repeal of the *Minimum Employment, Industrial Relations and Job Security Principles for Government Owned Corporation (GOC) Employees* dated September 2010.

5. Enterprise Bargaining and Productivity Initiatives

The Corporation has in place three (3) Enterprise Agreements that expire 30 June 2013. Appropriate approvals will be sought when the agreement making process commences (approximately November/December 2012) for new Enterprise Agreements.

No industrial action was taken during 2011-2012 and none is expected during 2012-2013.

The Corporation continually reviews all employment conditions and policies with the objective of:

- ensuring consultative arrangements agreed in terms of content covered by the Fair Work Act;
- supporting a preference for the regulation of employment conditions via enterprise agreements negotiated in conjunction with unions;
- no new individual contracts being entered into where total fixed remuneration is less than the monetary equivalent of a Level AO8, pay point 4 employee (covered by the *State Government Departments Certified Agreement 2009* and *Public Service Award – State 2003*) plus 12.75%;
- where an individual specific contract is required to address critical skills, critical roles in critical locations, this will not be applied to whole or parts of business units, or all or any significant proportion of employees in a role or location. Such contracts will not provide broad additional entitlements, benefit enhancements or wages increases to a workforce or parts of a workforce outside and in excess of the *GOC Wages Policy 2012;*
- right of Entry may be contained in the agreements, otherwise will be dealt with by the Fair Work Act;
- any Industrial Relations Education Leave provisions will ensure that this leave does not interfere with business operational requirements;
- resolution of disputes will be in accordance with content under the Fair Work Act.

In line with the State Government's repeal of the *Minimum Employment, Industrial Relations and Job Security Principles* policy, the Corporation will review any no forced redundancies and job security provisions in agreements in the next round of negotiations. The Corporation continues to maintain a good relationship with employees and unions.

6. Type of Employment and Workforce Planning

The Corporation has in place a Workforce Plan which identifies the employment challenges facing the organisation and details strategies to be implemented to ensure that the Corporation's employment profile will be capable of meeting future corporate objectives in accordance with Government directives.

7. Workplace Health & Safety

The Corporation is committed to complying with its obligations under the *Work Health and Safety Act 2011* (Qld). The Corporation's 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 the Corporation's places of work, including employees, contractors and visitors. All employees of the Corporation 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

The Corporation has 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 Equal Employment Opportunity, 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 the Corporation'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 the Corporation's Disciplinary Procedure.

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

9. Redundancy Provisions

The Corporation is committed to providing redundancy provisions in accordance with Division 11 of the Fair Work Act. Accrued Long Service Leave is paid out on termination if the entitlement exists.

10. Superannuation

The Corporation applies the *Superannuation Guarantee (Administration) Act 1992 (Cth)* (as varied) and associated legislation in respect to employees' entitlement to superannuation. As the Corporation uses QSuper as its default superannuation fund, it does not have access to any surplus from defined benefit funds.

11. Consultative Arrangements

Name	Dates Consulted	Comments	Corporation Response
Office of Government Owned Corporations	19.09.2012		
Department of Justice and Attorney-General, Department of Premier and Cabinet)	19.09.2012		
Queensland Treasury	19.09.2012	21.09.2012 – no changes.	
Maritime Union of Australia	19.09.2012		
Australian Maritime Officers Union	19.09.2012	20.09.2012 – no concern or amendments required.	
All Corporation Employees	19.09.2012	19.09.2012 – minor typographical errors.	Amendments made.