



# STATEMENT OF CORPORATE INTENT 2014-2015





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# DIRECTORS' STATEMENT AND AGREEMENT OF SHAREHOLDING MINISTERS

This Statement of Corporate Intent (**SCI**) and all attachments, for 2014-2015, 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 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, our board undertakes to achieve the financial and non-financial targets proposed in this SCI for the financial year.

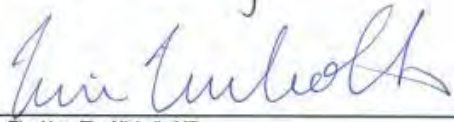
This SCI is consistent with our 2014-2015 to 2018-2019 Corporate Plan submitted to, and agreed by, shareholding Ministers in accordance with Chapter 3, Part 7 of the GOC Act.

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 Chair on behalf of all the directors in accordance with a unanimous decision of the board of Port of Townsville Limited.

  
\_\_\_\_\_  
Patrick Brady  
Chairman  
Date: 21 / 08 / 2014

  
\_\_\_\_\_  
The Hon. Tim Nicholls MP  
Treasurer and Minister for Trade  
Date: 29 / 9 / 2014

  
\_\_\_\_\_  
The Hon. Scott Emerson MP  
Minister for Transport and Main Roads  
Date: 23 / 10 / 2014

# 1. INTRODUCTION



Port of Townsville Limited is responsible for managing the Ports of Townsville and Lucinda in North Queensland.

The Port of Townsville, established in 1864, is one of Queensland's most strategic assets and plays a significant role in driving economic growth of our region, state and nation. It is strategically located in proximity to world renowned minerals provinces of copper, zinc, lead, phosphate, magnetite and coal, as well as vast agricultural industries.

The Port of Lucinda, situated about 100 kilometres north of Townsville, is dedicated to the export of raw sugar from the Herbert River sugar-growing district.

Our Ports have a strong history of servicing world demands, notably food and agriculture, resources and energy and tourism services. Our strength lies in our diversity, geographic location and excellent transport connections. We will capitalise on these strengths to create a premier transport supply chain provides fast, reliable and competitive services for our customers.

We have recently made significant investments in port and transport infrastructure to improve flexibility and capacity for growth. Our customers and key partners have also invested heavily in transport connections and cargo handling infrastructure to improve efficiencies and capacity. We have also made strong progress in securing approvals for strategic growth plans to enable us to deliver on our core business of facilitating trade growth.

Our underlying profitability has continued to improve through growing and diversifying revenue and constraining operating costs through productivity initiatives and divestment of non-core activities. This focus on strengthening our commercial performance has ensured that we provide strong returns to shareholders, and most importantly puts us in a good position to make further investments to grow our business.

Throughout 2014-2015 we will continue to drive strategic initiatives to improve our financial strength, deliver world class port facilities and services and to secure our growth corridors. Delivering innovative and valued solutions for our customers will be central to how we operate.

In June 2014, the Queensland Government released a draft plan proposing a program of asset transactions (subject to receiving a mandate from the people of Queensland), which included the long term lease of Port of Townsville integrated with the Mount Isa Rail Line. We will continue to assist Government throughout this process and will ensure that the business is operating as efficiently and effectively as possible.

This Statement of Corporate Intent is to be read in conjunction with our Corporate Plan which provides a five year outlook for the business. This Statement of Corporate Intent outlines the key initiatives that we will implement in 2014-2015 to achieve our vision as *Northern Australia's Transport Link to the World*.



### OUR PURPOSE

Manage and operate our Ports effectively and efficiently and optimise the sustainable value of the business for shareholders.

### OUR VISION

Northern Australia's Transport Link to the World

### OUR VALUES

We are committed to high quality outcomes and the achievement of our vision which is reflected in the way we conduct ourselves in all dealings:

- **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 STRATEGIC PRIORITIES

<b>DRIVING EFFICIENCIES &amp; CONNECTIVITY</b>	Port Infrastructure & Services	Our infrastructure and services are flexible, efficient, safe and reliable to create value for our customers
	Cargo Handling	Our landside operations are efficient and competitive catering to a variety of commodities
	Transport Connections	Our transport connections and freight operations will be modernised and improved to support efficient and timely supply chain performance
<b>FORWARD THINKING FOR GROWTH</b>	Trade Growth	<p>We will be Northern Australian's Hub for trade offering excellence through diversity</p> <p>We will grow cruise and defence visitation through distinctive and strategic offerings</p> <p>We will optimise the utilisation of existing port land to ensure efficient use of land and improve commercial returns</p>
	Property Growth	<p>Our master planning and forward thinking will ensure that strategic growth corridors and approvals are secured to enable growth to be best managed in line with demand</p> <p>We will redevelop precincts to diversify revenue and improve connectivity with adjoining uses</p>
	Shareholders	We will maximise returns to our shareholders
<b>FOUNDATIONS FOR DOING BUSINESS</b>	Customer Driven	We will exceed customer expectations through innovation and value adding services
	Environmental Excellence	Our innovation and leadership in environmental management will ensure that sensitive environments are safeguarded and scientific knowledge is continuously improved
	Partnering with Stakeholders	We will actively partner with our supply chain and industry stakeholders and the community to grow our ports for a prosperous region
	Our People	We value our people and will ensure our resources and capabilities are aligned to the achievement of our vision



### 3. STRATEGIC BUSINESS DRIVERS

The following key strategic risks and opportunities have informed the Corporation's future strategic priorities, and are continuously monitored and addressed to ensure that the Corporation's performance outcomes are achieved.

#### STRENGTHS AND OPPORTUNITIES

We will capitalise on our strengths and the strategic opportunities facing the business to deliver on our vision:-

- Northern Australia Agenda and Growth Plans
- Asian Demand for Resources and Agriculture Products
- Strategic Transport Connections and Land Growth Corridor within the Townsville State Development Area
- Diversity and Flexibility of Infrastructure and Commodities
- Historical Growth and Demonstrated Improvements in Financial Performance

#### RISKS AND CHALLENGES

We continuously monitor risks and challenges to our business and ensure that effective mitigation strategies are in place to minimise risks to the achievement of our vision. Key risks to our business and associated mitigation strategies are as follows:

RISK	MITIGATION STRATEGIES	RESIDUAL RISK*		
Increasing Environmental Constraints and Approvals	<ul style="list-style-type: none"> <li>▪ Robust environmental monitoring systems (including ISO14001:20014 certification), programs and research to transparently demonstrate that operations and developments do not have a significant impact</li> <li>▪ Strategic planning of long term port infrastructure requirements, with cumulative impact assessment, to ensure sustainability, transparency and securing of approvals ahead of demand (e.g. Berth 12 approvals, Townsville Port Expansion Project Environmental Impact Statement (EIS), Berth 10X Investigations, Port Master Plan)</li> <li>▪ Active engagement with government and representative bodies to ensure the importance of port operations and developments and the cost/impacts of environmental regulation are well understood</li> </ul>	Likely	Serious	Substantial
Ability to Access Capital for Future Investments	<ul style="list-style-type: none"> <li>▪ Develop frameworks for private financing of future port infrastructure projects (e.g. Berth 12, Berth 4, Common Use Port and Rail facilities)</li> <li>▪ Support the State Government's Scoping Study investigations for potential leasing of the Port of Townsville to the private sector</li> <li>▪ Work collaboratively with key stakeholders to develop business cases and investment proposals for infrastructure projects of national significance (e.g. Townsville Eastern Access Rail Corridor)</li> </ul>	Possible	Major	Substantial
Limited Security for Current Dominant Trades	<ul style="list-style-type: none"> <li>▪ Negotiate take or pay contracts, securities and performance standards for key trades and new projects (e.g. ToP contracts for Berth 8 with Glencore and Incitec Pivot Limited)</li> <li>▪ Maintain strong market intelligence and implement targeted strategies to diversify trades</li> <li>▪ Pursue developments and business strategies that expand revenue sources (e.g. City Port Precinct, Townsville State Development Area)</li> </ul>	Likely	Serious	Substantial
Alignment of Capacity Improvements Across the Supply Chain	<ul style="list-style-type: none"> <li>▪ Implement recommendations of NQRSC Steering following investigations into capacity, demand and coordination options</li> <li>▪ Maintain strong customer and stakeholder relationships to ensure operational and strategic capacity and efficiency improvements are implemented</li> <li>▪ Support the State Government's Scoping Study investigations for potential integration with the Mount Isa Rail Line</li> </ul>	Possible	Major	Substantial
Maintaining Community Support for Future Growth Plans	<ul style="list-style-type: none"> <li>▪ Maintain regular meetings with Townsville City Council as per MoU in relation to collaborative approach for future developments and operations of mutual interest</li> <li>▪ Continue and Expand Port Community Engagement Strategy</li> <li>▪ Implement Townsville Port Expansion Project EIS Community Stakeholder Engagement Plan</li> <li>▪ Community and Stakeholder Engagement Process for new Port Master Plan under the Queensland Ports Strategy recognising Townsville Port and supply chains as a Priority Port Development Area</li> </ul>	Possible	Major	Substantial

\* Risk ratings have been calculated using our Risk Management Guidelines which have been developed in accordance with AS/NZS ISO 31000:2009.

Our Strategic Risk Register details all key strategic challenges and is monitored by the board on a regular basis. Our board will continually monitor all risks and update our response framework as required to ensure our vision is realised.

## 4. KEY PRIORITIES 2014–2015



THEME	OUTCOME SOUGHT	KEY ACTIONS 2014–2015
<b>DELIVERING EFFICIENCIES AND CONNECTIVITY</b>	<p>Our infrastructure and services are flexible, efficient, safe and reliable to create value for our customers</p>	<ul style="list-style-type: none"> <li>▪ Complete Berth 6/7 Demolition</li> <li>▪ Complete Berth 1 Pocket Deepening and Fender Enhancements</li> <li>▪ Complete Review of Contracted Port Service Arrangements</li> <li>▪ Complete Berths 8/9 Access Improvement Works</li> <li>▪ Multi-combination Vehicle Port Access Improvement Works</li> <li>▪ Develop Asset Management Program</li> <li>▪ Maintain External Certification of Safety Management System (AS4801)</li> <li>▪ Review Stevedoring Agreements to Introduce KPIs for Cargo Handling</li> <li>▪ Establish Cargo Handling Rate KPI's for Each Berth and Improvement Plan to Achieve Target Rates</li> <li>▪ Establish Waterside KPI's for Each Berth and Investment Program / Action Plan to Achieve Target Rates</li> <li>▪ Investigate Port Rail Capacity Improvements and Quantify Costs and Staging Plan</li> <li>▪ Implement Recommendations of the North Qld Resources Supply Chain Steering Committee</li> </ul>
	<p>Our landside operations are efficient and competitive catering to a variety of commodities</p>	<ul style="list-style-type: none"> <li>▪ Review and update understanding of the growth potential for the Port of Townsville's supply chain</li> </ul>
	<p>Our transport connections and freight operations will be modernised and improved to support efficient and timely supply chain performance</p>	<ul style="list-style-type: none"> <li>▪ Review and update future growth opportunities for the Port of Townsville, including its supply chain</li> </ul>
<b>FORWARD THINKING FOR GROWTH</b>	<p>We will be Northern Australian's hub for trade offering excellence through diversity</p>	<ul style="list-style-type: none"> <li>▪ Improve Market Intelligence and Market Reach in Key Growth Sectors</li> <li>▪ Update trade forecasts and capital works plans</li> <li>▪ Complete Berth 4 Proponent Selection</li> <li>▪ Coastal Shipping Development Project</li> <li>▪ Complete Development of General Cargo Laydown Facility</li> <li>▪ Develop Defence Capability Offer for RAN and USN Operations</li> <li>▪ Develop Niche Cruise Experience Package with Townsville Enterprise/Tourism Queensland/Key Stakeholders</li> <li>▪ Market Existing Lands for Development / Lease</li> <li>▪ Renegotiate Terms for Market Rates and Security/Performance Standards</li> </ul>
	<p>We will grow cruise and defence visitation through distinctive and strategic offerings</p>	<ul style="list-style-type: none"> <li>▪ Complete Master Plan for Port of Townsville (Queensland Ports Strategy)</li> <li>▪ Complete Master Planning to increase General Cargo Capability</li> <li>▪ Develop Long Term Dredging and Reclamation Strategy</li> </ul>
	<p>We will optimise the utilisation of existing port land to ensure efficient use of land and improve commercial returns</p>	<ul style="list-style-type: none"> <li>▪ Complete City-Port Precinct Project Request for Proposals</li> <li>▪ Identify Nexus Development Opportunities</li> </ul>
	<p>Our master planning and forward thinking will ensure that strategic growth corridors and approvals are secured to enable growth to be best managed in line with demand</p>	<ul style="list-style-type: none"> <li>▪ Establish Customer Service Standards for Key Services</li> <li>▪ Investigate "Single Window" Service Opportunities</li> </ul>
	<p>We will redevelop precincts to diversify revenue and improve connectivity with adjoining uses</p>	<ul style="list-style-type: none"> <li>▪ Develop Environmental Management Framework (Queensland Ports Strategy)</li> <li>▪ Secure Long-Term Dredging Approvals</li> </ul>
<b>FOUNDATIONS FOR DOING BUSINESS</b>	<p>We will exceed customer expectations through innovation and value adding services</p>	<ul style="list-style-type: none"> <li>▪ Implement Expanded Cleveland Bay Water Quality Monitoring Program</li> <li>▪ Implement Whole-of-Port Air Quality Monitoring Program</li> <li>▪ Maintain External Certification of Environmental Management System (ISO14001)</li> </ul>
	<p>Our innovation and leadership in environmental management will ensure that sensitive environments are safeguarded and scientific knowledge is continuously improved</p>	<ul style="list-style-type: none"> <li>▪ 150-year Anniversary Celebrations Program</li> <li>▪ Continued Implementation of Schools Engagement Program</li> <li>▪ Traditional Owner Consultative Campaign</li> <li>▪ Townsville City Council Consultative Campaign</li> </ul>
	<p>We will actively partner with our supply chain and industry stakeholders and the community to grow our Ports for a prosperous region</p>	<ul style="list-style-type: none"> <li>▪ Implement Structure Changes from Business Review</li> <li>▪ Implement Customer Service Program</li> </ul>
<p>We value our people and will ensure our resources and capabilities are aligned to the achievement of our vision</p>		

## 5. TRADE FORECASTS



### APPROACH TO FORECASTING

Trade and revenue forecasts are formulated taking into account a variety of market indicators and factors. POTL obtains independent trade forecasting advice at regular intervals, as well as considering exchange rates and commodity price outlooks from a variety of sources. POTL assesses the probability of new projects and expansions against customer supplied information coupled with available data compliant with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ('the JORC Code').

POTL also obtains individual commodity forecasts from all major customers for five yearly and annual projections which are updated on a monthly basis. POTL's forecasting approach also takes into consideration historical trends and performance, and any circumstances affecting the feasibility of achieving stated tonnages.

### MARKET OUTLOOK

The market outlook for key commodities in the region remains strong, with key factors influencing trade outlined in the Corporate Plan. Trade through the Port of Townsville is estimated to be 12.07 million tonnes in 2014-2015 demonstrating a 14.6% increase on the previous year based on current forecast figures for 2013-2014. The trade and revenue forecasts for 2014-2015 have been based on information available at April 2014:

Commodity	2012-2013 Actual	2013-2014 Forecast	2014-2015 Budget	Increase (Decrease)
<b>IMPORTS</b>				
Resources	4,395,296	3,701,000	4,295,000	594,000
Fuels, Cement, Chemicals & Other Supplies	1,986,656	1,850,000	1,970,000	120,000
General Cargo	289,439	278,000	323,000	45,000
Other	-	-	-	-
<b>Total Imports</b>	<b>6,671,391</b>	<b>5,829,000</b>	<b>6,588,000</b>	<b>759,000</b>
<b>EXPORTS</b>				
Resources	3,001,108	2,740,127	2,943,696	203,569
Agriculture	2,249,467	1,790,600	2,334,000	543,400
General Cargo	170,824	171,000	203,000	32,000
Other	13,014	5,700	5,000	(700)
<b>Total Exports</b>	<b>5,434,413</b>	<b>4,707,427</b>	<b>5,485,696</b>	<b>778,269</b>
<b>Total Throughput</b>	<b>12,105,804</b>	<b>10,536,427</b>	<b>12,073,696</b>	<b>1,537,269</b>

Trade throughput at the Port of Lucinda during the term of this SCI is expected to be as follows:

Commodity	2012-2013 Actual	2013-2014 Forecast	2014-2015 Budget	Increase (Decrease)
<b>IMPORTS</b>				
General Cargo	6,105	2,000	2,000	-
<b>Total Imports</b>	<b>6,105</b>	<b>2,000</b>	<b>2,000</b>	<b>-</b>
<b>EXPORTS</b>				
General Cargo	14,205	5,000	4,000	(1,000)
Agriculture (Sugar)	424,103	522,000	500,000	(22,000)
<b>Total Exports</b>	<b>438,308</b>	<b>527,000</b>	<b>504,000</b>	<b>(23,000)</b>
<b>Total Throughput</b>	<b>444,413</b>	<b>529,000</b>	<b>506,000</b>	<b>(23,000)</b>

Total trade throughput for our Ports during the term of this SCI is expected to be as follows:

	2012-2013 Actual	2013-2014 Forecast	2014-2015 Budget	Increase (Decrease)
<b>IMPORTS</b>				
Port of Townsville	6,671,391	5,829,000	6,588,000	759,000
Port of Lucinda	6,105	2,000	2,000	-
<b>Total Imports</b>	<b>6,677,496</b>	<b>5,831,000</b>	<b>6,590,000</b>	<b>759,000</b>
<b>EXPORTS</b>				
Port of Townsville	5,434,413	4,707,427	5,485,696	778,269
Port of Lucinda	438,308	527,000	504,000	(23,000)
<b>Total Exports</b>	<b>5,872,721</b>	<b>5,234,427</b>	<b>5,989,696</b>	<b>755,269</b>
<b>Total Throughput</b>	<b>12,550,216</b>	<b>11,065,427</b>	<b>12,579,696</b>	<b>1,514,269</b>



## 6. KEY PERFORMANCE TARGETS



We undertake to provide sustainable growth and value to shareholders by capitalising on our strengths and appropriately managing key threats and weaknesses. Our performance for 2014-2015 will be measured and monitored through the following key financial and non-financial performance targets.

Quarter 2014-2015				Performance Indicators	2014-2015 Budget	2012-2013 Actual	2013-2014 Budget	2013-2014 Est. Actual
Sept	Dec	Mar	Jun					
<b>FINANCIAL</b>								
21.63	20.59	14.62	22.19	Operating Revenue (\$M)	79.03	72.68	70.77	79.24
12.02	10.25	10.17	13.02	Operating Expenditure (\$M)	45.46	38.25	40.84	43.92
18.76	17.50	11.81	18.59	Trade Income (\$M)	66.66	53.25	58.64	54.24
2.62	2.83	2.55	2.53	Property & Facilities Income (\$M)	10.53	8.60	8.58	10.47
9.61	10.34	4.45	9.17	EBIT (\$M)	33.57	34.43	29.92	35.31
6.26	7.67	2.27	3.63	NPAT (\$M)	19.83	24.15	16.35	21.45
0.00	0.00	0.00	15.19	Dividend (\$M)	15.19	15.99	9.96	10.07
6.55	7.06	3.04	6.19	Accounting Return on Assets EBIT (%)	5.66	6.90	5.65	6.29
1.07	1.30	0.39	0.61	Accounting Return on Assets NPAT (%)	3.29	4.48	3.00	3.67
1.46	1.77	0.52	0.83	Return on Equity (%)	4.57	6.39	4.16	5.25
1.90	3.36	4.02	1.31	Current Ratio	1.08	0.70	1.31	1.41
0.19	0.19	0.18	0.19	Interest Cover Ratio (EBIT)	6.40	19.24	4.94	7.57
5.15	6.16	3.35	4.94	Debt to Equity Ratio	0.18	0.16	0.19	0.20
0.90	6.47	6.05	5.31	Capital Investments (\$M)	18.73	100.13	27.00	19.08
<b>DRIVING EFFICIENCIES &amp; RELIABILITY</b>								
> 260	> 260	> 260	> 260	Average Tonnes Per Hour Berth Occupied (Dry Bulk)	> 260	> 240	> 230	> 235
> 350	> 350	> 350	> 350	Average Tonnes Per Hour Berth Occupied (Wet Bulk)	> 350	> 200	> 300	> 340
40	40	40	40	Average TEU Handling Rate (TEU's Per Hour Berth Occupied)	40	30	30	30
0	0	0	0	Reportable Security Incidents	0	7	0	7
Yes	Yes	Yes	Yes	SMS Certification to AS4801	Yes	Yes	Yes	Yes
<b>FORWARD THINKING FOR GROWTH</b>								
3.85	3.60	2.21	2.92	Trade Throughput (Million Tonnes)	12.58	12.55	13.07	11.07
25%	50%	75%	100%	Future Growth Projects Completed (%)	100%	100%	100%	100%
52.5%	55%	57.5%	60%	Approvals Secured	60%	40%	50%	50%
> 2.5%	> 5%	> 7.5%	> 10%	TEU Growth (%)	> 10%	> 10%	> 10%	> 20%
> 1	> 1	> 2	> 2	No. of New Trades	> 2	> 5	> 5	> 5
> 7.5	> 15	> 22.5	> 30	Navy days in Port	> 30	6	> 20	> 20
> 2,000	> 4,000	> 6,000	> 8,000	Cruise Passengers	> 8,000	4,200	6,000	6,000
10	10	10	10	Average Land \$/m <sup>3</sup> Leased*	10	8	9	9
<b>FOUNDATIONS FOR DOING BUSINESS</b>								
> 80%	> 80%	> 80%	> 80%	Customer Satisfaction (%)	> 80%	> 70%	> 70%	> 70%
> 80%	> 80%	> 80%	> 80%	Community Satisfaction (%)	> 80%	> 70%	> 70%	> 70%
> 80%	> 80%	> 80%	> 80%	Employee Satisfaction (%)	> 80%	> 70%	> 70%	> 70%
Yes	Yes	Yes	Yes	EMS Certification to ISO140001	Yes	Yes	Yes	Yes
0	0	0	0	Lost Time Injury Frequency Rate	0	0	0	0

\* Excludes STL Leases

Forecast financial results detailed in the Income Statement, Statement of Financial Position and Statement of Cash Flows are provided at **Annexure A**.

The 2014-2015 financial forecasts reflect changes to internal and external operating environments that may impact on our 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 2014-2015 year, with 4.0% for 2015-2016, 3.5% for 2 years thereafter, and 2.5% for each following year.
- Operating expenditure maintains a strong emphasis on achieving efficiency and productivity savings and reducing discretionary spending and non-core operations consistent with shareholding Ministers' expectations, whilst ensuring continued delivery of core services and maintenance.
- Wage increases effective 1 September 2013 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 and 2.5% for pilots. Wage increases in the budget period are 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 improvements savings. Constraint on filling of vacant positions is necessary to achieve the expenditure budget for 2014-2015 and the forecast period, with no increase in employment levels.
- Capital expenditure of \$18.73 million in 2014-2015 and \$70.24 million over the five years to 2018-2019 is to complete 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. The focus of our capital project program on only essential projects needed to ensure safe, effective and efficient port services and infrastructure has eliminated the need for new borrowings.

We 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.

We 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.

## 7. CAPITAL INVESTMENTS



Our capital budget for 2014-2015 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.

Major capital investments for 2014-2015 over the budget period are detailed below.

Capital Project	Details	Strategic Priority	Budgeted Total Cost (\$)	2013-2014 Est. Actual (\$)	2014-2015 Budget (\$)	Expected Completion Date
Berth 6/7 Demolition	Demolition of existing wharf structure to allow bigger vessels to berth	Delivering Efficiencies and Connectivity	\$14,352,286	\$130,000	\$12,132,286	June 2016
General Cargo Laydown Capacity	Development of a motor vehicle and project/heavy lift cargo laydown facility	Delivering Efficiencies and Connectivity	\$1,620,000	-	\$1,620,000	June 2015
Townsville Port Expansion Project – Supplementary EIS	Preparation of a Supplementary EIS for the Townsville Port Expansion Project in response to stakeholder submissions received during the initial EIS public consultation process in March 2013.	Forward Thinking Growth	\$2,300,502	\$1,150,502	\$1,000,000	June 2015
Road Upgrades	Rehabilitation of parts of Benwell Road and Lennon Drive at the Port of Townsville	Delivering Efficiencies and Connectivity	\$926,340	-	\$926,340	June 2015
Ross Creek Lands Commercialisation	Expressions of interest process to engage with private industry for the redevelopment of various surplus lands located along Ross Creek in Townsville	Forward Thinking Growth	\$843,798	\$343,798	\$500,000	June 2015
Berth 10 Completion Works	Minor operational works post-handover of the new Berth 10 and Cruise Terminal Building	Delivering Efficiencies and Connectivity	\$390,463	-	\$390,463	June 2015
Port Master Planning – General Cargo	Master Planning works to increase general cargo capacity at the Port of Townsville	Forward Thinking Growth	\$1,794,873	-	\$354,873	June 2015
Berths 8/9 Car Park and Access Improvement Works	Creation of parking spaces and access improvement works to facilitate the use of B-Double trucks on the wharf structure	Delivering Efficiencies and Connectivity	\$319,369	-	\$319,369	June 2015
Berth 1 Pocket Deepening	Berth pocket deepening works to facilitate berthing of larger vessels	Delivering Efficiencies and Connectivity	\$310,000	-	\$310,000	June 2015
Multi-combination vehicle port access improvement works	Works to improve access for multi-combination vehicles accessing the Port of Townsville	Delivering Efficiencies and Connectivity	\$211,853	-	\$211,853	June 2015
Harbour Turbidity Monitoring	Works to monitor the impact of port operations on water turbidity in the Port of Townsville harbour	Foundations for Doing Business	\$200,000	-	\$200,000	June 2015
Dredging for Channel Widening – Stage 1	Widening of harbour mouth and channel bend to allow safe navigation of longer vessels into the Port of Townsville	Forward Thinking Growth	\$3,075,466	\$1,537,000	-	June 2016
Other	Minor asset replacements and acquisitions and minor infrastructure works around the Port of Townsville and Lucinda	Delivering Efficiencies and Connectivity	\$434,918	-	\$764,917	June 2015
<b>TOTAL</b>			<b>\$25,629,366</b>	<b>\$3,161,300</b>	<b>\$18,730,101</b>	

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.

## 8. DEBT POSITION AND BORROWINGS



At 1 July 2014 we forecast cash reserves of \$16.46 million. It is expected that we will hold cash reserves of \$18.06 million at the end of 2014-2015 and \$32.67 million at the end of the forecast period.

Borrowings will be sourced through QTC under new loan terms and conditions agreed in September 2012. [REDACTED]

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	2014-2015 Budget	2012-2013 Actual	2013-2014 Budget	2013-2014 Est. Actual
Cash Balance (\$M)	\$18.06	\$16.40	\$15.75	\$16.46
New Borrowings (\$M)	\$0.00	\$56.00	\$14.00	\$35.00
Balance of Borrowings (\$M)	\$80.37	\$62.44	\$77.82	\$84.29

## 9. SCOPING STUDY FOR LONG TERM LEASE

The Queensland Government, in its State Budget on 3 June 2014, released a draft plan proposing a program of asset transactions, which included the long term lease of Port of Townsville integrated with the Mount Isa Rail Line.

The Government has stated that it remains fully committed to seeking a mandate from the Queensland people before divesting itself of any Government business. However, the Government will commence some preliminary due diligence and preparation activities to ensure that the proposed integration of the Port of Townsville and the Mount Isa Rail Line and the proposed lease transaction are able to be completed in a timely manner, should the Government decide to proceed.

We will continue to assist Government throughout this process and will ensure that the business is operating as efficiently and effectively as possible.

## 10. COMMUNITY ENGAGEMENT

Our 2014-2015 sponsorships and donations budget provided at **Annexure B** aims to deliver donations and partnerships that highlight our corporate citizenship and commitment to community engagement whilst ensuring consistency with shareholding Ministers' expectations.

## 11. EMPLOYMENT AND INDUSTRIAL RELATIONS

Our Employment and Industrial Relations Plan for 2014-2015, which has been prepared in accordance with the requirements of the GOC Act, is included at **Annexure C**.

# ANNEXURE A: FINANCIAL STATEMENTS



## STATEMENT OF COMPREHENSIVE INCOME

	2012-2013 Actual \$	2013-2014 Budget \$	2013-2014 Forecast \$	2014-2015 Budget \$
<b>OPERATING INCOME</b>				
Trade Income	53,248,960	58,642,118	54,241,203	66,657,329
Property and Facilities	8,596,809	8,580,993	10,468,171	10,527,469
Interest Earned	549,176	677,055	410,122	658,400
Other Revenue	4,234,842	417,442	4,465,823	342,372
Revaluation and Impairment Adjustments	4,160,551	1,411,910	8,612,973	843,905
Grants and Subsidies Received	1,894,000	1,037,143	1,037,000	-
	<b>72,684,338</b>	<b>70,766,661</b>	<b>79,235,292</b>	<b>79,029,475</b>
<b>OPERATING EXPENDITURE</b>				
Employee Related Expenses (Operating)	10,563,296	10,075,750	11,506,909	12,530,838
Supplies and Services	15,757,284	17,264,183	16,693,018	17,356,824
Depreciation & Amortisation	10,390,900	12,423,438	13,593,182	14,216,593
Impairments/Writedowns	-	-	781,000	-
Taxes and Government Charges	854,232	1,065,000	1,078,247	1,327,400
Other	683,851	15,150	272,423	27,914
	<b>38,249,563</b>	<b>40,843,521</b>	<b>43,924,779</b>	<b>45,459,569</b>
<b>EARNINGS BEFORE INTEREST AND TAX</b>	<b>34,434,775</b>	<b>29,923,140</b>	<b>35,310,513</b>	<b>33,569,906</b>
Finance Costs	275,587	6,056,247	4,662,366	5,246,552
<b>NET PROFIT (LOSS) BEFORE TAX</b>	<b>34,159,188</b>	<b>23,866,893</b>	<b>30,648,147</b>	<b>28,323,354</b>
Income Tax Equivalent	10,009,470	7,518,413	9,194,444	8,497,007
<b>NET PROFIT (LOSS) AFTER TAX</b>	<b>24,149,718</b>	<b>16,348,480</b>	<b>21,453,703</b>	<b>19,826,347</b>
Dividend	(15,991,333)	(9,956,108)	(10,067,784)	(15,185,954)
Movements in Retained Profits	1,635,442	-	263,564	-
Retained from previous periods	100,926,036	115,597,470	110,719,863	122,369,346
<b>RETAINED EARNINGS</b>	<b>110,719,863</b>	<b>121,989,842</b>	<b>122,369,346</b>	<b>127,009,739</b>

## STATEMENT OF FINANCIAL POSITION

	2012-2013	2013-2014	2013-2014	2014-2015
	Actual	Budget	Forecast	Budget
	\$		\$	\$
<b>CURRENT ASSETS</b>				
Cash	16,404,864	15,748,364	16,459,938	18,062,626
Trade and Other Receivables	15,572,051	11,309,930	11,107,368	11,855,654
Non-Current Assets held for Sale	390,000	-	390,000	-
Other	575,421	554,539	654,892	670,014
	32,942,336	27,612,833	28,612,198	30,588,294
<b>NON-CURRENT ASSETS</b>				
Property, Plant & Equipment	471,042,475	480,675,654	513,374,561	528,535,218
Investment Properties	34,813,261	36,094,131	42,195,233	43,039,138
Other	-	-	-	-
	505,855,736	516,769,785	555,569,794	571,574,356
<b>TOTAL ASSETS</b>	538,798,072	544,382,618	584,181,992	602,162,650
<b>CURRENT LIABILITIES</b>				
Trade and Other Payables	16,255,345	4,786,898	4,080,681	4,235,160
Current Tax Liabilities	7,483,535	2,243,176	(1,178,140)	1,335,397
Financial Liabilities	2,659,038	1,330,091	3,920,529	4,113,406
Provisions	18,110,752	11,250,581	11,752,788	16,922,964
Other	2,290,391	1,398,449	1,662,364	1,674,667
	46,799,061	21,009,195	20,238,222	28,281,594
<b>NON-CURRENT LIABILITIES</b>				
Financial Liabilities	59,782,351	76,490,043	80,370,204	76,256,798
Provisions	1,135,213	1,175,643	2,492,883	2,490,048
Deferred Tax Liabilities	10,455,278	12,549,901	23,731,241	26,890,751
Other	30,592,500	30,721,500	29,377,500	28,162,500
	101,965,342	120,937,087	135,971,828	133,800,097
<b>TOTAL LIABILITIES</b>	148,764,403	141,946,282	156,210,050	162,081,691
<b>NET ASSETS</b>	390,033,668	402,436,336	427,971,942	440,080,959
<b>EQUITY</b>				
Retained Profits	110,719,863	121,989,842	122,369,346	127,009,739
Reserves	177,567,637	178,700,326	202,539,889	210,008,513
Issued Shares	101,746,168	101,746,168	103,062,707	103,062,707
<b>TOTAL EQUITY</b>	390,033,668	402,436,336	427,971,942	440,080,959

STATEMENT OF CASH FLOWS

	2012-2013	2013-2014	2013-2014	2014-2015
	Actual	Budget	Forecast	Budget
	\$	\$	\$	\$
<b>SOURCE OF FUNDS</b>				
Receipts from Customers	80,486,303	65,760,029	66,737,192	75,555,186
Loan Raisings	56,000,000	14,000,000	35,000,000	-
Grants and Subsidies Received	4,314,000	5,877,143	5,457,000	-
Sales of fixed assets	4,337,514	76,000	639,662	21,000
Interest received	549,176	677,055	410,122	658,400
<b>Total Cash Inflow</b>	<b>145,686,993</b>	<b>86,390,227</b>	<b>108,243,976</b>	<b>76,234,586</b>
<b>EXPENDITURE</b>				
Dividend	5,296,070	9,218,675	15,991,333	10,067,784
Payments to Suppliers & Employees	32,912,368	34,070,488	40,076,938	30,627,020
Capital Expenditure	100,129,202	27,001,796	19,081,873	18,730,101
Redemption on Loans	5,942,394	1,096,587	13,150,656	3,920,529
Finance Costs	1,564,716	5,970,987	4,605,553	5,261,665
Income Tax Equivalents	17,651,121	10,209,697	15,282,549	6,024,799
<b>Total Cash Outflow</b>	<b>163,495,872</b>	<b>87,568,230</b>	<b>108,188,902</b>	<b>74,631,898</b>
<b>Net cash inflow/(outflow)</b>	<b>(17,808,879)</b>	<b>(1,178,003)</b>	<b>55,074</b>	<b>1,602,688</b>
<b>OPENING CASH BALANCE</b>	<b>34,213,742</b>	<b>16,926,367</b>	<b>16,404,864</b>	<b>16,459,938</b>
<b>Net cash inflow/(outflow)</b>	<b>(17,808,879)</b>	<b>(1,178,003)</b>	<b>55,074</b>	<b>1,602,688</b>
<b>CLOSING CASH BALANCE</b>	<b>\$16,404,864</b>	<b>\$15,748,364</b>	<b>\$16,459,938</b>	<b>\$18,062,626</b>

## TRANSACTIONS WITH OWNERS AS OWNERS

	2014-2015 Budget	2012-2013 Actual	2013-2014 Budget	2013-2014 Forecast
Equity Injections / (Withdrawals)	-	-	-	1.32
Dividends Provided For or Paid (\$M)	15.19	15.99	9.96	10.07
Dividend Payout Ratio	0.80	0.80	0.80	0.80

Dividend is calculated as Payout Ratio x Net Profit after Tax (NPAT) less revaluation adjustments, grant funding and associated tax effects.

## TAX AND CSO PAYMENTS

	2014-2015 Budget	2012-2013 Actual	2013-2014 Budget	2013-2014 Forecast
Tax Paid/Payable (\$M)	8.50	10.01	7.52	9.19
CSO Paid/Payable or Received/Receivable	-	-	-	-



WACC CALCULATION

COST OF EQUITY INPUTS			
COST OF DEBT INPUTS			
OTHER INPUTS / CALCULATIONS			
COST OF CAPITAL CALCULATIONS			
WEIGHTED AVERAGE CALCULATIONS			

# ANNEXURE B: SPONSORSHIPS, MEMBERSHIPS, DONATIONS & ADVERTISING



Forecast expenditure on sponsorships, memberships, corporate entertainment and events, donations and advertising during 2014-2015 is outlined below:-

Detail	Description / Benefit	2013-2014 Budget (\$)	2013-2014 Est. Actual (\$)	2014-2015 Budget (\$)
<b>1. SPONSORSHIPS</b>				
Xstrata Mount Isa Mining Expo	Promotion and marketing of our Ports.	5,000	3,200	-
<b>Total over \$5,000</b>		5,000	3,200	-
<b>Other Sponsorships (total) below \$5,000</b>		3,000	6,294	4,000
<b>TOTAL (1)</b>		<b>8,000</b>	<b>9,494</b>	<b>4,000</b>
<b>2. MEMBERSHIPS</b>				
Townsville Enterprise Limited	To increase our profile within the industry to promote trade.	31,000	31,818	31,818
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.	9,000	9,000	9,000
Ports Australia	To participate in Australia's peak representative body for Australian ports and marine authorities.	36,000	34,594	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>		91,000	90,412	91,818
<b>Other Membership (total) below \$5,000</b>		6,000	6,000	3,000
<b>TOTAL (2)</b>		<b>97,000</b>	<b>96,412</b>	<b>94,818</b>
<b>3. CORPORATE ENTERTAINMENT &amp; EVENTS</b>				
Berth 10 Function	Showcase the opening of the upgraded Berth 10 facility and new cruise terminal at the Port of Townsville.	38,000	29,518	-
Employee End of Year Function	Year in review, recognition / appreciation of employee efforts, employee morale and increase team building.	9,500	8,391	9,500
150 Year Anniversary Celebrations Program		-	-	21,000
<b>Total over \$5,000</b>		47,500	37,909	30,500
<b>Other (total) below \$5,000</b>		19,250	19,250	10,650
<b>TOTAL (3)</b>		<b>66,750</b>	<b>57,159</b>	<b>41,150</b>
<b>4. DONATIONS</b>				
Annual Charity Golf Day	To enhance corporate citizenship and networking opportunities with proceeds of the event to go to charity.	20,000	21,636	-
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>		45,000	46,636	25,000
<b>Other (total) below \$5,000</b>		2,000	2,000	2,000
<b>TOTAL (4)</b>		<b>47,000</b>	<b>48,636</b>	<b>27,000</b>
<b>5. ADVERTISING</b>				
Berth 10 Opening	Showcase the opening of the upgraded Berth 10 facility and new cruise terminal at the Port of Townsville.	8,500	5,953	-
150 Year Anniversary Celebrations Program	To celebrate 150-years since the establishment of the Port of Townsville with the Townsville City.	-	-	12,000
<b>Total over \$5,000</b>		8,500	5,953	12,000
<b>Other (total) below \$5,000</b>		20,047	20,047	20,000
<b>TOTAL (5)</b>		<b>28,547</b>	<b>26,000</b>	<b>32,000</b>
<b>TOTAL</b>		<b>247,297</b>	<b>237,701</b>	<b>198,968</b>

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

ANNEXURE C:  
EMPLOYMENT AND 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 arising from the Commission of Audit and other scoping studies 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 2014 – 2015 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>% increase in employee satisfaction</li> <li>Number of applications for advertised positions</li> </ul>	<ul style="list-style-type: none"> <li>&gt; 80% employee satisfaction</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

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The key issues related to industrial relations and human resources during 2014 – 2015 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 2014 – 2015 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 nineteen (19) 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 fifty (50) 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 seventeen (17) blue collar employees covered by this Agreement. Nominal expiry date 31 December 2016.
- Pilots Agreement 2009 – 2012, nominal expiry date 31 October 2012. This Agreement is still in force until it is superseded and replaced by a new Agreement; currently there is a Memorandum of Understanding (MoU) between POTL, Pilots and their representative Union the Australian Maritime Officers Union (AMOU). The MoU extends the Agreement until 31 October 2014. There are ten (10) employees covered by this Agreement/MoU.

We renegotiated three (3) Agreements in 2013 as detailed above. In 2014, we will negotiate a new Pilots Agreement for a three (3) year term in accordance with the Government Owned Corporations (GOC) Wages Policy 2012 and any other guidelines as provided by shareholding Ministers. We have had ongoing meetings with Unions through a consultative committee structure. At the time of writing this Plan, no formal negotiations with Pilots and the AMOU have commenced and no log of claims has been received.

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.

#### Non-Executive Directors' (including Chairman) Remuneration as at 30 January 2014

Given Name	Director Fees \$	Committee Fees \$	Other Benefits \$	Super \$	Total \$
P. Brady (Chair)	45,187.00	17,488.00	-	5,797.43	68,472.43
D. Tim So (Director)	21,863.00	14,575.00	-	3,370.51	39,808.51
I. Jessup (Director)	21,863.00	14,575.00	-	3,370.51	39,808.51
B. Webb (Director)	21,863.00	14,575.00	-	3,370.51	39,808.51
F. Pidgeon (Director)*	3,643.84	728.64	-	404.45	4,776.93
J. Coleman (Director)**	12,753.44	6,316.05	-	1,763.95	20,833.44

\* Commenced 13 December 2013

\*\* Resigned effective of 31 January 2014

#### Senior Executive Remuneration as at 30 January 2014

CEO / Senior Executive	Base Salary <sup>1</sup>	Employer Superannuation Contribution <sup>2</sup>	Motor Vehicle <sup>3</sup>	Car Park <sup>4</sup>	Other Personal Benefits <sup>5</sup>	Total Fixed Remuneration <sup>6</sup>	Other Non-personal Benefits <sup>7</sup>	Performance Payment <sup>8</sup>
Chief Executive Officer*	305,661.66	22,484.42	5,262.92	-	-	333,409.00	0	Up to 15% of TFR
General Manager Commercial	205,447.32	26,194.48	12,235.60	-	-	243,877.40	0	Up to 15% of TFR
General Manager Operations	205,451.48	22,086.03	8,609.12	-	-	236,146.63	0	Up to 15% of TFR

<sup>1</sup>Employer Superannuation based on Executives primary position - *General Manager Commercial*.

## 4. Employment Conditions

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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 is currently one (1) employee on a senior executive contract. This is the General Manager Commercial who is currently Acting Chief Executive Officer; there are two employees on senior employee contracts acting in the roles of General Manager Commercial and General Manager Operations.

There are currently five (5) employees on senior employee contracts that exceed the limit of remuneration set by the Enterprise Agreements. This figure includes the two employees referenced as acting in executive roles.

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*
- *Pilots Agreement 2009 - 2012.*

We do not have any gain sharing schemes.

## 5. Enterprise Bargaining and Productivity Initiatives

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We will be seeking appropriate approvals for commencement of the agreement making process for a new Pilots Enterprise Agreement.

No industrial action was taken during 2013-2014 and none is expected during 2014-2015.

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 31 March 2014:

Employment Category	Number of Employees
Permanent	88
Casual	3
Temporary	4
Contract	5

## 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 ten 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.

### 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 9.25% 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	Corporation Response
Commercial Monitoring Queensland Treasury and Trade	14/02/14	Nil received	
Department of Justice and Attorney-General	18/02/14	Nil received	
Department of Premier and Cabinet	18/02/2014	Nil received	
Department of Transport and Main Roads	18/02/14	Nil Received	
Industrial Relations Public Service Commission	18/02/14	Comments received 17/03/14	Amendments made
Maritime Union of Australia	17/03/14	Nil received	
Australian Maritime Officers Union	17/03/14	Nil received	
All Corporation Employees	17/03/14	Comments received 20/03/14	Amendments made