

# STATEMENT OF CORPORATE

2015/2016



# CONTENTS

DIRECTORS' STATEMENT AND AGREEMENT OF SHAREHOLDING MINISTERS	2
1. CORPORATE FRAMEWORK	3
2. STRATEGIC PRIORITIES AND KEY ACTIONS 2015-2016	9
3. TRADE FORECASTS	11
4. KEY PERFORMANCE TARGETS	12
5. CAPITAL INVESTMENTS	14
6. DEBT POSITION AND BORROWINGS	155
ANNEXURE A FINANCIAL STATEMENTS	16
ANNEXURE B SPONSORSHIPS, MEMBERSHIPS, DONATIONS & ADVERTISING	21
ANNEXURE C EMPLOYMENT AND INDUSTRIAL RELATIONS PLAN	22

# DIRECTORS' STATEMENT AND AGREEMENT OF SHAREHOLDING MINIS

This Statement of Corporate Inter(SCI)and all attachments, for 20152016, are presented in accordance with Chapter 3, Part 8 of theGovernment Owned Corporations Act 1993 (Qld)(GOC Act)

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

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

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

This SCI is consistent with our 2015-6 to 2019-2020Corporate Plan submitted to, and agreed by, shareholding Ministers in accordance with Chapter 3, Part 7 of the GOC Act.

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

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

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

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Patrick Brady  
Chairman

Date: \_\_\_\_ / \_\_\_\_ / 2015

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

Date: \_\_\_\_ / \_\_\_\_ / 2015

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

Date: \_\_\_\_ / \_\_\_\_ / 2015

# 1. CORPORATE FRAMEWORK

## OUR VISION

Our vision is to be *Northern Australia's Transport Link to the World*.

## OUR PURPOSE

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

## OUR VALUES

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

## OUR CORE FUNCTIONS

Our core business functions are to:

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

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

# STRATEGIC BUSINESS DRIVERS

Our strategic business drivers are as follows:

RISK AREA	CURRENT RISK CONTROLS	GAPS / KEY IMPROVEMENT ACTION REQUIRED	RESIDUAL RISK		
			LIKELIHOOD	CONSEQUENCE	RISK LEVEL
Increasing environmental constraints, approvals and costs	<ul style="list-style-type: none"> <li>POTL works closely with State and Federal Governments to ensure impacts are understood</li> <li>Existing relationships with statutory authorities</li> <li>Rigorous environmental investigations and approvals processes undertaken for developments</li> <li>Comprehensive and long established environmental monitoring programs</li> <li>Whole-of-port environmental risk assessment completed</li> <li>Certified in ISO 14001:2004 Environmental Management System</li> <li>Reef 2050 Plan and proposed Queensland legislation recognise Townsville Port as one of four existing major established ports</li> </ul>	<ul style="list-style-type: none"> <li>Continue to work in partnership with Queensland Ports Association, Ports Australia, Government Departments and Stakeholders regarding long term dredging management and guidelines</li> <li>Work closely with State and Federal Governments to determine changes to future port expansions and projects to assess how these can be feasibly delivered</li> <li>Early identification of and input into emerging issues in partnership with key agency stakeholders</li> <li>Continuous improvement of POTL's monitoring and research activities</li> </ul>	Likely	Serious	Substantial
Whole-of-supply chain capacity to meet growth	<ul style="list-style-type: none"> <li>Townsville State Development Area (SSDA) declared and transport/services corridors designated</li> <li>Recently completed major infrastructure projects (Berth 10 upgrade, Berth 8 Upgrade, Port Access Road)</li> <li>Berth 12 approvals and delivery model in place</li> <li>Port Expansion Project Environmental Impact Statement (EIS) underway</li> <li>North Queensland Resources Supply Chain Steering Committee Final Report and Recommendations being implemented</li> <li>First stage of pricing review (hourly berthage charge) commenced 1 July 2013 to encourage efficient vessel turnaround time</li> </ul>	<ul style="list-style-type: none"> <li>Complete Berth 4 Upgrade</li> <li>Market Sounding for Berth 12</li> <li>Complete EIS for Berth 10X</li> <li>Continued implementation of NQRSC Recommendations with QR</li> <li>Finalise Strategic Development Plan a Master Plan for Townsville Port</li> <li>Work with key stakeholders to secure delivery of Eastern Access Rail Corridor</li> </ul>	Possible	Minor	Medium
Access to capital for future major investments	<ul style="list-style-type: none"> <li>Strong balance sheet and adequate income streams, business cases to support required capital investment</li> <li>Strategic planning and approvals for future projects well advanced to desk projects for investment</li> <li>Private sector investment models for a number of future projects developed</li> </ul>	<ul style="list-style-type: none"> <li>Finalise business cases for POTL projects and submit to Government for approval</li> <li>Determine requirements for private sector investment into future projects with the State Government</li> <li>Work with key stakeholders to promote investment opportunities for priority projects</li> </ul>	Possible	Major	Substantial
Community support for future growth plans	<ul style="list-style-type: none"> <li>Memorandum of Understanding with Townsville City Council for collaborative approach to future developments and mutual support</li> <li>Port Community Engagement Strategy</li> <li>Port Expansion Project EIS Community Stakeholder Engagement Plan</li> <li>Port Stakeholder Working Group established</li> <li>Reef 2050 Plan and proposed Queensland legislation recognise Townsville Port as one of four existing major established ports</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of the Strategic Communications and Engagement Strategy</li> <li>Development of a new Master Plan consistent with QPS once guidelines are established</li> <li>Positive media releases</li> </ul>	Possible	Major	Substantial

RISK AREA	CURRENT RISK CONTROLS	GAPS / KEY IMPROVEMENT ACTION REQUIRED	RESIDUAL RISK		
			LIKELIHOOD	CONSEQUENCE	RISK LEVEL
Security for current dominant trades	<ul style="list-style-type: none"> <li>▪ Demand Analysis and Trade Outlook Studies regularly completed (ROTL continuously; GHD 2013; Deloitte 2012; AECOM 2009)</li> <li>▪ Monthly engagement with customers to review forecasts coupled with analysis of historical trends and commodity analysis reviews by Queensland Treasury Corporation</li> <li>▪ Take or Pay Contract for Berth 8 Upgrade Performance Standards introduced into new contracts (&gt; 3million tonnes per annum)</li> <li>▪ Targeted strategies in place to diversify and attract new trade opportunities by sector, in particular general cargo, motor vehicles, project cargo, cattle and fuel</li> </ul>	<ul style="list-style-type: none"> <li>▪ Renegotiate existing contracts and ensure that new contracts include appropriate performance securities where feasible</li> <li>▪ Continued implementation of the key actions detailed in trade sector growth strategies</li> <li>▪ Continue to actively pursue new projects and trade opportunities</li> </ul>	Likely	Serious	Substantial
Security Compliance Obligations	<ul style="list-style-type: none"> <li>▪ Port security plans, procedures and practices</li> <li>▪ Funding approved for security upgrades to a number of designated port areas</li> <li>▪ Regular compliance audits</li> <li>▪ Strong working relationship with Customs and Office of Transport Security (OTS)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Staged implementation of improvements identified from whole of port evaluation</li> <li>▪ Investigate alternative options for POTL to provide required services as part of its business to achieve compliance and improve service delivery for key growth sectors</li> </ul>	Likely	Serious	Substantial

## Environment

Like many ports, the Port of Townsville and Port of Lucinda operate in sensitive environments in close proximity to the community. We therefore take a lead role in adopting and promoting responsible, sustainable and safe operations.

We are committed to environmentally responsible operations and development of our ports, to the sustainable management of resources and to ensuring environmental protection which are essential for our ports to continue to operate and grow whilst continuing to deliver facilities and services that underpin the economic sustainability of Northern Australia. This unwavering commitment to sound environmental practice continues supported by a number of monitoring programs which include, but are not limited to, monitoring of stormwater, sediments, ambient water and air monitoring, and habitat monitoring.

Results from these monitoring programs are published annually on our website to promote transparency and accountability. All environmental programs are tailored to ensure they are appropriate for current and future port operations, and we work closely with port customers and regulators to promote sound environmental outcomes. A representative group of port community members meets regularly to identify and implement improvements to environmental and sustainability programs and activities as well as raise awareness of cumulative impacts and broader environmental objectives with port and wider community. Our environmental management operations are certified to the international standard 'Environment ISO14001:2004' consistent with best practice.

## Reef 2050 Long Term Sustainability Plan

The Reef 2050 Long Term Sustainability Plan (Reef 2050 Plan) aims to provide guidance, clarity and prioritisation of management actions now and into the future and to enact long term focus and overarching benefit and protection for the Great Barrier Reef World Heritage Area (GBRWHA)

The Port of Townsville is recognised in the Reef 2050 Plan as one of Queensland's GBR Region major long established port. The ability for the Port of Townsville to expand in the future is critical to support the growth of the region.

The Reef 2050 Plan contemplates a complete prohibition of dredging and seabed disposal of dredge material in the GBRWHA in response to the World Heritage Committee's concerns on the health of the GBRWHA due to dredging, port development and shipping.

Together with industry stakeholder groups such as Ports Australia and the Queensland Ports Association we have worked with both the State and Federal Governments to outline our concerns and the practical implications of such bans in terms of environmental impacts of alternative options and the complications for future developments. We will continue to work with State and Federal Governments in the development of policies and guidelines and provide information in relation to the potential impacts for POTL and other GBR ports to support decision making.

We will continue to proactively and voluntarily implement best practice monitoring programs and initiatives which have been in place for over many decades. These monitoring programs exceed the requirements of State and Federal laws that regulate marine developments and port and shipping operations. We also continue to publish annual monitoring results to ensure continued transparency and accountability.

#### North Queensland Resources Supply Chain (NQRSC)

The NQRSC is the Mount Isa to Townsville supply chain corridor that links the North West Queensland Minerals Province with the processing and import/export port facilities in Townsville. It is an important economic link, supporting the movement of \$15 billion worth of product per annum.

In 2012 the State Government established the NQRSC Steering Committee comprising key infrastructure owners, operators and stakeholders with an interest in the corridor. The Committee aimed to improve the efficiency and productivity of the supply chain by better coordination amongst infrastructure owners, operators and current and future users to manage the movement of freight along this economically important corridor.

The Steering Committee commissioned three key components of work, including an infrastructure audit, a demand analysis and a review of supply chain coordination options. The Steering Committee provided a final report to the State Government in December 2013, detailing a number of recommendations to be implemented to:

1. improve long term strategic planning that can better identify infrastructure upgrade requirements;
2. improve day to day operations of the corridor through better coordination amongst corridor operators and participants; and
3. improve and clarify access arrangements for new, smaller entrants seeking export solutions on the corridor.

The majority of the recommendations and suggested key actions relate to POTL and Queensland Rail (QR) with many of the initiatives now completed or well underway. Throughout the term of this SCI, we intend to continue working in partnership with QR to investigate and implement remaining key actions recommended by the Steering Committee, in consultation with the stakeholders involved in the NQRSC with a view of improving the efficiency and productivity of the NQRSC.

#### Financial Management

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

We continuously review our expenditure forecasts in response to changes in the internal and external operating environment that may impact on our operations and financial performance. We implement initiatives in response to negative changes in the operating environment, such as deferring non-essential expenditure, divesting of non-core port activities/assets and constraints on filling vacant positions, whilst our employees have fully offset any wage increases by efficiency and productivity improvement savings.

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

## Safety

We are committed to maintaining a safe workplace, with nil Lost Time Injuries forecast for 2014/2015. We maintain a safety management system which is certified to 'Occupational Health & Safety AS/NZS 4801:2001' and 'Occupational Health & Safety ISO18001:2007'. We continue throughout the period of this SCI to proactively identify and manage occupational health and safety hazards to minimise the risk within the workplace.

We continuously improve our safety management system in consultation with stakeholders as the operational environment evolves. A representative group of port community members meet regularly to work in partnership to minimise port safety risks by identifying and managing occupational health and safety hazards within the port community as a whole.

## Community

We place great importance on our role as a good corporate citizen and have a number of programs and initiatives in place to ensure strong community engagement and connections as detailed in our Communications and Engagement Strategy. We have a number of community engagement committees, including a successful Schools Engagement Program and a recently established Port Stakeholder Working Group.

In addition we hold regular port tours and port open days to showcase the port to the community, and we participate in a number of community events and support many local events and causes. Our annual sponsorships and donations program aims to deliver donations and partnerships that highlight our corporate citizenship and commitment to community engagement whilst ensuring consistency with shareholding Ministers' expectations.

Our sponsorships and donations budget for 2015/2016 is located at **Annexure B**.

## Employees

We are committed to providing a work environment that is equitable and safe and attracts, develops and retains motivated, skilled and high performing people committed to achieving our business objectives.

Our Employment and Industrial Relations Plan for 2015/16, which has been prepared in accordance with the requirements of the GOC Act, is included at **Annexure C** and outlines the strategies and key actions that will be implemented throughout the term of this SCI to demonstrate our commitment to our employees and performance excellence.



## KEY SECTORS

Our trade base comprises four main sectors: mining and resources, agriculture, fuel and general cargo. The approximate percentage split in terms of tonnage throughput and trade income for each sector is depicted in the diagrams below:

Our final main operating sector is the facilitation of defence vessel and cruise line visits following investment into Berth 10 which has made the Townsville Port a strategic asset for defence deployment capabilities and provided a dedicated cruise liner berth and processing terminal.

We intend on focusing our resources on our five main operating sectors throughout the term of this SCI implementing various key initiatives that are discussed further in this SCI.

## 2. STRATEGIC PRIORITIES AND KEY ACTIONS 2015-2016

There is a significant opportunity for North Queensland and Townsville Port in particular, as the major trading hub for Northern Australia. We have a clear focus on improving market intelligence, securing government support and delivering key infrastructure to achieve this however remaining strongly engaged with the local community and key stakeholders will be critical in gaining support for our future growth plans. Our key actions and initiatives centre on our five (5) key trade growth sectors that will enable us to achieve our vision of being **“Northern Australia’s Transport Link to the World”**.

Our existing supply chain is linked by road and rail to one of the world’s largest base metals provinces. The North West and North East Minerals Provinces surrounding the Mt Isa and Cloncurry region are rich in commodities such as copper, iron ore, silver, lead, zinc, gold, phosphate, magnetite and thermal coal. The demand for mineral and energy exports is forecast to continue to increase consistent with growth in Asia.

### AGRICULTURE HUB

Townsville Port is the largest sugar export facility in Australia and one of the most efficient exporters of live cattle. Demand for sugar, biofuels, beef, fertiliser, molasses, rice, pea, mung bean and grain products sourced from northern Australia is expected to increase as Asia continues to grow and experiences difficulties in meeting demand with local resources.

### FUEL IMPORT HUB

Fuel imports are expected to grow with the commencement of new mining projects in the northern Australia region and in line with regional population growth. Our recent investments in fuel pipelines to Berths 9 and 10 also provide capacity to service the requirements of visiting navy vessels, further increasing fuel import requirements.

### GENERAL CARGO HUB

Our ports service a catchment area that spans a vast land mass of some 1 million square kilometres, with a total population of about 700,000 people. The northern Queensland region is projected to grow to over 1 million residents by 2036 which will drive a rise in containerised cargo imports. Increased agricultural exports, particularly the Asian demand for grain and beef, will also provide further growth opportunities for our ports in general cargo exports. The opening up of the Galilee Basin for the development of its vast coal reserves will also provide additional growth opportunities in project cargo imports with new mining projects coming on line and the building of new infrastructure for new resource regions.

### DEFENCE & TOURISM HUB

Lavarack Barracks Townsville is Australia’s largest defence base. Townsville is also to a base for the Royal Australian Air Force. Recent investment into Berth 1 enhanced Defence’s amphibious mounting base capacity in Townsville, making Townsville Port a strategic asset for Defence deployment capabilities. Our proximity to rainforests, reefs, sandy beaches, outback towns and islands packed with interesting flora and fauna makes the northern Australian region an extraordinary tourism hub. The recent upgrade to Berth 10 and construction of Quayside Terminal provides opportunities for us to capture a niche share of cruise line visits.

The key activities and initiatives under each of the five (5) hubs together with strategic master planning initiatives capture the critical measures required to capitalise on strengths and opportunities and to manage identified weaknesses and threats that may impact on business performance.

The key activities and initiatives proposed for 2015-2016 are as follows

HUB	KEY ACTIONS 2015-2016
ALL HUBS	<ul style="list-style-type: none"> <li>• Complete a Strategic Development Plan for the Port of Townsville, and work with the State Government to complete a Master Plan for the Port of Townsville.</li> <li>• Complete Berths 6/7 demolition.</li> <li>• Maintain and continuously improve environmental monitoring programs (stormwater, sediments, ambient water, air quality and habitat) and research initiatives.</li> <li>• Maintain Port Stakeholder Working Group improve transparency of Port operations, emissions and contributions to overall city air quality, compliance levels and continuous improvement initiatives.</li> <li>• Secure approval of the Townsville Port Expansion Project EIS.</li> </ul>
AGRICULTURE HUB	<ul style="list-style-type: none"> <li>• Develop 'Agriculture Growth Strategy' to capture growth opportunities arising from free trade agreements.</li> <li>• Continue working in partnership with supply chain stakeholders to ensure efficient transport and shipping turnaround for live cattle exports.</li> <li>• Ensure port security, biosecurity and safety measures are operationally appropriate and compliant.</li> </ul>
FUEL HUB	<ul style="list-style-type: none"> <li>• Work with Government and stakeholders to determine commercial delivery model for the Townsville Eastern Access Rail Corridor and other improvements in the Port area.</li> <li>• Complete negotiation of long term terminal leases with trade performance standards aimed at improving trade handling efficiency and providing incentives that encourage trade growth.</li> </ul>
GENERAL CARGO HUB	<ul style="list-style-type: none"> <li>• Work with stevedores and port operators to improve landside efficiencies and reliability.</li> <li>• Investigate new business opportunities for POT to improve competitiveness of the port for general cargo operations through operational efficiencies and service delivery.</li> <li>• Secure approvals and commence Berth 4 Upgrade Project, facilitate relocation of infrastructure from Berth 4 backing land and determine future berth operations model.</li> <li>• Prepare and develop Eastern Reclamation Area for project cargo lay areas, as demand requires.</li> <li>• Complete harbour entrance widening and simulation for 4,500 twenty foot equivalent vessels.</li> <li>• Develop 'Warehousing and Landside Distribution Strategy' (including review of TSDA, port lands, road and rail corridors, customs and biosecurity requirements).</li> </ul>
DEFENCE AND TOURISM HUB	<ul style="list-style-type: none"> <li>• Develop a 'North Queensland Defence Attraction Strategy' for ship visitations and Defence support service industries in conjunction with Townsville Enterprise Limited and the Queensland Government.</li> <li>• Complete harbour entrance widening and simulation works for &gt; 240 m cruise ships.</li> <li>• Establish appropriate commercial delivery model for delivery of Harbour City Project.</li> </ul>

### 3. TRADE FORECASTS

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 11.1 million tonnes in 2015-2016 demonstrating a 7.32% increase on the previous year based on current forecast figures for 2015-

The trade and revenue forecasts for 2015-2016 have been based on information available at May 2015 in view of 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 CFC and long term historical trade patterns

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

Commodity	2013-2014 Actual	2014-2015 Forecast	2015-2016 Budget	Increase (Decrease)
<b>IMPORTS</b>				
Resources	3,558,272	3,327,200	3,885,000	557,800*
Fuels, Cement, Chemicals & Other Supplies	1,824,783	1,646,517	2,045,500	398,983**
General Cargo	273,746	301,000	365,609	64,609
<b>Total Imports</b>	<b>5,656,801</b>	<b>5,274,717</b>	<b>6,296,109</b>	<b>1,021,392</b>
<b>EXPORTS</b>				
Resources	2,625,272	2,597,311	2,642,363	45,052
Agriculture	1,799,173	2,456,000	2,378,308	(77,692)
General Cargo	177,081	205,000	228,850	23,850
<b>Total Exports</b>	<b>4,601,526</b>	<b>5,258,311</b>	<b>5,249,521</b>	<b>(8,790)</b>
<b>Total Throughput</b>	<b>10,258,327</b>	<b>10,533,028</b>	<b>11,545,630</b>	<b>1,012,602</b>

\*Increase is anticipated primarily due to nickel being forecast to increase as Queensland Nickel Pty Ltd secure alternative nickel

\*\* Increase in anticipated primarily due Australian refineries closing, resulting in the need to import fuels from international markets together with the opening up of the Galilee Basin for mining projects which will drive further demand for fuel

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

Commodity	2013-2014 Actual	2014-2015 Forecast	2015-2016 Budget	Increase (Decrease)
<b>IMPORTS</b>				
General Cargo	3,376	2,000	2,000	-
<b>Total Imports</b>	<b>3,376</b>	<b>2,000</b>	<b>2,000</b>	<b>-</b>
<b>EXPORTS</b>				
General Cargo	8,560	6,500	4,000	(2,500)
Agriculture (Sugar)	521,249	397,410	500,000	102,590
<b>Total Exports</b>	<b>529,809</b>	<b>403,910</b>	<b>504,000</b>	<b>100,090</b>
<b>Total Throughput</b>	<b>533,185</b>	<b>405,910</b>	<b>506,000</b>	<b>100,090</b>

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

	2013-2014 Actual	2014-2015 Forecast	2015-2016 Budget	Increase (Decrease)
<b>IMPORTS</b>				
Port of Townsville	5,656,801	5,274,717	6,296,109	1,021,392
Port of Lucinda	3,376	2,000	2,000	-
<b>Total Imports</b>	<b>5,660,177</b>	<b>5,276,717</b>	<b>6,298,109</b>	<b>1,021,392</b>
<b>EXPORTS</b>				
Port of Townsville	4,601,526	5,258,311	5,249,521	(8,790)
Port of Lucinda	529,809	403,910	504,000	100,090
<b>Total Exports</b>	<b>5,131,335</b>	<b>5,662,221</b>	<b>5,753,521</b>	<b>91,300</b>
<b>Total Throughput</b>	<b>10,791,512</b>	<b>10,938,938</b>	<b>12,051,630</b>	<b>1,112,692</b>

Further detail on our market outlook for the period can be found in section 3 of the 2015 Corporate Plan.

## 4. 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 2016 will be measured and monitored through the following key financial and non-financial performance targets.

Quarter 2015-2016				Performance Indicators	2015-2016 Budget	2013-2014 Actual	2014-2015 Budget	2014-2015 Est. Actual
Sept	Dec	Mar	Jun					
<b>FINANCIAL</b>								
21.57	20.68	16.79	21.78	Operating Revenue (\$M)	80.82	76.02	79.03	75.46
11.05	13.65	10.55	12.25	Operating Expenditure (\$M)	47.50	45.60	45.46	45.64
18.42	17.54	13.66	18.21	Trade Income (\$M)	67.83	53.20	66.66	60.92
2.85	2.86	2.85	2.86	Property & Facilities Income (\$M)	11.42	10.28	10.53	10.30
10.52	7.03	6.25	9.53	EBIT(\$M)	33.33	30.42	33.57	29.82
6.69	3.71	3.70	5.69	NPAT (\$M)	19.79	18.26	19.83	17.29
0.00	0.00	0.00	15.49	Dividend (\$M)	15.49	7.72	15.19	13.21
6.48	4.36	3.87	5.83	Accounting Return on Assets EBIT	5.10	5.38	5.66	4.81
4.09	2.31	2.30	3.44	Accounting Return on Assets NPAT (%)	2.99	3.08	3.29	2.68
1.42	0.78	0.78	1.19	Return on Equity (%)	4.15	4.43	4.57	3.83
1.30	1.80	2.40	1.31	Current Ratio	0.93	1.52	1.08	1.52
8.55	3.38	5.96	4.94	Interest Cover Ratio (EBIT)	6.60	6.39	6.40	5.82
0.17	0.16	0.16	0.19	Debt to Equity Ratio	0.16	0.19	0.18	0.17
15.95	4.22	3.97	5.67	Capital Investments (\$M)	29.81	15.36	18.73	11.03
<b>NONFINANCIAL</b>								
3.67	3.45	2.16	2.77	Trade Throughput (Million Tonnes)	12.05	10.79	12.58	10.94
223	239	203	170	Vessels to Port	865	672	736	835
0	0	0	0	Reportable Security Incidents	0	9	0	1
0	0	0	0	Reportable Environmental Breaches	0	0	0	0
0	0	0	0	Lost Time Injury Frequency Rate	0	1	0	0
>85%	>85%	>85%	>85%	Community Satisfaction	> 85%	-	> 80%	> 80%

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

The 2015-2016 financial forecasts reflect changes to internal and external operating environments that 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 Q100 and long term historical trade patterns.

- An allowance has been made for overall increases in port charges (cargo and berthage charges) of 5% in 2015-2016 year, 5% for 2 years thereafter, 4% for 2017-2019, and 3% for the final year of the forecast period.
- Capital expenditure includes \$98.1 million in 2015-2016 and \$113.1 million over the five years to 2019-2020 to complete a number of major projects and upgrades considered essential for continued growth and reliability, safety and efficiency of core assets. Further detail on capital expenditure can be found in section 5 of this SCI and section 5 of the 2015-2020 Corporate Plan.
- Operating expenditure includes continued delivery of core services and maintenance with a strong emphasis on achieving efficiency and productivity savings and reducing discretionary spending and operations.
- Wage increases effective 1 September 2014 are 3% for Enterprise Agreements for Administration and Port Services Officers and senior officer contracts subject to enterprise agreements; 2.75% for the Maintenance employees effective 1 December 2014; 3% for pilots effective 1 November 2014. Wage increases over the budget period are fully offset by efficiency and productivity improvements savings. Constraint on filling of vacant positions is necessary to achieve the expenditure budget for 2015-2016 and the forecast period, with no increase in employment levels.
- Interest rate on borrowings has been calculated based on QTC debt pool of 4.82% and Competitive Neutrality Fee of 1.37%. Interest on investments has utilised 3.3% per annum consistent with QTC capital guarantee cash fund annual effective rate as at 13 March 2015.
- Responsibility for the provision of pilot services in the compulsory Townsville and Lucinda pilotage areas was devolved from Maritime Safety Queensland (MSQ) to POTL on 2 November 2013. POTL also commenced providing pilotage services to Abbot Point by way of contract with MSQ from this date. These changes formed part of stage 1 of the pilotage devolution project which aims to deliver improved service delivery, efficiencies and better alignment of agency objectives. Stage 2 of the project requires MSQ, in consultation with Queensland port corporations and key stakeholders, to develop a robust pricing model to underpin the continued delivery of safe and sustainable pilotage services and a best practice service model delivery. Results of consultation will be incorporated into a pricing options paper to be presented by MSQ for Government consideration in the fourth quarter of 2015 for approval. The revenue forecasts in this SCI have not taken into account any future changes to the pilotage services pricing model and currently assume the existing Statewide network pricing model. Forecasts will be revised once the outcome of the pricing options review is completed.

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 operational performance, including its ability to meet the key performance results set out in this SCI.

## 5. CAPITAL INVESTMENTS

Our capital budget for 2015-2016 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 2015-2016 over the budget period are detailed below.

Capital Project	Details	Key Focus Area	Budgeted Total Cost (\$)	2014-2015 Est. Actual (\$)	2015-2016 Budget (\$)	Expected Completion Date
Berth 4 Upgrade	Redevelopment of the Berth 4 facility including alignment with adjacent berth and deck surface works.	General Cargo Hub	\$55,150,000	-	\$10,150,000	June 2018
Berth 6/7 Demolition	Demolition of existing wharf structure to allow bigger vessels to berth	Mining & Resources Hub	\$14,728,230	\$5,018,363	\$9,709,867	June 2016
Harbour entrance Widening	Widening of the harbour mouth, breakwater groyne removal & beacon relocation to allow safe navigation of longer vessels in the Port of Townsville harbour.	Fuel Hub	\$2,523,000	-	\$2,523,000	June 2016
Breakwater Groyne Removal & Beacon Relocation	Widening of the harbour mouth, breakwater groyne removal & beacon relocation to allow safe navigation of longer vessels in the Port of Townsville harbour.	ALL	\$1,500,000	-	\$1,500,000	June 2016
Berth 8/9 Pile Encapsulation	Pile encapsulation program to 24 piles at B8 and 21 piles at B9 to extend the life of the structures by improving the integrity of the piles.	ALL	\$1,858,000	-	\$929,000	June 2017
Replacement of PV Petrel II	Replacement of POTL's primary pilot vessel.	ALL	\$2,800,000	-	\$800,000	June 2017
Berth 8/9 Central Pier Slab Strengthening for cargo storage	Strengthening of a section of slab to enable suitable storage area of cargoes.	Mining & Resources Hub	\$319,000	-	\$319,000	June 2016
Annual Light Vehicle Replacements	Replacement of vehicles according to Light Vehicle Policy.	ALL	\$2,216,000	\$87,138	\$280,000	June 2016
New GMS & Building Mods Sub B	New Ground Mounted Switch (GMS) & Building Modifications Sub B.	ALL	\$267,000	-	\$267,000	June 2016
Max Hooper Barge Upgrade	Project to upgrade bed leveller tool on Max Hooper Barge to enable faster bed levelling of the channels and berth pockets.	ALL	\$225,399	-	\$225,399	June 2016
Records Management System Enhancement Project	Reimplementation of document management system, including data migration.	ALL	\$224,112	-	\$224,112	June 2016
Berth 11 - New Mooring Dolphin Access	Upgrade access to mooring dolphins at Berth 11 to enhance safety.	Mining & Resources Hub	\$188,000	-	\$188,000	June 2016
Multi Combination Vehicle port access improvement works	Works to improve access for multi-combination vehicles accessing the Port of Townsville	ALL	\$611,853	\$61,853	\$550,000	June 2016
Other	Minor asset replacements and acquisitions and minor infrastructure works around the Port of Townsville and Lucinda	ALL	\$8,470,038	\$6,264,886	\$2,142,514	June 2016
<b>TOTAL</b>			<b>\$91,080,632</b>	<b>\$11,025,466</b>	<b>\$29,807,892</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.

## 6. DEBT POSITION AND BORROWINGS

At 1 July 2015 we forecast cash reserves of \$51 million. It is expected that we will hold cash reserves of \$21.08 million at the end of 2015-2016 and \$17.83 million at the end of the forecast period.

Borrowings will be sourced through QTC under new loan terms and conditions agreed in September 2012. Interest on borrowings has been calculated based on QTC debt pool rate of 6.82% and a Competitive Neutrality Fee of 1.37%.

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	2015-2016 Budget	2013-2014 Actual	2014-2015 Budget	2014-2015 Est. Actual
Cash Balance (\$M)	\$21.08	\$20.39	\$18.06	\$31.51
New Borrowings (\$M)	\$0.00	\$35.00	\$0.00	\$0.00
Balance of Borrowings (\$M)	\$76.43	\$84.28	\$80.37	\$80.36



# ANNEXURE: FINANCIAL STATEMENTS

## STATEMENT OF COMPREHENSIVE INCOME

	2013-2014	2014-2015	2014-2015	2015-2016
	Actual	Budget	Est. Actual	Budget
	\$	\$	\$	\$
<b>OPERATING INCOME</b>				
Trade Income	53,196,527	66,657,329	60,917,458	67,830,138
Property and Facilities	10,283,023	10,527,469	10,301,720	11,422,371
Interest Earned	441,248	658,400	774,650	787,730
Other Revenue	2,450,773	342,372	2,003,340	351,794
Revaluation and Impairment Adjustments	8,612,973	843,905	1,460,729	430,715
Grants and Subsidies Received	1,037,000	-	-	-
	<b>76,021,545</b>	<b>79,029,476</b>	<b>75,457,897</b>	<b>80,822,750</b>
<b>OPERATING EXPENDITURE</b>				
Employee Related Expenses (Operating)	11,897,645	12,530,838	12,760,966	13,449,410
Supplies and Services	17,175,564	17,356,824	15,409,553	17,434,847
Depreciation & Amortisation	13,501,769	14,216,593	14,886,888	14,650,949
Impairments/Writedowns	781,000	-	685,288	-
Taxes and Government Charges	1,971,807	1,327,400	1,841,054	1,930,400
Other	275,376	27,914	55,683	30,750
	<b>45,603,162</b>	<b>45,459,570</b>	<b>45,639,433</b>	<b>47,496,356</b>
<b>EARNINGS BEFORE INTEREST AND TAX</b>	<b>30,418,384</b>	<b>33,569,905</b>	<b>29,818,465</b>	<b>33,326,394</b>
Finance Costs	4,660,221	5,246,552	5,119,966	5,051,185
<b>NET PROFIT (LOSS) BEFORE TAX</b>	<b>25,758,163</b>	<b>28,323,353</b>	<b>24,698,499</b>	<b>28,275,209</b>
Income Tax Equivalent	7,500,912	8,497,007	7,412,550	8,482,562
<b>NET PROFIT (LOSS) AFTER TAX</b>	<b>18,257,251</b>	<b>19,826,347</b>	<b>17,285,948</b>	<b>19,792,646</b>
Dividend	(7,715,423)	(15,185,954)	(13,208,406)	(15,489,544)
Movements in Retained Profits	5,986	-	82,468	263,398
Retained from previous periods	110,719,864	122,369,346	121,267,678	125,427,689
<b>RETAINED EARNINGS</b>	<b>121,267,678</b>	<b>127,009,738</b>	<b>125,427,689</b>	<b>129,994,189</b>

## STATEMENT OF FINANCIAL POSITION

	2013-2014	2014-2015	2014-2015	2015-2016
	Actual	Budget	Est. Actual	Budget
	\$	\$	\$	\$
<b>CURRENT ASSETS</b>				
Cash	20,385,542	18,062,626	31,509,126	21,081,330
Trade and Other Receivables	6,649,547	11,855,654	8,354,851	8,103,820
Current Tax Receivables	3,238,424	-	-	-
Non-Current Assets held for Sale	390,000	-	380,000	-
Other	723,805	670,014	612,880	784,872
	31,387,318	30,588,294	40,856,857	29,970,022
<b>NON-CURRENT ASSETS</b>				
Property, Plant & Equipment	519,227,642	528,535,218	561,832,584	588,782,477
Investment Properties	42,195,233	43,039,138	43,071,520	43,502,235
Other	-	-	-	-
	561,422,875	571,574,355	604,904,104	632,284,712
<b>TOTAL ASSETS</b>	592,810,193	602,162,650	645,760,961	662,254,734
<b>CURRENT LIABILITIES</b>				
Trade and Other Payables	5,489,310	4,235,160	3,518,688	5,311,300
Current Tax Liabilities	-	1,335,397	2,595,349	3,423,785
Financial Liabilities	3,922,976	4,113,406	3,937,036	4,310,210
Provisions	9,192,953	16,922,964	14,663,563	16,925,176
Other	2,105,863	1,674,667	2,130,363	2,155,031
	20,711,102	28,281,593	26,844,999	32,125,502
<b>NON-CURRENT LIABILITIES</b>				
Financial Liabilities	80,359,098	76,256,798	76,427,548	72,117,338
Provisions	2,050,127	2,490,048	2,046,155	2,097,309
Deferred Tax Liabilities	26,901,223	26,890,751	42,110,949	46,102,770
Other	29,377,500	28,162,500	28,162,500	26,929,167
	138,687,948	133,800,097	148,747,152	147,246,584
<b>TOTAL LIABILITIES</b>	159,399,050	162,081,690	175,592,151	179,372,086
<b>NET ASSETS</b>	433,411,143	440,080,960	470,168,810	482,882,648
<b>EQUITY</b>				
Retained Profits	121,267,679	127,009,739	125,427,689	129,994,189
Reserves	209,080,757	210,008,515	241,678,415	249,825,753
Issued Shares	103,062,706	103,062,706	103,062,706	103,062,706
<b>TOTAL EQUITY</b>	433,411,142	440,080,960	470,168,810	482,882,648

## STATEMENT OF CASH FLOWS

	2013-2014	2014-2015	2014-2015	2015-2016
	Actual	Budget	Est. Actual	Budget
	\$	\$	\$	\$
<b>SOURCE OF FUNDS</b>				
Receipts from Customers	74,945,364	75,555,186	70,292,121	78,613,173
Loan Raisings	35,000,000	-	-	-
Grants and Subsidies Received	5,457,000	-	-	-
Tax Refund	-	-	8,095,016	-
Sales of fixed assets	219,571	21,000	127,934	523,000
Interest received	441,248	658,400	774,650	787,730
<b>Total Cash Inflow</b>	<b>116,063,182</b>	<b>76,234,586</b>	<b>79,289,721</b>	<b>79,923,903</b>
<b>EXPENDITURE</b>				
Dividend	15,991,333	10,067,784	7,715,423	13,208,406
Payments to Suppliers & Employees	47,684,362	30,627,020	31,870,156	31,179,328
Capital Expenditure	15,362,805	18,730,101	11,025,466	29,807,892
Redemption on Loans	13,159,314	3,920,529	3,917,490	3,937,036
Finance Costs	4,602,140	5,261,665	5,203,107	5,065,015
Income Tax Equivalent	15,282,549	6,024,799	8,434,497	7,154,021
<b>Total Cash Outflow</b>	<b>112,082,503</b>	<b>74,631,898</b>	<b>68,166,138</b>	<b>90,351,699</b>
<b>Net cash inflow/(outflow)</b>	<b>3,980,679</b>	<b>1,602,688</b>	<b>11,123,582</b>	<b>(10,427,796)</b>
<b>OPENING CASH BALANCE</b>	<b>16,404,864</b>	<b>16,459,938</b>	<b>20,385,544</b>	<b>31,509,126</b>
<b>Net cash inflow/(outflow)</b>	<b>3,980,679</b>	<b>1,602,688</b>	<b>11,123,582</b>	<b>(10,427,796)</b>
<b>CLOSING CASH BALANCE</b>	<b>\$20,385,544</b>	<b>\$18,062,626</b>	<b>\$31,509,126</b>	<b>\$21,081,330</b>

TRANSACTIONS WITH OWNERS AS OWNERS

	2015-2016 Budget	2013-2014 Actual	2014-2015 Budget	2014-2015 Est. Actual
Equity Injections / (Withdrawals) (\$M)	-	-	-	-
Dividends Provided For or Paid (\$M)	\$15.49	\$7.72	\$15.19	\$13.21
Dividend Payout Ratio	0.8	0.8	0.8	0.8

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

	2015-2016 Budget	2013-2014 Actual	2014-2015 Budget	2014-2015 Est. Actual
Tax Paid / Payable (\$M)	\$8.48	\$7.50	\$8.50	\$7.41
CSO Paid / Payable or Received / Receivable	-	-	-	-

# WACC CALCULATION

WACC CALCULATION			
<b>COST OF EQUITY INPUTS</b>			
Risk Free rate (10 year Bond %)	<i>Rf</i>		4.19%
Asset Beta	<i>Ba</i>		0.83
Debt Beta (Vanilla)	<i>Bd (Vanilla)</i>	= (Debt Margin / MRP)/2	0.15
Equity Beta (Vanilla)	<i>Be (Vanilla)</i>	= $Ba \times [1 + (1 - t) \times (D\% / E\%)] - Bd \times ((1 - t) \times (1 - y))$	1.15
Equity Beta (Post and Pre)	<i>Be</i>	= $Ba \times [1 + ((D\% / E\%) \times (1 - t))]$	1.22
Market Risk Premium (%)	<i>MRP</i>		6.00%
<b>COST OF DEBT INPUTS</b>			
Project Leverage	$D\% / [D\% + E\%]$		40.0%
Debt Margin Over Risk Free	<i>Margin%</i>		1.75%
<b>OTHER INPUTS / CALCULATIONS</b>			
Corporate Tax Rate (long term)	<i>t</i>		30.0%
Imputation Credit Utilisation Rate	<i>y</i>		-
Inflation Rate			2.50%
<b>COST OF CAPITAL CALCULATIONS</b>			
Cost of Equity Pre Tax	$Ke_{Pre}$	= $[Rf + (Be \times MRP)] / (1 - t(1 - y))$	16.40%
Cost of Equity Post Tax	$Ke_{Post}$	= $Rf + (Be \times MRP)$	11.48%
Cost of Equity Vanilla	$Ke_{Post}$	= $Rf + (Be \times MRP)$	11.07%
Cost of Debt Pre Tax	$Kd$	= $Rf + Margin\%$	5.94%
Cost of Debt Post Tax	$Kd_{Post}$	= $Kd \times (1 - t)$	4.16%
<b>WEIGHTED AVERAGE CALCULATIONS</b>			
Vanilla WACC (used for Regulated Return) <i>All tax and franking included in cash flows</i>		EY - T + Ty	9.02%
Post-tax nominal WACC <i>All tax included in cash flows franking included in formula</i>		EY (1-t)	8.55%
Pre-tax nominal WACC <i>Tax and franking included in formula</i>		EY	12.22%
Post-tax real WACC <i>Tax and franking included in formula</i>		EY (1-t)	5.90%
Pre-tax real WACC <i>Tax and franking included in formula</i>		EY	9.48%
Note: Pre-tax nominal WACC is calculated using the market transformation method		EY	EBIT
		t	corporate tax rate
Note: Vanilla WACC is calculated using the approach applied in the QCA - Gladstone Area Water Board March 2005 Final Report		y	imputation credits
		T	t (EBIT - interest expense)

# ANNEXURE B: SPONSORSHIPS, MEMBERSHIPS, DONATIONS & ADVERTISING

Forecast expenditure on sponsorships, memberships, corporate entertainment and events, donations and advertising during 2015/2016 is outlined below:

Detail	Description / Benefit	2014/2015 Budget (\$)	2014/2015 Est. Actual (\$)	2015/2016 Budget (\$)
<b>1. SPONSORSHIPS</b>				
None	None	-	-	-
Total over \$5,000		-	-	-
Other Sponsorships (total) below \$5,000		4,000	3,800	2,000
<b>TOTAL (1)</b>		<b>4,000</b>	<b>3,800</b>	<b>2,000</b>
<b>2. MEMBERSHIPS</b>				
Townsville Enterprise Limited	To increase our profile within the industry to promote trade.	31,818	32,673	35,000
Queensland Ports Association	To participate, along with other Queensland ports, in common issues and activities and to share information where appropriate in the interest of the State's economic development.	9,000	9,000	9,300
Ports Australia	To participate in Australia's peak representative body for Australian ports and marine authorities.	36,000	28,740	30,000
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
Total over \$5,000		91,818	85,513	89,300
Other Membership (total) below \$5,000		3,000	6,689	9,940
<b>TOTAL (2)</b>		<b>94,818</b>	<b>92,202</b>	<b>99,240</b>
<b>3. CORPORATE ENTERTAINMENT &amp; EVENTS</b>				
Employee End of Year Function	Year in review, recognition / appreciation of employee efforts, employee morale and increase team building.	9,500	8,289	9,500
150 Year Anniversary Celebrations Program	To celebrate 150 years since the establishment of the Port of Townsville and Townsville City (2014/2015 estimate actuals is net of ticket sale proceeds)	21,000	23,996	-
Total over \$5,000		30,500	32,285	9,500
Other (total) below \$5,000		6,650	8,865	10,140
<b>TOTAL (3)</b>		<b>37,150</b>	<b>41,150</b>	<b>19,640</b>
<b>4. DONATIONS</b>				
Maritime Museum	To support community endeavours and promote the Port of Townsville's historical significance to the area.	25,000	25,000	25,000
Total over \$5,000		25,000	25,000	25,000
Other (total) below \$5,000		2,000	2,119	-
<b>TOTAL (4)</b>		<b>27,000</b>	<b>27,119</b>	<b>25,000</b>
<b>5. ADVERTISING</b>				
Townsville City 150 Year Anniversary Celebrations Program	Publication of material in the Townsville Bulletin to celebrate 150 years since the establishment of the Port of Townsville and birth of the Townsville City 150 year later. This publication will complement Townsville City Council's 150 birthday celebrations	12,000	15,532	25,000
Schools Program	Publication of education material pertaining to the Port and its operations in local media publications on a regular basis to promote the importance of the Port to the regional community.	-	-	10,000
Total over \$5,000		12,000	15,532	35,000
Other (total) below \$5,000		20,000	16,468	18,500
<b>TOTAL (5)</b>		<b>32,000</b>	<b>32,000</b>	<b>53,500</b>
<b>TOTAL</b>		<b>194,968</b>	<b>196,271</b>	<b>196,380</b>

We do not undertake any Community Service Obligations (CSOs) 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 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 2015 – 2016 are as follows:

STRATEGY	PERFORMANCE OUTCOME	PERFORMANCE MEASURE	PERFORMANCE TARGET	PERFORMANCE INITIATIVE
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 new employees successfully completing their qualifying period.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; 85% employee satisfaction.</li> </ul>	<ul style="list-style-type: none"> <li>Establishment of an Employee Consultative Group.</li> <li>360 degree feedback for executive managers.</li> <li>Establishment of a POTL Training and Development Committee.</li> <li>Tiered leadership training (emerging and developing and advanced).</li> <li>Interviewer training and implementation of Behavioural Interviewing Techniques.</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 (EAP).</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 within a prompt and appropriate manner.</li> <li>% of 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>5 trained Contract 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>	<ul style="list-style-type: none"> <li>Discrimination and harassment awareness sessions to be included in the yearly Dignity in the Workplace (EEO) training.</li> <li>Contact Officer Review twice yearly and training refresher each year.</li> <li>Promotion of flexible options to employees twice yearly.</li> <li>EAP information to be included as part of employee induction process.</li> <li>EAP awareness sessions conducted annually.</li> </ul>
Provision of corporate management systems and technologies to support more efficient and productive output.	<ul style="list-style-type: none"> <li>External certification of corporate management systems.</li> </ul>	<ul style="list-style-type: none"> <li>External certification of all corporate management systems.</li> </ul>	<ul style="list-style-type: none"> <li>Systems externally certified.</li> </ul>	<ul style="list-style-type: none"> <li>Engagement of external certifier for each specific management system to certify systems against best practice standards.</li> </ul>
Establish POTL as a strong corporate advocate in respect to safety systems and practices	<ul style="list-style-type: none"> <li>No non-conformances identified by internal and external audits of safety systems.</li> <li>Compliance with all relevant legislation and regulations.</li> </ul>	<ul style="list-style-type: none"> <li>Maintain certification to AS/NZS 4801:2001 and OHSAS18001:2007.</li> <li>External certification of safety management system.</li> <li>All relevant employees trained in statutory high risk work.</li> </ul>	<ul style="list-style-type: none"> <li>No non-conformances identified by audits.</li> <li>No legislative non-compliance.</li> <li>100% of statutory training undertaken with relevant qualifications obtained within three months of</li> </ul>	<ul style="list-style-type: none"> <li>Continued review and improvement of safety systems and procedures.</li> <li>Review and monitor legislative environment and revise safety systems as legislative changes occur.</li> <li>Engagement of an external certifier to certify safety</li> </ul>



<p>In accordance with the Bradley curve, establish a culture of "independence" where safe and compliant methods of work are the norm and violations and shortcuts are not accepted in the workforce.</p>	<ul style="list-style-type: none"> <li>▪ Overall safer workplace where employees look out for one another and do not rely solely on themselves for their own safety.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Increased % of near miss and hazard reporting to actual injuries.</li> <li>▪ Decrease in the number of injuries.</li> </ul>	<p>commencement of employment.</p> <ul style="list-style-type: none"> <li>▪ Increase to annual 1:1 ratio of near miss/hazard reporting to injuries.</li> <li>▪ Annual improvement in 3-year rolling average of 10% in number of injuries.</li> </ul>	<p>management system to best practice standards.</p> <ul style="list-style-type: none"> <li>▪ Near miss and hazard awareness training sessions.</li> <li>▪ Continued systematic improvements in overall safety culture.</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Employees feel valued and respected from a safety perspective.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Employee satisfaction survey relating to occupational health and safety.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Establish baseline in 2015-2016 results.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Improved communication strategies relating to occupational health and safety.</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Promotion of a safety leadership culture.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Time in field to observe and discuss and understand safety issues/concerns/controls.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Minimum 4 hours / month time in field for executive members and line managers to review occupational health and safety behaviours.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Consultation with executive regarding parameters and methods of time in field inspections.</li> </ul>

## 2. Significant and Emerging Issues

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The key issues related to industrial relations and human resources during 2015 – 2016 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 2015 – 2016 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.
- Port of Townsville Marine Pilots Collective Agreement 2014 (Pilots). There are 9 blue collar employees covered by this agreement. Nominal expiration date is 30 October 2017.

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

### 3. Director/Senior Executive Remuneration

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

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

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

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

Full details of director and senior executive remuneration are reported in our financial statements in accordance with accounting standards and government policies.

#### Non-Executive Directors' (including Chairman) Remuneration as at 31 January 2015

Given Name	Director Fees \$	Committee Fees \$	Other Benefits \$	Super \$	Total \$
P. Brady (Chair)	50,000	17,488	-	6,411	73,899
D. Tim So (Director)	25,750	10,203	-	3,416	39,369
I. Jessup (Director)	25,750	10,203	-	3,416	39,369
B. Webb (Director)	25,750	11,662	-	3,554	40,966
F. Pidgeon (Director)	25,750	8,744	-	3,277	37,771

#### Senior Executive Remuneration as at 31 January 2015

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*	307,368	33,043	-	-	-	340,411	0	Up to 15% of TFR
Chief Financial Officer	210,046	19,954	-	-	-	230,000	0	Up to 15% of TFR
General Manager Infrastructure and Planning	210,046	19,954	-	-	-	230,000	0	Up to 15% of TFR
General Manager Marine and Logistics	210,046	19,954	-	-	-	230,000	0	Up to 15% of TFR
General Manager Trade and Property	203,991	26,009	-	-	-	230,000	0	Up to 15% of TFR
Manager Marine Pilots	266,724	31,098	17,000	-	-	314,822	0	

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

## 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 four (5) employees on a senior executive contracts. These include the General Manager Trade and Property, General Manager Infrastructure and Planning, General Manager Marine and Logistics, Chief Executive Officer and the Chief Financial Officer.

There are currently three (3) employees on senior employee contracts that exceed the limit of remuneration set by the Enterprise Agreements.

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

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

We do not have any gain sharing schemes.

## 5. Enterprise Bargaining and Productivity Initiatives

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No industrial action was taken during 2014-2015 and none is expected during 2015-2016.

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 28/02/2015

Employment Category	Number of Employees
Permanent	85
Casual	4
Temporary	0
Contract	9

## 7. Work Health & Safety

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

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

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

Under section 148 of the *Government Owned Corporations Act 1993* (Qld), 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 9.5% of the base wage.

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

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Only electronic copy on server is controlled. To ensure paper copy is current, check revision number against entry in Qudos - Master Document List			Revision	0
			Date	06/08/2015
			Page	28 of 28