

# PORT OF TOWNSVILLE LIMITED STATEMENT OF CORPORATE INTENT

## 2018 - 2019



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## DIRECTORS' STATEMENT AND AGREEMENT OF SHAREHOLDING MINISTERS

This Statement of Corporate Intent (**SCI**) and all attachments, for 2018-2019, are presented in accordance with Chapter 3, Part 8 of the *Government Owned Corporations Act 1993* (Qld) (**GOC Act**).

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

- the Honourable Jackie Trad, Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships; and
- the Honourable Mark Bailey, 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 and to comply with all relevant Government guidelines and policies.

This SCI is consistent with our 2018-2023 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 Chairperson on behalf of all the directors in accordance with a unanimous decision of the board of POTL.

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**Renita Garard**  
**Chair**

Date: \_\_\_\_ / \_\_\_\_ / 2018

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**The Honourable Jackie Trad**  
**Deputy Premier, Treasurer and**  
**Minister for Aboriginal and Torres**  
**Strait Islander Partnerships**

Date: \_\_\_\_ / \_\_\_\_ / 2018

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**The Honourable Mark Bailey**  
**Minister for Transport and Main Roads**

Date: \_\_\_\_ / \_\_\_\_ / 2018

# 1. OUR BUSINESS

## OUR VISION

Northern Australia's Transport Link to the World

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## OUR PURPOSE

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

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## 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

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## OUR BUSINESS

POTL is a company Government Owned Corporation (**GOC**) established in its current form on 1 July 2008 pursuant to the *Corporations Act 2001* (Cth) and GOC Act. POTL is responsible to its two shareholding Ministers, the Honourable Jackie Trad (Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships); and the Honourable Mark Bailey MP (Minister for Transport and Main Roads). POTL operates from a head office located in Townsville and manages the Ports of Townsville and Lucinda.

Founded in 1864, the Port of Townsville plays a significant role in the local, regional and State economy and is one of the four Priority Ports under the *Sustainable Ports Development Act 2015* (Qld). Located close to the city of Townsville, the Port handles more than 30 commodities, is the largest exporter in Australia of sugar, copper, lead, zinc and fertiliser and services around 70% of Northern Australia's population. It also plays a critical role in tourism and supporting the Australian Defence Force by providing a world class cruise ship terminal and state of the art naval berth facilities.

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

## OUR MAIN UNDERTAKINGS

POTL's core business functions are to:

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

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

## 2. PERFORMANCE DRIVERS

The operating environment, demand change drivers and supply change drivers envisioned over the medium to long term are detailed in the Corporate Plan 2018-2023. Key factors that may affect POTL's operations and performance during the 2018-2019 financial year are outlined below.

### GLOBAL & LOCAL ECONOMIC CONDITIONS

- The long-term demand for key commodities in the region remains strong, particularly agriculture and minerals trade demand in Asia. However, over the next 12 months key commodities will continue to be challenged by low commodity prices and the over-supply of several commodities in the global marketplace. POTL will mitigate this risk by implementing targeted strategies for new trade opportunities to diversify its trade commodities.
- Short-term constraints on energy and water resources resulting in pressure on local mining and agriculture projects. POTL will work with industry and policy decision makers to support the infrastructure projects that have potential to optimise local mining and agricultural projects in North Queensland.
- Trend of manufacturing and refining activities exiting Australia, increasing the requirement for imported goods.
- The Northern Australia White Paper presents significant opportunity for North Queensland and the Port of Townsville in particular, as the major trading hub for Northern Australia.

### FINANCIAL PERFORMANCE AND NEW INVESTMENTS

- One of POTL's largest customers, Queensland Nickel Pty Ltd (**QNPL**), went into liquidation on 22 April 2016 due to continued financial losses of the Yabulu Nickel Refinery in Townsville. Imports of nickel ore through the Port of Townsville ceased in February 2016. A decision on the future of the refinery is yet to be made by the Refinery owners. POTL has commenced proceedings against the Refinery owners to obtain clarity as to the validity of POTL's termination of all contractual arrangements with QNPL so that the former lease sites at the Port can be utilised for alternative uses whilst a decision with regards to the future of the Refinery remains pending.
- POTL is investigating a number of major capital investments necessary to attract and grow key trades that will underpin the success of the Northern Australia strategy.
- Constraints on ability to re-invest into the business and long-term financial position. POTL will mitigate this risk by investigating different funding options for critical infrastructure projects.

### SUPPLY CHAIN EFFICIENCIES AND CAPACITY

- Inability of larger vessels (i.e. > 238m length; 32m beam) to access the Port of Townsville due to channel size constraints. POTL will mitigate this constraint by undertaking channel widening works to facilitate larger vessels.
- Increasing customs and quarantine requirements placing increasing constraints on efficiency of operations and increasing supply chain costs. POTL will work closely with the relevant agencies to ensure compliance whilst ensuring implementation of any new requirements is streamlined and has minimal cost effect on the supply chain.
- Continued implementation of initiatives in partnership with Queensland Rail set out under a Heads of Agreement to improve efficiency and capacity of the supply chain. Investments are needed to achieve efficiency improvements and facilitate growth in freight in the medium-long term outside of urban networks.

### ENVIRONMENTAL AND SOCIAL CONDITIONS

- Delays and increased costs for developments due to increasing regulatory requirements. POTL will mitigate this risk by proactively engaging with key agency stakeholders in respect to emerging issues.
- A Maintenance Dredging Strategy for Queensland has been developed as a key action under Reef 2050 Plan which may have impacts on operations. POTL will work closely with Government so that any adverse impact is understood and considered.
- Expansion of environmental monitoring programs and improved communications and transparency to demonstrate the stewardship and sustainability of port operations within a growing urban centre.
- The Townsville Waterfront Priority Development Area incorporates a number of POTL land holdings which will be redeveloped to improve the amenity of previous industrial sites, create urban buffer zones and increase waterfront activity.

POTL's risk management framework is designed to ensure that all potential financial, operational and other risks that may impact POTL's core functions outlined in the TI Act and GOC Act are regularly identified, assessed, monitored and reported to the Audit and Risk Management (**ARM**) Committee, along with appropriate risk mitigation and management plans. The ARM Committee oversees the framework and reports to the Board of any high levels risks and management plans on a regular basis. Risk management plans have been incorporated in POTL's budgetary and strategic planning processes.

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

Consistent with the long-term objectives detailed in the 2018-2023 Corporate Plan, POTL's key actions for 2018-2019 are set out below.

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

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

Strategy	Key Action	Estimated Completion by end of Reporting Period (%)
<b>Grow &amp; Diversify Trade &amp; Business Revenue</b>	• Implement Container Strategy	95%
	• Implement Agriculture Strategy	80%
	• Implement Fuel Strategy	65%
	• Implement Grey & White Ship Strategy	65%
	• Finalise Resources Strategy	100%
	• Port Expansion Project ( <b>PEP</b> ) Defence Proposal	100%
<b>Maximise Value of Property Portfolio</b>	• EastPort Stage 1 Site Development Works	100%
	• Ferry Terminal MLP Development Agreement Finalised	100%
	• Marine Science Centre Expressions of Interest, Request for Proposals and Contractual Close	100%
<b>Optimise Existing Assets</b>	• Continue Berth 9 Cathodic Protection	30%
	• Berth 3 Deck Upgrade	100%
	• Review Berth 11 and Multi-User Options	100%
	• Asset Management Plan for Utilities Completed	50%
<b>Deliver New Infrastructure to Support Growth</b>	• Construction and Commissioning of Berth 4 Container and Cargo Terminal Area	100%
	• Procurement of Berth 4 Cranes	50%
	• PEP – Commence Channel Widening (including Quarry)	15%
	• PEP - Investigate Berth 12 Feasibility	100%
<b>Efficient Supply Chain &amp; Port Services</b>	• Finalise Port Rail Master Plan (including Townsville Eastern Access Rail Corridor Interfaces)	50%
	• Complete Feasibility & Design for Port Intermodal Rail Facility	100%
	• Implement Stage 1 of Port Road Network Upgrade Strategy	100%
	• Investigate Integrated Supply Chain Strategy	50%

## STRATEGIC OBJECTIVE 2: STEWARDSHIP & SUSTAINABILITY

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

Strategy	Key Action	Estimated Completion by end of Reporting Period (%)
<b>Environmental Leadership &amp; Trusted Community Partner</b>	• Finalise Green Port Plan	100%
	• Sustainability Plan for All Transport Modes	10%
	• Implement Stakeholder Engagement Plan	50%
	• Channel Capacity Upgrade Engagement Plan	50%
	• Implement Corporate Affairs Strategy	50%
<b>Planning for Sustainable Growth</b>	• Develop Lucinda Master Plan	30%
	• Landscaping Amenity Plan	100%
	• Port of Townsville Master Plan Gazetted	100%
	• Implement Phase 2 of Air Quality Program	100%
<b>Financial Responsibility</b>	• Development of 30-Year Financial Management Plan (including Maintenance and Capital Programs)	70%
	• Continued Implementation of Project/Program Management Framework	80%
	• Integration of Port Information Management's (PIMs) System with Tech-One Enterprise Content Management platform	80%
	• Development of Finance Portal	80%
<b>Safe &amp; Secure Port</b>	• Finalise Long Term Security Upgrade Scope	50%
	• Implement Channel Optimisation Recommendations	15%
	• Review Business Continuity Plan and Emergency Response Procedures	100%

### STRATEGIC OBJECTIVE 3: OUR CAPABILITY

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

Strategy	Key Action	Estimated Completion by end of Reporting Period (%)
<b>Attract Great People, Engage and Retain Them</b>	• Promote and Administer Managers & Leaders Program	80%
	• Develop Long-Term Workforce Plan	80%
	• Benchmark POTL as Employer of Choice	80%
	• Implement Employee Engagement & Retention Strategy	80%
	• Refresh of Employee Relations ( <b>ER</b> ) Intranet Web Portal	80%
	• Implement Employee and Industrial Relations ( <b>E&amp;IR</b> ) Plan for CCU Project	100%
<b>Strong Team Culture, Safe Workplace &amp; Place People Enjoy Working</b>	• Safety Culture Organizational Culture Diagnostic Instrument Survey	100%
	• Review Safety Management System	100%
	• Review of Incident Management System	100%
<b>Smart Technology &amp; Systems that Support Strategic Priorities</b>	• Start Implementation of PIMs	100%
	• Implementation of recommendations of Enterprise Resources Plan /Information Communication Technology Systems review	60%
	• Develop Mobile Workforce Strategy	80%
	• Develop Business Intelligence Strategy	80%
	• Geographic Information System Strategic Needs Review	50%



#### 4. KEY PERFORMANCE TARGETS

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

Our performance for 2018-2019 will be measured and monitored through the following key financial and non-financial performance targets.

Definitions for all performance indicators is located at **Annexure D** of this document.

#### FINANCIAL TARGETS 2018-2019

Q1	Quarter 2018-2019			Performance Indicators	2018-19 Budget	2016-17 Actual	2017-18 Budget	2017-18 Est. Actual
	Q2	Q3	Q4					
21.61	19.27	16.98	23.06	Operating Revenue (\$M)	80.91	69.26	76.15	78.21
15.04	14.51	13.08	11.78	Operating Expenditure (\$M)	54.41	43.21	49.31	51.36
17.80	16.74	13.53	20.57	Trade Income (\$M)	68.64	57.55	64.00	61.23
3.57	2.30	3.22	2.26	Property & Facilities Income (\$M)	11.35	10.57	11.36	11.27
6.57	4.76	3.90	11.27	EBIT (\$M)	26.50	26.05	26.84	26.85
4.04	2.42	2.14	6.01	NPAT (\$M)	14.61	15.18	15.38	15.50
0.00	0.00	0.00	14.61	Dividend (\$M)	14.61	0.00	15.38	15.50
4.08	2.83	2.32	6.61	Return on Assets EBIT (%)	3.88	4.27	4.26	4.35
2.49	1.37	1.22	3.32	Return on Assets NPAT (%)	2.02	2.55	2.28	2.42
0.88	0.52	0.44	1.23	Return on Equity (%)	2.98	3.41	3.32	3.48
0.75	2.46	2.31	1.31	Current Ratio	1.35	2.41	2.34	1.36
3.08	2.74	4.11	4.94	Interest Cover Ratio (EBIT)	4.71	5.44	5.52	5.70
0.21	0.20	0.20	0.19	Debt to Equity Ratio	0.20	0.22	0.19	0.21
26.74	16.01	13.88	23.06	Capital Investments (\$M)	79.68	30.42	53.60	19.23

#### NON-FINANCIAL TARGETS 2018-2019

Q1	Quarter 2018-2019			Performance Indicators	2018-19 Budget	2016-17 Actual	2017-18 Budget	2017-18 Est. Actual
	Q2	Q3	Q4					
1.97	2.27	2.85	1.55	Trade Throughput (Million Tonnes)	8.64	7.52	8.10	7.66
170	164	134	145	Vessels to Port	613	588	674	584
0	0	0	0	Reportable Security Incidents	0	0	0	0
0	0	0	0	Reportable Environmental Breaches	0	0	0	0
0	0	0	0	Lost Time Injury Frequency Rate	0	8.22	0	4.48
>85%	>85%	>85%	>85%	Community Satisfaction	> 85%	91%	> 80%	> 85%
>80%	>80%	>80%	>80%	Employee Engagement Rating	>80%	75%	75%	>75%
137	137	137	137	Full-Time Equivalents	137	121.11	122	124.44

#### KEY ASSUMPTIONS

	2018-2019 Budget	2017-2018 Est. Actual
Consumer Price Index	2.5%	2.5%
Wages Growth	3%	3%
Dividend Payout Ratio	100%	100%
Tonnage Throughput (Million Tonnes)	8.64	7.66
Port Charges Rate Increases	2.5%	2.5%

- Trade tonnage throughput forecasts have been based on customer contracts (where applicable), advice from customers, an assessment of the feasibility of new trades or increases in terms of capacity of supporting infrastructure, global market conditions for commodities as advised by Queensland Treasury Corporation (QTC) and long-term historical trade patterns.
- An allowance has been made for overall increases in port charges (cargo and berthage charges) of 2.5% per year for the forecast period 2018-2019 to 2022-2023.
- Capital expenditure includes \$79.68 million in 2018-2019 and \$284.26 million over the five years to 2022-2023 to complete a number of major projects and upgrades considered essential for continued growth and reliability, safety and efficiency of core assets. Further detail on capital expenditure can be found in section 5 of this SCI and the 2018-2023 Corporate Plan.
- Operating expenditure includes continued delivery of core services and maintenance with a strong emphasis on achieving efficiency and productivity savings and reducing discretionary spending and non-core operations.
- Wage increases effective 1 July 2016 of 3% for Enterprise Agreements for Administration and Port Services Officers and senior officer contracts subject to enterprise agreements, 3% for the Maintenance employees effective 1 December 2016, 3% for pilots effective 1 November 2016 and in accordance wage increases outlined in the Security Services Industry Award 2010 for POTL's Maritime Security Guards. Wage increases in the budget period are fully offset by efficiency and productivity improvements savings. Constraint on filling of vacant positions is necessary to achieve the expenditure budget for 2018-2019 and the forecast period, with no increase in employment levels.
- Interest rate on borrowings has been calculated based on QTC portfolio linked loan of ■■■% and Competitive Neutrality Fee of ■■■%. Interest on investments has utilised ■■■% per annum consistent with QTC capital guarantee cash fund annual effective rate as at 28 February 2018.

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

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

## 5. TRADE & FINANCIAL OUTLOOK

### FINANCIAL MANAGEMENT

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

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

This section provides a summary of POTL's income, capital and operating expenditures over the 2017-18 year, and financial forecasts for 2018-2019. Forecast financial results are detailed in the Income Statement, Statement of Financial Position and Statement of Cash Flows provided at **Annexure A**.

### TRADE FORECASTS

Trade forecasts for 2018-2019 have been based on information available at March 2018 in view of existing contracts, advice from customers, an assessment of the feasibility of new trades or increases in terms of capacity of supporting infrastructure, global market conditions for commodities as advised by QTC and long-term historical trade patterns.

Total trade throughput in 2016-2017 was 7.52 million tonnes, and the 2017-18 estimated actual throughput is 7.66 million tonnes.

The major forecast increases in trade for 2018-2019 compared with 2017-2018 estimated actual include:

- General Cargo imports ↑ 57,613 tonnes
- Mineral Concentrates exports ↑ 523,000 tonnes
- Cement imports ↑ 30,000 tonnes
- Refined lead exports ↑ 35,000 tonnes
- General Cargo exports ↑ 198,231 tonnes
- Bitumen imports ↑ 29,000 tonnes
- Fertiliser exports ↑ 95,000 tonnes
- Sugar exports ↑ 90,000 tonnes

Major forecast decreases in 2018-2019 compared with the 2017-2018 estimated actual include:

- Sulphuric Acid exports ↓ 112,000 tonnes
- Zinc Ferrites exports ↓ 30,000 tonnes

In 2018-19, a moderate increase in general cargo imports is forecast due to commencement of new mining projects and requisite mining consumables and project cargo. Commencement of the Adani project in the northern Galilee basin in late 2018-19 is a key determinant of forecast accuracy. Renewable energy project cargo imports are forecast to continue in 2018-19 at similar volumes to 2017-18.

General cargo exports are forecast to increase in 2018-19 as new agricultural and trade diversification projects ramp up production in line with growing demand from Asian markets.

Mineral concentrates exports are forecast to grow with the commencement of Glencore's Lady Loretta mining project in 2018-19. Full ramp up of MMG's Dugald River Project and Capricorn Copper's Mt Gordon project will also drive significant growth in mineral concentrate exports.

Cement imports are also forecast to increase in line with the commencement and ramp up of new mining projects.

Refined lead exports in 2017-18 were impacted by scheduled maintenance to Glencore's lead refinery. Refined lead exports are forecast to return to a steady-state in 2018-19.

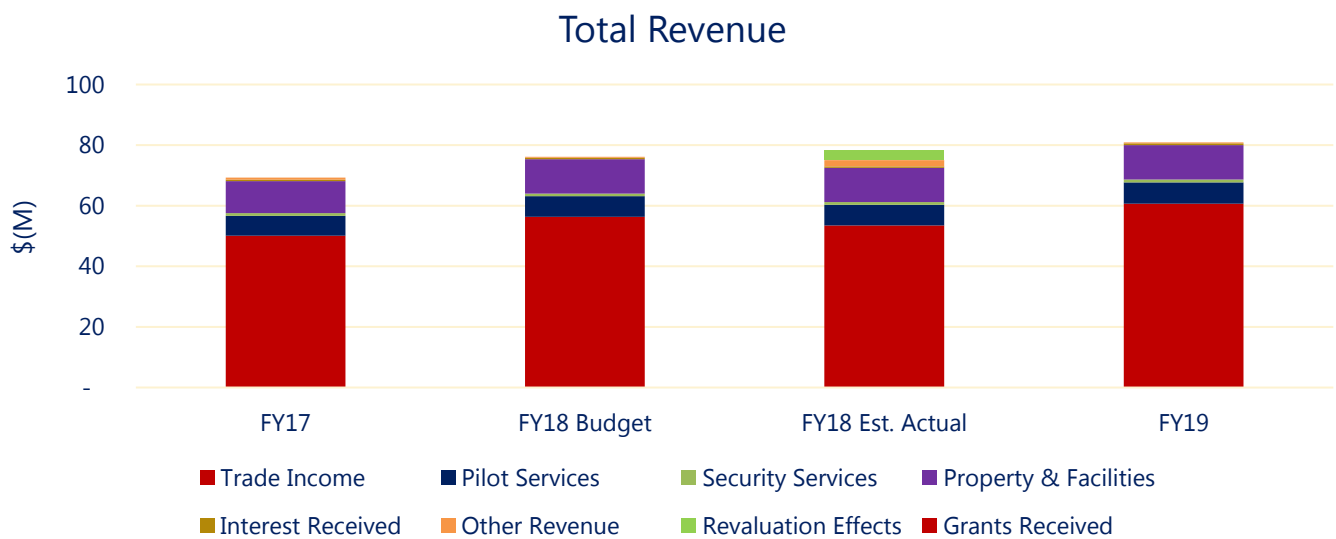
Trade forecasts for the Port of Townsville during the term of this SCI are expected to be as follows:

	<b>2016-2017 ACTUAL (Tonnes)</b>	<b>2017-2018 BUDGET (Tonnes)</b>	<b>2017-2018 EST. ACTUAL (Tonnes)</b>	<b>2018-2019 BUDGET (Tonnes)</b>
Bitumen	57,865	80,000	51,000	80,000
Cement	354,963	350,000	350,000	380,000
Coke	20,509	50,000	33,000	50,000
Copper Anode	12,776	30,000	-	-
Fertilizer	122,722	130,000	135,000	130,000
General Cargo	197,751	306,580	380,000	437,613
General Cargo - Lucinda	2,578	3,000	3,000	3,000
Mineral Concentrates (bulk)	369,165	360,000	360,000	370,000
Motor Vehicles	25,491	30,000	30,000	34,000
Oil - General Purpose	860,429	1,000,000	930,000	930,000
Sulphur	110,350	100,000	110,000	100,000
Sulphuric Acid	13,005	20,000	12,064	20,000
<b>Total Imports</b>	<b>2,147,604</b>	<b>2,459,580</b>	<b>2,394,064</b>	<b>2,534,613</b>
Cattle	94,705	100,000	100,000	120,000
Contaminated Oil	31,644	-	6,000	-
Copper Refined	270,320	285,000	220,000	240,000
Ethanol	-	-	-	-
General Cargo	108,827	250,408	125,000	318,231
General Cargo - Lucinda	4,931	8,000	3,000	8,000
High Analysis Fertilizer	872,428	980,000	870,000	965,000
Lead Ingots/Refined Lead	145,185	165,000	130,000	165,000
Meat & By Products	8,374	15,000	10,000	15,000
Mineral Concentrates	918,681	1,170,000	1,095,000	1,618,000
Mineral Concentrates Containers	71,884	-	-	-
Molasses	376,220	350,000	350,000	350,000
Refined Zinc/Zinc Ingots	192,717	184,000	184,000	190,000
Sugar	1,372,590	1,250,000	1,100,000	1,250,000
Sugar - Lucinda	606,456	570,000	630,000	570,000
Sulphuric Acid	30,135	-	112,000	-
Zinc Ferrites	270,126	310,000	330,000	300,000
<b>Total Exports</b>	<b>5,375,223</b>	<b>5,637,408</b>	<b>5,265,000</b>	<b>6,109,231</b>
<b>TOTAL TRADE</b>	<b>7,522,827</b>	<b>8,096,988</b>	<b>7,659,064</b>	<b>8,643,844</b>

	<b>2016-2017 ACTUAL (TEU)</b>	<b>2017-2018 BUDGET (TEU)</b>	<b>2017-2018 EST. ACTUAL (TEU)</b>	<b>2018-2019 BUDGET (TEU)</b>
Full	10,455	18,720	26,780	35,390
Empty	16,442	16,442	16,442	9,942
<b>Total Imports</b>	<b>26,897</b>	<b>35,162</b>	<b>43,222</b>	<b>45,332</b>
Full	20,904	25,982	28,700	30,600
Empty	3,838	10,000	14,500	14,682
<b>Total Exports</b>	<b>24,742</b>	<b>35,982</b>	<b>43,200</b>	<b>45,282</b>
<b>TOTAL TRADE</b>	<b>51,639</b>	<b>71,144</b>	<b>86,422</b>	<b>90,614</b>

## INCOME

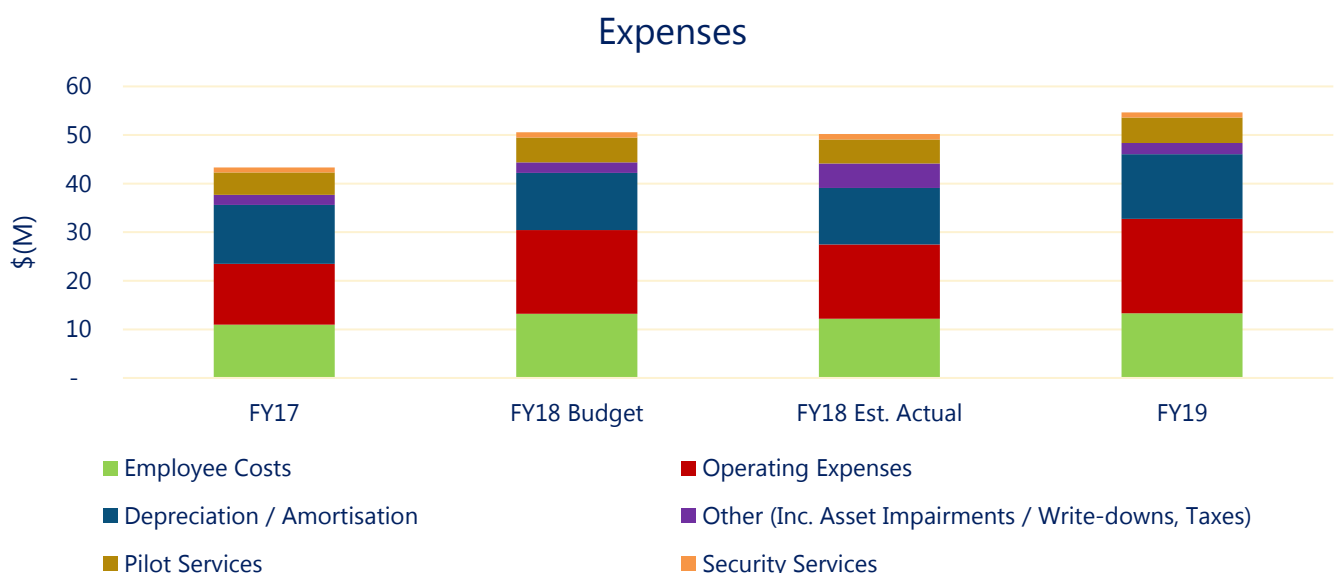
Total income of \$80.91 million in 2018-2019 is a \$2.7 million increase on the 2017-2018 forecast. The 2018-2019 budget includes a 2.5% increase in overall port charges (cargo and berthage charges) per year for the forecast period 2018-2019 to 2022-2023. During 2018-2019 POTL's operating income is forecast to consist of the following principal revenue sources:



Properties and facilities income includes lease rentals and fees, mooring rentals and utility sales to tenants. Revenue from our properties and facilities is forecast to increase to \$11.35 million in 2018-2019 as an ongoing program of rental reviews continue to yield increases to market rates, coupled with uptake of new lands. Pilotage services revenue is in line with increases notified by Maritime Safety Queensland, and POTL will continue to discuss future pilotage pricing options with the State Government.

## OPERATING EXPENDITURE

Total expenditure of \$54.41 million in 2018-2019 is a \$3.05 million increase on 2017-2018 forecast.



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

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

## CAPITAL INVESTMENTS

Our capital budget for 2018-2019 incorporates sustaining capital works as well as investments that will improve flexibility and efficiency of existing Port infrastructure and provide capacity to facilitate projected trade growth. Overall for 2017-2018, POTL expects total capital expenditure to be approximately \$19.23 million, or 64% less than the budget of \$53.60 million largely due to the timings associated with Channel Capacity Upgrade Project. Major capital investments for 2018-2019 are detailed below.

Capital Project	Details	Approval Level	Approved	Budgeted Total Project Cost (\$)	2017-2018 Est. Actual (\$)	2018-2019 Budget (\$)	Expected Finish Date
Channel Capacity Upgrade	Widening of the existing navigational channels to allow larger vessels safe access.	SHMs	27 October 2017	193,459,980	2,439,103	47,983,186	Jun-23
Berth 4 Cranes & Cargo Terminal Area Project	Provision of new cranes and development of terminal storage capacity at Berth 4.	SHMs	18 December 2017	\$27,296,500	317,523	18,662,055	Jun-20
Intermodal Facility	Detailed design and construction of a new freight facility.	SHMs	Yet to be approved.	6,500,000	-	500,000	Jun-21
Berth 8/9 Cathodic Protection	Detailed design, supply of equipment, installation and commissioning of new system to Berths 8 and 9.	SHMs	Yet to be approved.	3,036,021	1,058	1,000,000	Jun-21
Road Upgrades	Upgrades and improvements to Port road network.	POTL Board	16 March 2018	1,000,000		1,000,000	Jun-19
Lot 13 - Southern Link ERA Road	Road infrastructure on the Eastern Reclaim Area to facilitate access for development of the area.	SHMs	Yet to be approved.	3,180,000	200,000	2,299,428	Jun-20
Port Management Information System	Review and Update software for management of port shipping operations.	POTL Board	16 March 2018	2,123,984	29,920	1,559,206	Jun-20
Other	Minor asset replacements and acquisitions and minor infrastructure works around the Port of Townsville and Lucinda	POTL Board / CEO	16 March 2018		16,244,444	6,680,364	Jun-19
<b>TOTAL</b>					<b>\$19,232,048</b>	<b>\$79,684,239</b>	

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

## DEBT POSITION AND BORROWINGS

At 30 June 2018 it is forecast that POTL will hold cash reserves of \$26.49 million. and it is expected POTL will hold cash reserves of \$32.78 million at the end of 2018-2019.

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 portfolio linked loan of ■■■% and a Competitive Neutrality Fee of ■■■%.

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

Performance Indicators	2018-2019 Budget	2016-2017 Actual	2017-2018 Budget	2017-2018 Est. Actual
Cash Balance (\$M)	32.78	20.07	55.05	26.49
New Borrowings (\$M)	8.00	38.00	-	-
Balance of Borrowings (\$M)	104.14	96.25	96.43	\$96.14

## DIVIDENDS, COMMUNITY SERVICE OBLIGATIONS AND TAX EXPENSE

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

Dividend is calculated as Payout Ratio x NPAT.

POTL has no declared Community Service Obligations (**CSO**).

	2018-2019 Budget	2016-2017 Actual	2017-2018 Budget	2017-2018 Est. Actual
Equity Injections / (Withdrawals) (\$M)	59.82	-	-	-
Dividends Provided For or Paid (\$M)	14.61	-	15.38	15.50
Dividend Payout Ratio	1.0	0.0	1.0	1.0
Tax Paid / Payable (\$M)	6.26	5.98	6.59	6.64
Community Service Obligations Paid / Payable or Received / Receivable (\$)	-	-	-	-

## ANNEXURE A: FINANCIAL STATEMENTS

### STATEMENT OF COMPREHENSIVE INCOME

	2016-2017	2017-2018	2017-2018 Est.	2018-2019
	Actual	Budget	Actual	Budget
	\$	\$	\$	\$
<b>OPERATING INCOME</b>				
Trade Income	57,545,412	64,000,244	61,226,560	68,638,721
Property & Facilities	10,570,171	11,361,552	11,271,097	11,347,987
Interest Received	454,592	478,860	461,530	609,170
Capital Contributions	-	-	-	-
Other Revenue	688,795	309,180	2,103,953	315,165
Revaluation & Impairment Adjustments	-	-	3,150,338	-
Grants and Subsidies Received	-	-	-	-
	69,258,969	76,149,836	78,213,478	80,911,043
				2,697,565
<b>OPERATING EXPENDITURE</b>				
Employee Related Expenses	15,397,302	16,955,496	16,771,806	18,074,686
Supplies & Services	13,749,546	18,584,391	16,734,309	20,959,134
Depreciation, Impairment & Amortisation	12,125,817	11,759,996	11,648,617	13,298,831
Impairments/Writedowns	-	-	1,370,620	-
Taxes & Government Charges	1,903,906	1,930,000	1,898,495	1,930,000
Other	35,008	83,342	2,939,264	151,357
	43,211,579	49,313,225	51,363,111	54,414,008
<b>EARNINGS BEFORE INTEREST AND TAX</b>	26,047,389	26,836,610	26,850,367	26,497,034
Finance Costs	4,885,146	4,865,144	4,709,019	5,625,519
<b>NET PROFIT (LOSS) BEFORE TAX</b>	21,162,243	21,971,466	22,141,348	20,871,515
Income Tax Equivalent	5,979,598	6,591,440	6,642,405	6,261,454
<b>NET PROFIT (LOSS) AFTER TAX</b>	15,182,644	15,380,026	15,498,943	14,610,061
Dividend	-	(15,380,027)	(15,498,943)	(14,610,061)
Movements in Retained Profits	13,401	1,147,940	(412,453)	356,653
Retained from previous periods	126,063,672	140,941,045	141,259,718	140,847,265
<b>RETAINED EARNINGS</b>	141,259,718	142,088,983	140,847,265	141,203,917



## STATEMENT OF FINANCIAL POSITION

	2016-2017	2017-2018	2017-2018 Est.	2018-2019
	Actual	Budget	Actual	Budget
	\$	\$	\$	\$
<b>CURRENT ASSETS</b>				
Cash & Cash Equivalents	20,066,449	55,045,431	10,530,336	10,530,336
GOC Advance Facility	-	-	15,955,503	22,253,282
Trade & Other Receivables	12,322,946	12,240,836	11,978,272	13,003,097
Current Tax Receivable	1,069,892	255,995	1,134,302	333,492
Non-Current Assets held for Sale	-	-	-	-
Other	551,644	701,316	551,644	563,916
	34,010,932	68,243,578	40,150,057	46,684,123
<b>NON-CURRENT ASSETS</b>				
Property Plant and Equipment	516,074,941	560,775,579	552,764,187	630,683,156
Investment Properties	45,245,281	45,245,282	47,025,000	47,025,000
Other	-	-	-	-
	561,320,222	606,020,861	599,789,187	677,708,156
<b>TOTAL ASSETS</b>	595,331,153	674,264,439	639,939,243	724,392,279
<b>CURRENT LIABILITIES</b>				
Trade & Other Payables	6,583,348	7,678,874	6,765,960	12,680,262
Current Tax Liabilities	-	-	-	-
Financial Liabilities - Current	111,213	-	-	-
Provisions - Current	3,606,175	18,241,620	18,776,892	17,985,125
Other Current Liabilities	3,835,329	3,250,173	3,898,088	3,962,415
	14,136,066	29,170,667	29,440,940	34,627,801
<b>NON-CURRENT LIABILITIES</b>				
Financial Liabilities - NC	96,137,543	96,429,993	96,137,543	104,137,543
Provisions - NC	739,627	2,695,789	761,816	784,671
Deferred Tax Liabilities	23,117,206	24,295,120	33,407,137	38,063,972
Other	25,604,167	24,424,331	24,319,271	23,032,253
	145,598,544	147,845,233	154,625,768	166,018,439
<b>TOTAL LIABILITIES</b>	159,734,609	177,015,900	184,066,707	200,646,240
<b>NET ASSETS</b>	435,596,544	497,248,539	455,872,536	523,746,039
<b>EQUITY</b>				
Retained Profits	141,259,718	142,088,983	140,847,265	141,203,917
Reserves	191,274,120	191,955,079	211,962,566	219,662,062
Issued Shares	103,062,705	163,204,477	103,062,706	162,880,060
<b>TOTAL EQUITY</b>	435,596,543	497,248,539	455,872,536	523,746,039

## STATEMENT OF CASH FLOWS

	2016-2017	2017-2018	2017-2018	2018-2019
	Actual	Budget	Est. Actual	Budget
	\$	\$	\$	\$
<b>SOURCE OF FUNDS</b>				
Receipts from Customers	66,392,292	73,924,050	73,641,509	77,972,357
Loan Raisings	38,000,000	-	-	8,000,000
Tax Refund	-	1,339,334	1,996,574	2,334,406
Sales of fixed assets	333,771	295,002	119,289	82,000
Interest received	454,592	478,860	461,530	609,170
Contributed Capital	-	60,141,772	-	59,817,356
<b>Total Cash Inflow</b>	<b>105,180,655</b>	<b>136,179,018</b>	<b>76,218,902</b>	<b>148,815,289</b>
<b>EXPENDITURE</b>				
Dividend	17,720,082	-	-	15,498,943
Payments to Suppliers & Employees	29,406,610	35,537,728	39,322,145	35,036,212
Capital Expenditure	30,417,747	53,603,967	19,232,049	79,684,239
Redemption on Loans	18,371,238	-	111,213	-
Finance Costs	4,535,783	5,066,607	4,780,853	5,860,119
Income Tax Equivalents	7,189,755	6,079,798	6,353,252	6,437,997
<b>Total Cash Outflow</b>	<b>107,641,215</b>	<b>100,288,100</b>	<b>69,799,512</b>	<b>142,517,510</b>
<b>Net cash inflow/(outflow)</b>	<b>(2,460,561)</b>	<b>35,890,918</b>	<b>6,419,390</b>	<b>6,297,779</b>
<b>Opening Cash Balance</b>	<b>22,527,010</b>	<b>19,154,513</b>	<b>20,066,449</b>	<b>26,485,839</b>
<b>Net cash inflow/(outflow)</b>	<b>(2,460,561)</b>	<b>35,890,918</b>	<b>6,419,390</b>	<b>6,297,779</b>
<b>CLOSING CASH BALANCE</b>	<b>\$20,066,449</b>	<b>\$55,045,431</b>	<b>\$26,485,839</b>	<b>\$32,783,618</b>
<b>Note: Amount held in GOC Advance Facility</b>	-	-	15,955,503	22,253,282



## ANNEXURE B: SPONSORSHIPS, MEMBERSHIPS, DONATIONS & ADVERTISING

Forecast expenditure on sponsorships, memberships, corporate entertainment and events, donations and advertising during 2018-2019 is outlined below:-

Detail	Description / Benefit	2017-2018 Budget (\$)	2017-2018 Est. Actual (\$)	2018-2019 Budget (\$)
<b>SPONSORSHIPS</b>				
James Cook University Scholarships	To promote employment within the north Queensland region and POTL as a potential employer.	1,800	1,800	1,800
NQ Cowboys	To promote the significance and importance of the Port of Townsville in partnership with the NQ Cowboys.	25,000	25,000	25,000
Townsville Fire	POTL will join the JCU school visit skills and wellness program which currently includes 50 local schools per year. POTL will provide personnel for visits, vehicle branding, printed materials and administration support to facilitate the program. Program will include a 15 minute presentation on what the Port of Townsville does for their region, followed by skills and wellness session with a JCU player.	6,000	6,000	-
<b>Total over \$5,000</b>		<b>32,800</b>	<b>1,800</b>	<b>26,800</b>
<b>Other Sponsorships (total) below \$5,000</b>		1,000	5,110	11,500
<b>TOTAL (1)</b>		<b>33,800</b>	<b>37,910</b>	<b>38,300</b>
<b>MEMBERSHIPS</b>				
Townsville Enterprise Limited	To increase our profile within the industry to promote trade.	36,850	34,605	37,700
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.	10,000	9,000	10,000
Ports Australia	To participate in Australia's peak representative body for Australian ports and marine authorities.	40,000	37,309	40,000
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	15,400
Shipping Australia	Membership provides the opportunity to help shape and promote the policies of the shipping industry in Australia and internationally through the various committees of Shipping Australia. Membership provides a forum for the exchange of information with governments and other bodies influencing policy on matters relating to the shipping industry.	5,000	3,350	5,000
TEQ	Membership will assist in promoting Townsville as a cruise destination.	7,000	7,000	-
AUSMEPA	AUSMEPA are facilitating a school curriculum program for POTL in Townsville to educate young people on the significance and importance of ports in Australia.	5,000	1,150	1,200
<b>Total over \$5,000</b>		<b>118,850</b>	<b>118,850</b>	<b>108,100</b>
<b>Other Membership (total) below \$5,000</b>		13,100	11,936	19,400
<b>TOTAL (2)</b>		<b>131,950</b>	<b>119,350</b>	<b>128,700</b>
<b>CORPORATE ENTERTAINMENT &amp; EVENTS</b>				
Employee End of Year Function	Year in review, recognition / appreciation of employee efforts, employee morale and increase team building.	8,500	7,194	8,500
<b>Total over \$5,000</b>		<b>8,500</b>	<b>7,194</b>	<b>8,500</b>
<b>Other (total) &lt; 5,000</b>		17,170	19,968	18,350
<b>TOTAL (3)</b>		<b>25,670</b>	<b>25,162</b>	<b>26,850</b>

Detail	Description / Benefit	2017-2018 Budget (\$)	2017-2018 Est. Actual (\$)	2018-2019 Budget (\$)
<b><i>DONATIONS</i></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
Underwater Museum	To ensure POTL has representation on the Project Steering Committee or managing body that is driving the project given proximity to Port of Townsville.			50,000
<b>Total over \$5,000</b>		<b>25,000</b>	<b>25,000</b>	<b>75,000</b>
<b>Other (total) below \$5,000</b>		-	2,561	3,500
<b>TOTAL (4)</b>		<b>25,000</b>	<b>27,561</b>	<b>78,500</b>
<b><i>ADVERTISING</i></b>				
Harbour City Project	Advertising for Expressions of Interest from developers (nationally) to begin work on the precinct and development of marketing brochures etc.	-	-	20,000
Schools Program	Design of new school engagement materials for use on port tours and as part of curriculum			5,000
Community Port Tours	Bus hire costs for community Port tours and costs towards a community Port open day to promote the Port and its relationship with the community.			19,500
Cruise Ship Welcomes	Hire of equipment, entertainment (music), signage, advertising to notify community of cruise ship arrivals etc.	10,500	10,500	5,000
Townsville Bulletin / Austereo News	Placement of the "What's Happening at the Port" updates throughout the year, as well as ad hoc advertising.			21,450
<b>Total over \$5,000</b>		<b>10,500</b>	<b>10,500</b>	<b>70,950</b>
<b>Other (total) below \$5,000</b>		26,250	37,014	42,850
<b>TOTAL (5)</b>		<b>36,750</b>	<b>47,514</b>	<b>113,800</b>
<b>TOTAL</b>		<b>253,170</b>	<b>257,497</b>	<b>386,150</b>

POTL is committed to participating with and supporting the Health Waterways initiative and is providing in-kind assistance and contributing extensive research and monitoring information.

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

## ANNEXURE C: EMPLOYMENT & INDUSTRIAL RELATIONS PLAN

### 1. Strategic Framework and Outcomes

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

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

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

In conjunction with the above over the next five (5) years POTL is undertaking the Channel Capacity Upgrade Project (**CCU**) to cater to growing demand and expanding vessel sizes. The CCU includes the widening of the existing navigation channels, the construction of rock wall revetment ponds and the development of 100 ha of reclamation. The project has a value around \$193M, includes extensive environmental controls and is considered vital to the continued economic development of North Queensland. While it is recognised that CCU at present is still in its initial stages work is well progressed on creating an Employee Relations (ER) Plan for the project in preparation for the engagement of the required project workforce. The CCU Employee Relations Plan is intended to ensure that appropriate human resources are acquired with the necessary skills, employed in accordance with the legislative framework and trained if any skill gaps are identified.

Strategies and key actions to be implemented during 2018 – 2019 are as follows:

Strategy	Performance Outcome	Performance Measure	Performance Target
Promote POTL as an employer of choice to attract and retain employees who align with POTL's business objectives	<ul style="list-style-type: none"> <li>Employee satisfaction</li> <li>Improved recruitment outcomes</li> </ul>	<ul style="list-style-type: none"> <li>% successful completion of qualifying periods</li> <li>Number of applications for advertised positions</li> </ul>	<ul style="list-style-type: none"> <li>&gt; 80% successful completion</li> <li>&gt; 6 applications received for each advertised position</li> </ul>
Ensure workplace policies, conditions and systems encourage diversity and enable employees to better manage work and personal life commitments	<ul style="list-style-type: none"> <li>Workplace free from discrimination and harassment</li> <li>Employees have access to flexible working arrangements</li> <li>Employees have access to an Employee Assistance Program (<b>EAP</b>)</li> </ul>	<ul style="list-style-type: none"> <li>Number of incidents of discrimination or harassment in the workplace</li> <li>Number of incidents of discrimination or harassment in the workplace reported and dealt with in a prompt and appropriate manner</li> <li>% employee access to flexible working arrangements (subject to operational requirements)</li> <li>% of employees aware of and have access to EAP</li> </ul>	<ul style="list-style-type: none"> <li>Nil incidents of discrimination or harassment in the workplace</li> <li>7 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>\$808,121 in productivity savings over term of Enterprise Agreements</li> <li>Systems externally certified</li> </ul>
Maintain an equitable and safe workplace	<ul style="list-style-type: none"> <li>Equity training provided to employees</li> <li>Nil Lost Time Injury Frequency Rate (<b>LTIFR</b>)</li> <li>Safety management system (<b>SMS</b>) externally certified</li> </ul>	<ul style="list-style-type: none"> <li>% of employees trained in equitable workplace behaviours</li> <li>LTIFR</li> <li>External certification of SMS</li> </ul>	<ul style="list-style-type: none"> <li>100% of employees trained in equitable workplace behaviours</li> <li>Nil LTIFRs</li> <li>External certification of SMS maintained</li> </ul>

## 2. Significant and Emerging Issues

The key issues related to industrial relations and human resources during 2018 – 2019 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; formalised individual flexibility arrangements, option to purchase additional annual leave, paid parental leave, 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 2018 – 2019 include:

- monitoring of all terms and conditions contained within relevant Modern Awards and the Enterprise Agreements including agreed productivity initiatives; and
- employee industrial relations consultation committees to identify any negative workplace and organisational issues, with formulation and implementation of strategies to mitigate any of these issues.

### 4. Enterprise Bargaining

There are four Agreements that cover our employees:

- Port of Townsville Port Services' Collective Agreement 2016 (Port Services). There are approximately seventeen (17) employees covered by this Agreement, combination of white/blue collar. Nominal expiration date is 30 June 2020.
- Port of Townsville Administrative, Technical, Supervisory and Professional Employees' Collective Agreement 2016 (Administrative). There are approximately fifty five (55) white collar employees covered by this Agreement. Nominal expiration date is 30 June 2020.
- Port of Townsville Maintenance Employees' Collective Agreement 2016 (Maintenance). There are approximately twenty (20) blue collar employees covered by this Agreement. Nominal expiry date 31 December 2020.
- Port of Townsville Marine Pilots Collective Agreement 2014 (Pilots). There are ten (10) employees covered by this agreement. Nominal expiration date is 30 October 2017. In-principle Agreement has been reached on a replacement Agreement and voting for this Agreement will occur soon, if the proposed new Agreement is voted up it will be lodged with Fair Work for certification.

Corresponding Full Time Equivalent (FTEs) in relation to each enterprise agreement are as follows as of April 2018:

Enterprise Agreement	FTEs
Marine Pilots	9.75
Administration	60.44
Marine Services	16.78
Maintenance	21.85
TOTAL	124.44

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 07 March 2018

Given Name	Director Fees \$	Committee Fees \$	Other Benefits \$	Super \$	Total \$
R. Garard (Chair)	50,000	10,203	-	5,719	65,922
B. Webb (Director)	25,750	8,744	-	3,277	37,771
M. Heywood (Director)	25,750	5,831	-	3,000	34,581
S. Hanran (Director)	25,750	10,203	-	3,416	39,369
M. Reynolds (Director)	25,750	8,744	-	3,277	37,771
Total	153,000	43,725	-	18,689	215,414

#### Senior Executive Remuneration as at 07 March 2018

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*	326,088	35,054	-	-	-	361,142	0	Up to 15% of TFR
Chief Financial Officer	229,522	21,805	-	-	-	251,327	0	Up to 15% of TFR
General Manager Infrastructure	229,522	21,805	-	-	-	251,327	0	Up to 15% of TFR
General Manager Operations	229,522	21,805	-	-	-	251,327	0	Up to 15% of TFR
General Manager Business Development	229,000	22,327	-	-	-	251,327	0	Up to 15% of TFR
Manager Marine Pilots	282,967	36,078	12,690	-	-	331,736	0	

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

- Includes salary sacrifice items plus cash salary.
- Employer contributions to superannuation (other than by salary sacrifice).
- Value of a motor vehicle for business and personal use (other than by salary sacrifice).
- Value of car park if car park is a personal benefit to the Executive (other than by salary sacrifice).
- Includes, but is not limited to, general/expense allowances, subscriptions, home telephone/communication expenses, FBT not elsewhere included, etc. (other than by salary sacrifice).



6. Sum of columns 1-5.
7. Include the value of non-personal benefits provided to the Executive to assist in the performance of their duties.
8. Performance payments of up to 15% of TFR may be paid subject to meeting pre-agreed performance targets.

## 4. Employment Conditions

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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 are currently five (5) employees on senior executive contracts. These include the General Manager Trade and Property, General Manager Infrastructure, Chief Executive Officer, Chief Financial Officer, and a further executive contract position (General Manager Operations) which is currently vacant, the recruitment and selection process has commenced. We also have several second and third tier individual contracts that exceed remuneration levels contained in Enterprise Agreements.

There are currently six (6) employees on senior employee contracts that exceed the limit of remuneration set by the Enterprise Agreements.

There are fifteen (15) employees (casual Maritime Security Guards) on individual employment agreements under the Modern Security Services Industry Award 2010.

We are also insourcing grounds and gardens operations which will see an additional four (4) employees (gardeners) on individual employment agreements under the Modern Gardening and Landscaping Award 2010.

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 2016;*
- *Port of Townsville Limited Administrative, Technical, Supervisory and Professional Employees Enterprise Agreement 2016;*
- *Port of Townsville Limited Maintenance Employees Enterprise Agreement 2016; 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 2017-2018 and none is expected during 2018-2019.

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

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 April 2018:

Employment Category	Number of Employees
Permanent	87
Casual	19
Temporary	11
Contract	14
Total	131

There has been a decrease of one (1) in employee headcount from 2017 -2018. At the time of writing the full time equivalent (FTE) number is 124.44. Workforce Profile Snapshot: POTL currently employs 131 people across a wide range of occupations/disciplines:

Male Employees (%)	71%
Female Employees (%)	29%
Average Age of Employees	48
Over 50 years (%)	46%
Voluntary Retirement Packages	0
Women (number)	38
Women POTL Level 5 or above	17
Women Working in Senior and Middle Management	9
Female Representation on Board (%)	40%
Average length of service	8.5 years
% employees <5yrs N.B: this includes new units such as Maritime Security Guards & electricians plus temporary employees with less than 2 to 3 years' service with POTL.	43%

### Future Employment Requirements

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

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

Based on the Corporate Plan priorities and projects, the number of employees and basic skills required of employees (not associated with the CCU) are unlikely to change markedly over the next five (5) years. The key skills that will become more important over the period of this plan include:

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

A number of existing employees have undertaken, are undertaking or have identified training in these areas to improve skills for example there are six (6) POTL employees finalising participation in the annual POTL Developing Managers and Leaders Program which has several Australian Quality Training Framework accredited units in the program.

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

## 7. Work Health & Safety

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 to prevent of workplace injuries and working safely.

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

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

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

## 9. Redundancy Provisions

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

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 3.25% of the employee's base wage bringing the employer contribution to 12.75%. This contributory option is only available for employees using QSuper as their Superannuation fund. There are currently seventy-four employees utilising the contributory option.

### Non-Contributory

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

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

## 11. Consultative Arrangements

Name	Dates Consulted	Comments	POTL Response
Commercial Monitoring Queensland Treasury and Trade	29 March 2018	None received.	Nil.
Department of Justice and Attorney-General	30 April 2018	None received.	Nil.
Department of Premier and Cabinet	30 April 2018	None received.	Nil.
Department of Transport and Main Roads	29 March 2018	Comments received 19 April 2018.	Amendments made.
Office of Industrial Relations	13 April 2018	Agency name change requested.	Amendment made.
Maritime Union of Australia	3 May 2018	None received.	Nil.
Australian Maritime Officers Union	3 May 2018	None received.	Nil.
All POTL Employees	30 April 2018	Minor comments.	No amendments required.

## ANNEXURE D: DEFINITIONS & ACRONYM GLOSSARY

### Definitions

Term	Definition
<b>Operating Revenue</b>	Total amount of revenue from business operations.
<b>Operating Expenditure</b>	Total amount of expenses incurred through business operations.
<b>Trade Income</b>	Total amount of trade income from business operations.
<b>Property &amp; Facilities Income</b>	Total amount of income generated from the lease/hire of the business's property and facilities.
<b>EBIT</b>	Earnings before interest and taxes calculated as revenue minus expenses, excluding tax and interest.
<b>NPAT</b>	Net profit after tax.
<b>Dividend</b>	Money paid by the business to its shareholders out of profit.
<b>Return on Assets EBIT</b>	EBIT divided by total assets.
<b>Return on Assets NPAT</b>	Net profit after tax divided by total assets
<b>Return on Equity</b>	Net assets minus liabilities showing shareholder equity.
<b>Current Ratio</b>	Current assets divided by current liabilities.
<b>Interest Cover Ratio (EBIT)</b>	EBIT divided by interest expense.
<b>Debt to Equity Ratio</b>	Total liabilities divided by shareholder's equity.
<b>Capital Investments</b>	Total amount spent on current investments.
<b>Trade Throughput</b>	The total amount of imports and exports through the Ports of Townsville and Lucinda.
<b>Vessels to Port</b>	Total number of commercial, cruise and defence vessels visiting the Ports of Townsville and Lucinda.
<b>Reportable Security Incidents</b>	Total number of security incidents required to be reported under legislation.
<b>Reportable Environmental Breaches</b>	Total number of environmental incidents required to be reported under legislation and/or under an environmental approval.
<b>Lost Time Injury Frequency Rate</b>	Number of lost time injuries occurring in the workplace per 1 million hours worked.
<b>Community Satisfaction</b>	Percentage of the local community satisfied with the Port's operations.
<b>Employee Engagement Rating</b>	Percentage of employees satisfied with POTL workplace engagement.
<b>Full Time Equivalent</b>	Ratio of the total number of paid hours during a period (part-time, full-time, contracted) by the number of workings hours in a particular period.

### Acronym Glossary

Acronym	Meaning
<b>ARM</b>	Audit & Risk Management
<b>CCU</b>	Channel Capacity Upgrade
<b>E&amp;IR</b>	Employment and Industrial Relations
<b>ER</b>	Employee Relations
<b>Fair Work Act</b>	<i>Fair Work Act 2009</i> (Cth)
<b>GOC</b>	Government Owned Corporation
<b>GOC Act</b>	Government Owned Corporations Act 1993 (Qld)
<b>PEP</b>	Port Expansion Project
<b>PIMS</b>	Port Information Management System
<b>POTL</b>	Port of Townsville Limited ACN 130 077 673
<b>PS</b>	Public Service Act 2008 (Qld)
<b>QNPL</b>	Queensland Nickel Pty Ltd
<b>QTC</b>	Queensland Treasury Corporation
<b>SCI</b>	Statement of Corporate Intent
<b>TI Act</b>	Transport Infrastructure Act 1994 (Qld)