



Fremantle Ports

Statement of Corporate Intent

2014/15

Chairman's foreword

While Western Australia remains the top performing economy in the nation, recent growth has been more subdued and the level of economic uncertainty remains high, as key national and international markets continue to navigate their way out of the global financial crisis. A passing in the peak in business investment in the coming 12 months, and the associated shift from development to production for many of the State's mining and energy projects is also likely to lead to further significant changes in the complexion of the local economy.

Given the economic outlook, Fremantle Ports expects trade volume growth to be more modest in 2014/15, with key trades, including containers, automotive, break bulk and bulk, forecast to increase by rates of between 0.6 % and 2.0 % over the year. Fremantle Ports is forecasting a before tax profit of \$34.4 million, which will equate to a rate of return of 8.2 % on assets and deliver expected payments to the State Government totalling approximately \$26.3 million.

Fremantle Ports' key focus in 2014/15 will be on increasing private sector participation in the delivery of port services and infrastructure. In support of the Western Australian Port Governance Review, Fremantle Ports has been actively pursuing opportunities with the private sector, with a number of major procurement exercises underway. These initiatives include the proposed sale of the Kwinana Bulk Terminal (KBT), and the selection of private partners to develop and operate the North Quay container terminals, Victoria Quay auto and RORO terminal, and the proposed Kwinana bulk liquids terminal. Each of these projects will represent significant new investment in the Port of Fremantle and underpin the required expansion in port capacity to cater for medium-term growth in the container, automotive, break bulk and bulk trades.

The potential sale of KBT was approved by Cabinet in September 2013. Fremantle Ports has determined that divestment of the facility, subject to favourable commercial outcomes, will contribute to the achievement of both the State Government and the Fremantle Ports' objectives.

The release of the Western Australian Planning Commission's strategic review of options for the development of future port facilities in the Outer Harbour is now both critical and urgent. The facilitation of long term growth in the container trade, including Fremantle Ports' proposed Kwinana Quay development, is highly dependent on the outcomes of this work, and Fremantle Ports is eager to see the recommencement of development planning as soon as possible, given the very long lead times, which are in the order 10 years, associated with the development of any new container facilities.

This Statement of Corporate Intent outlines Fremantle Ports' intended key achievements in 2014/15 and the investment strategies required to meet its trade facilitation, commercial, social and environmental responsibilities.

Jim Limerick
Chairman

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1 Introduction

This is the eighteenth Statement of Corporate Intent (SCI) prepared by the Fremantle Port Authority, trading as Fremantle Ports, and is submitted under the provisions of the *Port Authorities Act 1999* (the PAA).

The PAA sets out a clear role for port authorities in facilitating trade in a commercially responsible manner, and it establishes clear lines of accountability with the State Government. The PAA requires that each port authority submit a SCI for the Minister for Transport's approval each year by a date determined by the Minister in agreement with the Treasurer.

This SCI outlines Fremantle Ports' intended key achievements in 2014/15 and the investment strategies required to meet its trade facilitation, commercial, social and environmental responsibilities.

1.1. Services and Facilities

The Port of Fremantle is the principal general cargo port for Western Australia (WA). It is a sheltered all-weather port covering 383 km² of land and water areas. The port operates from two geographic areas - the Inner Harbour at the mouth of the Swan River, and the Outer Harbour in Kwinana.

The Inner Harbour provides facilities for handling container trade, break bulk trade, livestock exports and motor vehicle imports. It also accommodates cruise ships and visiting naval vessels. The container terminals on North Quay are privately operated on land leased from Fremantle Ports. The Inner Harbour also has a number of common user berths used for break bulk trades.

The Outer Harbour is one of Australia's major bulk cargo ports, handling grain, petroleum, liquid petroleum gas, alumina, iron ore, coal, fertilisers, sulphur and other bulk commodities. Fremantle Ports operates the Kwinana Bulk Jetty (KBJ) and the Kwinana Bulk Terminal (KBT) with facilities to handle a range of imports and exports. Alcoa, BP and CBH Group also operate cargo-handling facilities in the Outer Harbour.

Fremantle Ports provides and maintains shipping channels, navigation aids, cargo wharves, road and rail infrastructure, seawalls and other port infrastructure. The Fremantle Passenger Terminal on Victoria Quay is also owned and managed by Fremantle Ports. Other services provided by Fremantle Ports include ship scheduling and berth allocation, port communications, pilotage (through a contract with Fremantle Pilots), pilot transport, mooring, security services, emergency response, hazardous cargo services over common user berths, property services, and quarantine and waste disposal services.

Services provided by the private sector include container stevedoring, bulk and break bulk stevedoring, towage, line boats, bunkers, ships providedores, road and rail transport, shipping agencies, freight forwarding, customs clearance and fumigation services. The two container stevedoring companies, DP World and Patrick, operate under lease agreements with Fremantle Ports.

Consistent with the findings of the recent WA Ports Review 2012, Fremantle Ports will explore opportunities for greater private sector involvement in the provision of port facilities and services during the period of this plan.

Fremantle Ports has the ability under the PAA to license a range of port activities. Non-exclusive licence agreements for towage services have been in place since June 2001 and will continue over the term of this SCI.

Pilotage services in the port are provided by Fremantle, Kwinana & Cockburn Sound Pilots Pty Ltd (Fremantle Pilots) under a contractual agreement with Fremantle Ports. Pilot transport is provided by Fremantle Ports.

Fremantle Ports cooperates with the Commonwealth Government in facilitating customs, quarantine and maritime safety and security activities in the port area.

The Port of Fremantle makes a major contribution to the Western Australian economy. Total trade handled through the Inner and Outer harbours in 2012/13 was valued at \$30 billion.

1.2. Scope of the Business

Under the PAA, Fremantle Ports has exclusive control of the Port of Fremantle subject to any direction given by the Minister for Transport. It has a duty to act on commercial principles and has the powers to perform its functions under the PAA, including the power to hold, dispose of and develop port land, carry out port works, provide port services, enter into business arrangements, issue licences and charge for its services.

1.3. Corporate strategic plan

Fremantle Ports has an established corporate strategic plan, which identifies a vision, mission, strategic objectives and a set of values for the organisation. An overview of these key elements is provided below.

Vision

To be valued by our customers and the community for our leadership and excellence.

Mission

To facilitate trade in a sustainable way.

Strategic objectives

1. Service delivery – Provide reliable and efficient services that meet customer expectations
2. Capability for the future – Ensure sound planning for all aspects of our business, including resources, services and infrastructure
3. Trade and business growth – Promote and facilitate trade and business growth opportunities
4. Support services – Ensure appropriate and cost effective resources, processes and systems to support service delivery
5. Business sustainability – Ensure business sustainability through excellent performance in all areas, innovation, business improvement, and community and stakeholder engagement.

Values

Fremantle Ports values its people, its customers, the environment, the community and its business success. The values that apply at Fremantle Ports are:

- Respect and integrity
- Safety and wellbeing
- Responsiveness and delivery
- Continuous improvement and innovation
- Sustainability

2 Goals and major planned achievements

Fremantle Ports facilitates trade by providing its customers with a competitive level of service, and by being responsive to their current and future needs. Its objectives and major planned achievements for 2014/15 are as follows:

2.1. Service delivery

Objective

To provide reliable and efficient services that meet customer expectations.

2.1.1. Adding value to customers

Fremantle Ports works closely with customers and joint service providers to monitor customer satisfaction, identify improvement opportunities and provide for future needs. The future of the Inner Harbour has now been secured with the deepening of the harbour and approach channels, and the port is now seeing a growing number of larger vessel visits. The private sector has invested in new generation tugs and container cranes to cater for the larger vessels, and the State Government's support for the future Inner Harbour as an operating port has given the private sector the confidence it needs to continue with future investment strategies as the port reaches its capacity.

We will continue to work with customers across all trade areas to identify and implement value adding opportunities. This work will be progressed through a comprehensive customer liaison program involving regular meetings with all major customers and industry forums for specific trades.

Our success in this area is measured by the improvements that we achieve and the level of satisfaction recorded by our customers in our annual customer survey. Customer satisfaction with port services continues to meet or exceed the target range of 80-90%.

2.1.2. Infrastructure development

Fremantle Ports will continue to work with customers and stakeholders to ensure the successful progression of major projects and planned developments needed to facilitate trade growth into the future.

A key outcome for 2014/15 will be the extension of the North Quay rail terminal (stage 2) to provide for increased capacity and greater efficiency of container rail transport operations. A greater share of the transport task is being progressively moved to rail to increase transport efficiencies and facilitate future growth in the container trade. Strategies to increase the rail share of the freight task are being developed in collaboration with the Department of Transport and the private sector.

A further important outcome for the Inner Harbour will be the completion of the development and leasing of the newly reclaimed land in the Rous Head area to ensure the port is strategically positioned to cater for increased trade and growth into the future. Following the completion of roads and services in 2013/14, development of the lease areas by tenants is expected to be finalised during 2014/15.

At the western end of Victoria Quay, work is continuing on the implementation of key elements of the Fremantle Waterfront Masterplan. The focus during the year will be on the commercial precinct area, adjacent to the railway station, with the hope of facilitating a new commercial office and retail development by the private sector.

Consistent with the State Government's recent review of WA Ports, Fremantle Ports will continue to explore opportunities for private sector involvement in the provision of infrastructure and services at its bulk facilities, including progressing the potential sale of KBT, which was approved by Cabinet in

September 2013. Fremantle Ports has determined that divestment of the facility, subject to favourable commercial outcomes, will contribute to the achievement of both the State Government and the Fremantle Ports' objectives.

2.1.3. Infrastructure maintenance

Fremantle Ports ensures its assets meet service delivery requirements and are maintained, operated and utilised appropriately. Asset condition and risk are monitored through the annual state of the assets report, which is part of Fremantle Ports' strategic asset management system, and the rolling maintenance program. This information is then used to identify existing and future maintenance requirements to ensure that asset condition is aligned with the level of service requirements of Fremantle Ports' customers.

Fremantle Ports' approach to asset management is designed to:

- Develop life cycle management plans for each asset class, which optimise expenditure over the long term to meet our customers' current and future level of service requirements
- Prioritise asset maintenance using a cost: benefit rating system, which ensures maximum return on maintenance investment
- Use data trends compiled in the maintenance program to facilitate decision making with regard to future maintenance and analysis of options to maintain, upgrade, replace or dispose of assets

The total asset maintenance budget for 2014/15 is \$28.3 million and includes work on Fremantle Ports' wharves and jetties, cargo handling equipment, navigation aids, electrical and civil services, buildings, railways and roads.

2.1.4. Maritime security

Fremantle Ports is an approved Issuing Body under the *Maritime Transport and Offshore Facilities Security Regulations 2003* (Cth) for the purpose of receiving, processing and printing the Maritime Security Identification Cards (MSIC). Fremantle Ports will continue to deliver efficient and effective security outcomes consistent with the *Maritime Transport and Offshore Facilities Security Act 2003* (Cth) and Regulations and the International Ship and Port Facility Security Code. Security measures are set according to requirements under national "alert" levels set by the Commonwealth Government.

2.1.5. Traffic management

A truck marshalling facility has recently been constructed in the newly reclaimed Rous Head area, which, along with the corresponding truck management system, will continue to improve transport efficiencies and reduce problems with truck queuing. This includes improvement works such as paved areas, traffic signals and new traffic surveillance systems that will help to avoid bottlenecks and improve traffic flows.

2.2. Capability for the future

Objective

To ensure sound planning for all aspects of our business including resources, services and infrastructure.

2.2.1. Inner Harbour port development

The State Government has confirmed the Inner Harbour's future as a working port with a planned capacity of 1.2 million twenty foot equivalent units per annum. The Inner Harbour Port Development Plan continues to ensure that it is able to meet the demands of growing trades. Important planning work will focus on new investments required in landside logistics (e.g. stage 2 of the North Quay rail terminal) and improvements to facilities to cater for growing break bulk trades, including the development of a new auto and RORO terminal at Victoria Quay.

2.2.2. Port planning – Outer Harbour

Planning will continue in collaboration with the Department of Transport for further port development in the Outer Harbour to handle growth in the bulk commodity trades, as well as the container trade and break bulk trades beyond the capacity of the Inner Harbour.

Significant port planning issues in the Outer Harbour at Kwinana include the following:

- The urgency and criticality of the release of the findings of the Western Australian Planning Commission's strategic review of options for the development of future port facilities in the Outer Harbour to enable development of Fremantle Ports' container terminal (Kwinana Quay) to progress in a timely manner given the expected lead time of approximately 10 years for completion of this facility
- Determination of future land requirements for port related uses, such as container parks in the Kwinana area and the Hope Valley Wattleup redevelopment area
- Development of an intermodal terminal in the Kwinana region
- The further development and improvement of facilities and infrastructure, including private sector investment, at KBJ to cater for existing and potential customers
- Ensuring that long term key road and rail freight access requirements are provided for, including the Rowley Road and Anketell Road corridors

2.2.3. Future Inner Harbour container stevedoring arrangements

The Patrick and DP World container terminals at North Quay are each operated under long term lease agreements with Fremantle Ports. These leases are due to expire in mid-2017, and Fremantle Ports has started making preparations to put in place long term leases, which will commence following the conclusion of the current agreements.

Fremantle Ports commenced an open expression of interest (EOI) process in 2013/14, seeking proposals from private parties with an interest in developing and operating a container terminal at North Quay. It is anticipated that the second stage of this exercise, in which a request for proposal will be invited from shortlisted EOI participants will be undertaken in 2014/15. Preferred proponents will then be selected and commercial negotiations commenced with a view to finalising agreements for up to 25 years' tenure at the site. It is planned that these agreements would be concluded in 2016 so that an orderly transition of the site/s could be planned and implemented, as required in the event of a change in one or both of the existing terminal operators.

While the current agreements only incorporate a ground lease, future arrangements are planned to also include an operating agreement, which will incentivise improved productivity and performance. This will be essential in ensuring that the Inner Harbour can reach its planned capacity of 1.2 million TEUs pa to provide sufficient capacity to meet the State's container trade needs until such time when additional facilities (Kwinana Quay) are developed and operational in Cockburn Sound.

2.3. Trade and business growth

Objective

To promote and facilitate trade and business growth opportunities.

2.3.1. Trade forecasts

The 2014/2015 budget is based on forecast growth of 2.0 % in the container trade, 1.8 % in Inner Harbour break bulk and bulk trades, and 0.6 % in the Outer Harbour bulk trade.

2.3.2. Road and rail transport

In the Inner Harbour, land transport linkages will be required to enable the port to reach its anticipated capacity while responding to community concerns about heavy vehicle movements and increasing congestion problems in and around the port. A greater role for rail transport is required to relieve pressure on the road system and provide greater choice for importers and exporters

The volume of containers carried by rail has been steadily growing over recent years with the support of the State Government, and a long term target share of 30% of the landside container transport market has been set for rail. Planning for initiatives to achieve this goal include the construction of stage 2 of the North Quay Rail Terminal, the development of an inland intermodal terminal and improvements to interface arrangements between rail and key facilities at the port. The newly reclaimed land in the Rous Head area is partly being used as an opportunity to realign and improve road and rail efficiencies and increase capacity for the future.

Road transport will remain the dominant mode of transport at the port. It is critical that the main transport corridors to the port are protected from urban encroachment and that road access routes are improved. Strategic initiatives being pursued to increase truck productivity include improving loading performance, reducing truck trips, reducing truck waiting times and extending hours of operation.

2.3.3. Victoria Quay auto and RORO terminal

In order to facilitate Fremantle Ports' ongoing commitment to the imported motor vehicle trade, there is a need to provide sufficient stacking area to cater for anticipated future growth and the necessity to handle single shipments up to 6,000 vehicles, which are becoming more common as ship sizes increase.

Land limitations along Victoria Quay prevent expansion of operational space and are likely to cause congestion for the imported motor vehicle trade and limit the growth of this trade segment in the medium term. As such, Fremantle Ports has commenced planning for the development of a dedicated auto and roll on roll off (RORO) facility on Victoria Quay, which will handle all automotive and RORO vessels, and thus free space on North Quay for the handling of other break bulk trades. A shift to fit for purpose berths is expected to lead to a significant improvement in port efficiency.

It is expected that the development of the Victoria Quay auto and RORO terminal will require substantial capital investment, which could potentially include the development of a multi-story car decking facility, offsite auto storage and processing facilities, and other onsite improvements. Fremantle Ports will therefore be seeking proposals from private parties to develop and operate the terminal under a long term lease and operating agreement. Doing so will minimise the need for Fremantle Ports to invest substantial capital and it will also provide an opportunity to leverage the operating expertise that exists in Australia and overseas in similar facilities. A request for EOIs process commenced in 2013/14, and it is expected that a private partner will be secured in 2014/15.

2.3.4. Victoria Quay waterfront development

Fremantle Ports is continuing to implement key elements of the Fremantle Waterfront Masterplan at the western end of Victoria Quay. The masterplan aims to ensure that development remains consistent with the operational requirements of an efficient and growing working port.

The capital works program includes further funding for improvements to services and infrastructure to facilitate further private investment and development in the waterfront area on a commercial basis.

2.3.1. Kwinana bulk liquids terminal

Fremantle Ports has commenced planning for the development of a dedicated bulk liquids facility in Kwinana, which will be located immediately to the south of KBJ. The facility will be purpose built for handling refined petroleum products, liquid ammonia and other bulk liquid products. It is intended that existing bulk liquid trades that are currently handled at KBJ and, to a lesser extent, in the Inner Harbour will be transferred to the new facility, which will free up capacity at existing facilities to enable further growth of other trades. The facility will also provide capacity for further growth in liquids trade, which is forecast to increase rapidly over the next five to 10 years.

Fremantle Ports is intending to secure a private partner, which will be responsible for the development and operation of the facility under a long term lease and operating agreement. In addition to creating a new facility that will provide greater capacity and higher levels of service for Fremantle Ports' bulk liquids customers, it also presents a commercial opportunity for Fremantle Ports to develop a new revenue stream from a currently unutilised site. It is expected that a proponent will have been secured and works commenced in 2014/15.

2.4. Support services

Objective

To ensure appropriate and cost effective resources, processes and systems to support service delivery.

2.4.1. Information and communication technology strategy

Fremantle Ports has technology infrastructure that supports the integration of business processes to achieve its strategic goals. Corporate information systems primarily provide information required to support administrative, operational and business processes.

Current and planned key projects include enhancements to the following:

- Safety reporting
- Outer Harbour permit to work processes
- Human resource training modules
- Maintenance management system
- Land management system
- Organisational hardware and software management systems
- Customer relationship management system
- Industry and ports community shared applications

2.4.2. Employee development

Strategies will be continued to ensure that Fremantle Ports' employees are appropriately skilled and have the understanding and empowerment to maximise their contribution to the achievement of organisational goals. Training and development needs are provided for in a number of coordinated programs, including performance management, leadership development, succession planning and staff support programs.

A comprehensive people plan is in place to ensure workforce sustainability and address future needs. Key elements of the plan continue to include a strong organisational focus on:

- A constructive high performance team culture
- A people performance system
- Development of leaders to ensure alignment with values
- Behaviours and goals to drive high performance culture
- Ongoing strategies to promote a healthy work/life balance

2.5. Business excellence and sustainability

Objective

To ensure business sustainability through excellent performance in all areas, innovation, business improvement, and community and stakeholder engagement.

2.5.1. Port pricing

To ensure the long term financial viability of Fremantle Ports and to achieve an 8.2% rate of return, an average price increase of 5% on rates and charges for shipping and cargo has been budgeted in 2014/15.

Fremantle Ports' pricing strategies are subject to ongoing review in the context of changing competitive conditions, trade levels and operating results, while also taking into account the need to fund significant infrastructure projects and provide appropriate returns to government.

2.5.2. Safety management

Fremantle Ports has achieved certification to the ASNZS 4801 standard since 2004. In addition, Fremantle Ports has its own 'Safety for Life' program, which provides a holistic approach to safety management underpinned by five key areas - leadership, safety behaviours, critical risk standards, safety management systems and safety competencies.

Safety strategies focus on key risk exposures and their impact. Safety targets include the following targets:

- Zero fatalities or disabling injuries
- Executive, board and management workplace inspections
- Zero regulatory safety notices
- >90% achievement of planned statutory compliance inspections
- 10% annual reduction in the lost time injury frequency rate
- Compliance with critical risk standards
- 100% participation by organisational leaders in the safety leadership programme
- Retention of the AS/NZS 4801 certification

2.5.3. Environmental management

Fremantle Ports' approach to environmental management is set out in its environmental management system (EMS), which identifies environmental risks within the port area and the controls that are required to protect the environment. This ISO 14001 certified EMS is a key tool used for managing environmental risks and driving continual improvement in environmental performance. Regular surveillance audits are undertaken to ensure the EMS's continued effectiveness.

A marine quality monitoring program remains in place to ensure that the general quality of waters in the Inner and Outer harbours remains very good. The ongoing results provide useful background data to establish trends and patterns over time, and also to compare against increasingly regulated marine quality standards and frameworks. The results also contribute to the ongoing monitoring of Cockburn Sound through the Cockburn Sound Management Council.

Preliminary site investigations of all port land areas has been undertaken and six sites have been selected for further assessment to ensure compliance with the *Contaminated Sites Act 2003* (WA), with three sites each the Inner and Outer harbours. If required, site management plans will be developed with provision for any possible remediation works in future.

Independent audits are undertaken annually to ensure compliance with the environmental licences at KBT and KBJ. The audit process includes both an offsite review of documentation and an on-site review and verification of systems and procedures.

2.5.4. Risk management

Fremantle Ports has a risk management culture where formal risk management is applied through the application of a risk management policy and framework in accordance with the AS/NZS ISO 31000 standard.

A corporate risk register is in place where all risks across the organisation are identified, prioritised and managed. Action plans are developed on an ongoing basis to address the priority risks in a systematic way, with particular focus on the highest risk areas.

Risk management will continue to be incorporated in a formal way in key decision making processes, including major project proposals and approvals.

2.5.5. Business improvement and excellence

Fremantle Ports continues to apply the Australian Business Excellence Framework (ABEF) as part of its normal business practices. Current and planned priorities include:

- Review and update improvement of our corporate process map and flowcharting of the associated processes
- Review and improvement of our most important critical processes (including the project management process whole-of-process audits)
- Implementation of priority actions following external assessment against priority ABEF categories
- Review and improvement of key performance indicators which link to the corporate strategic plan and corporate scorecard
- Ongoing value chain analysis with strategic customers
- Improvements to the stakeholder management plan and its associated process
- The review and consolidation of key procedures
- Simplification of business practices

3 Operating budget

Fremantle Ports' operating budget for 2014/15, which has been prepared in accordance with the Australian Accounting Standards Board Standards (AASBs), forecasts an after tax profit of \$23.8 million.

Table 1 Operating budgets for 2014/15 and 2013/14

	2014/15 (\$M)	2013/14 (\$M)
Total revenue	209.4	199.8
Total expenditure	175.0	165.0
Operating profit before income tax	34.4	34.8
Income tax expense	10.6	10.8
Operating profit after tax	23.8	24.1
Ordinary dividend based on prior year profit	15.7	18.8

3.1. Capital works program

Fremantle Ports' capital works program for 2014/15 includes expenditure of \$36.1 million on approved capital projects. Major expenditure includes:

- KBJ bulk handling equipment
- Inner Harbour heavy duty pad installation

Fremantle Ports expects to finance its capital works program through a combination of internal funding and additional borrowings, with a small proportion to be financed through an equity injection or third party contributions. These funding arrangements comply with approved net debt limits.

3.2. Dividend policy

In accordance with the State Government policy, Fremantle Ports is required to pay dividends to the State on after tax profits.

Dividends have been budgeted in accordance with AASBs and the State Government's dividend requirements at the rate of 65%.

3.3. Rate of return

State Government policy includes requirements relating to rate of return targets. The previous policy required a long term average target of between 5% and 8%.

In July 2013, the Minister for Transport advised that a new financial rate of return policy will come into effect for the period commencing 2014/15. This new policy continues to require the calculation of a rate of return based on the deprival value of non-current assets (excluding gifted assets); however, it will now require a target rate of return specific to Fremantle Ports. Fremantle Ports has been liaising closely with the Department of Transport, which was tasked by the Minister to work with all ports to implement the new rate of return policy. It is envisaged Fremantle Ports' budgeted target of 8.2% for

2014/15 will fall within the target to be approved by the Minister. It is Fremantle Ports' intention to at least meet the projected target rate of return and, if prudent and achievable, to exceed this target in accordance with managing its business in a commercial manner as per the provisions of the PAA.

3.4. Financial and accounting policies

Fremantle Ports' budgeted financial statements have been prepared in accordance with the AASBs (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board, and the financial reporting provisions of the PAA.

The financial statements have been prepared on an accrual accounting basis and in accordance with the historical cost convention.

3.5. Information to be reported to the Minister for Transport

Fremantle Ports is obliged to provide financial information to the Department of Treasury under the *Government Financial Responsibility Act 2000* (WA).

Fremantle Ports will provide the Minister for Transport with the information necessary to allow an adequate assessment of Fremantle Ports' performance during the year. This will include annual and quarterly reports, including financial information and comments on performance as considered appropriate.

The 2013/2014 annual report will comply with the requirements of the PAA and will include the following information:

- A report on the major operations and activities of Fremantle Ports during the year
- A review and assessment of performance against the targets contained identified within this SCI
- Financial statements
- Other information required by the legislation or the Minister to be included in the annual report

3.6. Provision of financial information

Relevant annual and half yearly information will be provided to enable the Department of Treasury to meet its budgetary responsibilities. This information will include forecasts of dividend and tax equivalent payments, plus financial information for the budget year and the subsequent four out years.

Quarterly financial information will be submitted in the State Government's Strategic Information Management System for the purpose of whole-of-government reporting.

4 Key performance targets

The performance targets shown in Table 1 are used by Fremantle Ports to monitor service delivery, to identify and respond to emerging trends in trade development, measure our capability for the future, monitor the financial performance of our operations and ensure business excellence and sustainability.

Shipping services that are monitored include pilotage, towage and mooring. Delays due to the unavailability of these services are infrequent, with the target being less than one percent of vessels affected. Crane rates at the container stevedores are also monitored to ensure that they remain nationally and internationally competitive. Crane rates at Fremantle have increased significantly since 1995 and have maintained relatively consistent levels since December 2001. Patrick and DP World have invested in new generation cranes in Fremantle which are capable of handling larger wider beam vessels. The average size of container vessels has increased from 29,340 gross tons (GT) in 1999/2000 to 38,400 GT in 2010/2011, an increase of 31% over that period.

Berthing delays due to berth congestion are also monitored for container vessels and bulk vessels at KBT and KBJ. Most “delays” are due to vessels arriving ahead of their nominated schedule, but ship waiting times are expected to remain within target ranges.

Fremantle Ports will continue to carry out customer surveys to monitor levels of customer satisfaction for services provided by Fremantle Ports and the private sector. Recent surveys have indicated a customer satisfaction rate of 90% for Fremantle Ports and 69% for the private sector.

Total port trade in 2013/14 is expected to increase to 32.3 million mass tonnes. Non-containerised cargo is expected to decrease by 1.2% in 2013/14, but container throughput is forecast to increase by 2.0%.

The target share of container trade transported by rail is 30% over the longer term. The current rail share is about 14% and continuing State Government assistance will be required to increase this over time, including the expansion of infrastructure at the North Quay Rail Terminal to increase capacity and efficiency, and the provision of financial support to improve the competitiveness of rail.

Safety targets include zero serious injuries resulting in fatalities or disabling injuries, and an annual reduction of 10% in the lost time injury frequency rate, consistent with State Government policy.

Financial targets include profit after tax and rate of return on assets as provided for in the budget, with the rate of return for 2014/15 being 8.2% of the deprival value of assets, with provisions for payments to the State Government in the form of dividends, income tax equivalent payments, land tax and local government rate equivalent payments.

Community satisfaction surveys will also continue to be carried out in the Inner and Outer harbours. Surveys carried out in 2013 indicated that 73% of respondents in the Inner Harbour and 58% in the Outer Harbour were either very satisfied or quite satisfied with Fremantle Ports' overall performance. Although the Outer Harbour figure was outside the target range of 70%-80%, the survey found that 39% were neither satisfied nor dissatisfied.

Table 2 Performance targets

	2012/13 (actual)	2013/14 (target)	2014/15 (target)
Service delivery			
Crane rates (containers/hr)	30.6	28.0	28.0
Customer satisfaction with:			
Services – all (private + Fremantle Ports) (%)	68 %	80-90 %	>80 %
Services – Fremantle Ports only (%)	90 %	80-90 %	>80 %
Value for money – all (private + Fremantle Ports) (%)	44 %	80-90 %	>80 %
Value for money – Fremantle Ports only (%)	69 %	80-90 %	>80 %
Performance against agreed contract rates			
KBT ship un/loading performance	97.1 %	100 %	100 %
Import equipment availability	96.6 %	96 %	96 %
Export equipment availability	98.4 %	96 %	96 %
Capability for the future			
Berthing delays – unavailability of berths			
<i>Inner Harbour - Container vessels</i>			
Vessels delayed ² (% of total)	6.3 %	<12 %	<12 %
Average hours per delay ² (hr)	18.3	<20.0	<20.0
<i>Kwinana Bulk Terminal</i>			
Vessels delayed ² (% of total)	49.3 %	<40 %	<40 %
Average hours per delay ² (hr)	112	<120	<120
<i>Kwinana Bulk Jetty</i>			
Vessels delayed ² (% of total)	17.8 %	<25.0 %	<25 %
Average hours per delay ² (hr)	73.8	<50.0	<50.0
Trade and business growth			
Trade growth			
Total port trade (%)	13.2 %	-1.2 %	1.0 %
Container trade only (%)	2.0 %	2.0 %	2.0 %
Number of ship visits ³	2,151	2,154	2,143
Rail share of container trade (%)	13.7	15.0	15.0
Business sustainability			
Fatalities/disabling injuries	0	0	0
Reduction in lost time injury frequency rate (%)	+26 %	10 %	10 %
After tax profit (\$M)	37.0	24.1	23.8
Rate of return on assets ⁴ (%)	10.4	8.0	8.2
Community satisfaction			
Inner Harbour (%)	73 %	70-80 %	>70 %
Outer Harbour (%)	58 %	70-80 %	>70 %

Notes

1. Services include pilotage, towage and mooring
2. Figures include vessels that arrive ahead of schedule. The targets from 2013/14 onwards revised upwards based on simulation modelling to reflect higher berth utilisation at KBT
3. Includes commercial, non-trading and fishing vessels
4. Using deprivation valuation methodology

FREMANTLE PORT AUTHORITY

APPROVED FINANCIAL PARAMETERS

2014/15

Income Statement	\$'000
Total Revenue	209,402
Total Expenses	174,991
Profit/(Loss) Before Tax	34,411
Notional Income Tax	10,637
Profit/(Loss) After Tax	23,774
Dividends ¹	27,243
Asset Investment Program	49,253

¹ Subject to enactment of the Ports Legislation Amendment Bill, Treasury has advised that an interim dividend will be applied to port authorities from 2014-15. In accordance with the Treasury advice, the dividend for 2014-15 includes an interim dividend, representing 75% of the estimated full year dividend to be declared and paid before 30 June 2015. The amount of the interim dividend is subject to agreement between the Minister and the Board in accordance with the relevant provisions of the Ports Legislation Amendment Bill.

To the extent that the financial parameters within the 2014/15 – 2018/19 SDP contain unapproved capital expenditure, net debt and net flows to/from government, Government approval will be obtained prior to any commitments and/or actions being undertaken which will affect approved parameters. Government approval will also be sought prior to commencing new projects not included within the State Government's approved financial parameters.