



Fremantle Ports
Statement of Corporate Intent
2016/17

Chairman's foreword

The economic outlook for Western Australia is to maintain average levels of growth 2016/17, settling from the transition to production phase in the resources sector. For Fremantle Ports this is expected to translate to revenue tonnes growth between 1.5% and 4.0% for key trades, including containers, automotive, break bulk and bulk. Fremantle Ports is forecasting a before tax profit of \$57.9 million, which will equate to a rate of return of 11.8% on assets and deliver expected payments to the State Government totalling approximately \$54.5 million.

The State Government announced on 14 May 2015, as part of the State Budget, its intention to embark on a second tranche of asset sales, including the sale of the assets managed by Fremantle Ports by way of a long term lease. The Department of Treasury has been assigned overall responsibility for management of the sale process. Fremantle Ports has been supporting Treasury in this process during the 2015/16 financial year and will continue to provide advice and information as part of the process in 2016/17.

These matters are external to Fremantle Ports' statutory duties which will continue to be discharged. Nevertheless, it is consistent with the statutory objectives of Fremantle Ports to ensure that arrangements are put in place that recognise the prospect of the sale and to take steps to ensure that there is no consequent disruption to trade or adverse impact on utilisation of the port.

As required by legislation, this Statement of Corporate Intent outlines Fremantle Ports' intended key achievements in 2016/17 and the investment strategies required to meet its trade facilitation, commercial, social and environmental responsibilities. While there will continue to be activities undertaken to support the State Government's divestment strategy, the final decision on a sale is still subject to due diligence and Fremantle Ports must continue to operate as usual and consistent with its statutory obligations.

Jim Limerick
Chairman

Table of contents

Chairman's foreword	ii
Table of contents.....	iii
1 INTRODUCTION	1
1.1. Services and Facilities	2
1.2. Scope of the Business	3
1.3. Corporate strategic plan.....	3
2 GOALS AND MAJOR PLANNED ACHIEVEMENTS.....	4
2.1. Service delivery.....	4
2.2. Capability for the future	5
2.3. Trade and business growth.....	6
2.4. Support services	7
2.5. Business excellence and sustainability.....	8
3 OPERATING BUDGET	10
3.1. Capital works program	10
3.2. Dividend policy	10
3.3. Rate of return	10
3.4. Financial and accounting policies	11
3.5. Information to be reported to the Minister for Transport	11
3.6. Provision of financial information	11
4 KEY PERFORMANCE TARGETS.....	12
ADDENDUM 1	15

List of tables

Table 1	Operating budgets for 2016/17 and 2015/16	10
Table 2	Performance targets.....	13

1 INTRODUCTION

This is the twentieth 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. In February 2015, the Minister for Transport fixed the date for submission of both the SCI and Strategic Development Plan as 15 January for the foreseeable future.

This SCI outlines Fremantle Ports' intended key achievements in 2016/17 and the investment strategies required to meet its trade facilitation, commercial, social and environmental responsibilities.

As in 2015/16, Fremantle Ports acknowledges the expressed intention of the State Government to divest the assets managed by Fremantle Ports and that, by necessity, it will take some time before there is certainty about the nature of the divestment process and, moreover, the outcome of any such process. It is not in the interests of port users or the State for Fremantle Ports to make decisions or take steps that could be adverse to the Government's intentions if the sale process was to proceed.

In those circumstances Fremantle Ports proposes, in the short term, to adopt a properly prudent and cautious approach to the making of significant, or potentially significant, decisions while otherwise continuing to discharge its functions in a normal manner. The intent of Fremantle Ports in this regard is to refrain from making significant decisions without consulting the Minister, Treasurer or their nominees until the nature of the divestment process and its outcome become clearer.

In particular, until 31 December 2016 or such later date as may be proposed by Fremantle Ports and agreed by the Minister, Fremantle Ports will not, without giving prior written notice to, and subsequently consulting with the Under Treasurer or his nominee:

- (i) enter into any new Material Contract; or
- (ii) extend the term of, or amend, any existing Material Contract; or
- (iii) exercise any option to extend the term of any existing Material Contract; or
- (iv) terminate, assign, amend or waive any material rights under any Material Contract; or
- (v) commit to any new capital expenditure in excess of \$1,000,000; or
- (vi) exceed the expenditure forecasts contained in approved income and cash flow statements and approved statements of financial position for a year by more than \$500,000; or
- (vii) agree to accept liability under an indemnity; or
- (viii) cause any of its insurance policies relating to damage to or deterioration in the condition of the Assets to be cancelled or materially changed or surrender any existing insurance policies; or
- (ix) commence, voluntarily become a party to, or agree to settle, any court, arbitration or mediation proceedings with an amount in dispute or claim in excess of \$1,000,000 except where necessary to avoid material prejudice to Fremantle Ports or the Assets; or
- (x) materially change the terms of employment, salary or bonus of any employee or contractor of the Fremantle Ports having an annual base salary of more than \$250,000, or change or agree to change the superannuation benefits of any employee (except in accordance with any terms of employment as at the date of this direction), or hire (excluding the extension of the employment or engagement of an existing employee or contractor) or terminate (other than for cause) any employee or contractor having an annual base salary of more than \$100,000; or
- (xi) enter into any certified employee agreement, collective employment agreement or similar arrangement in relation to Fremantle Ports' staff; or

- (xii) approve any of its officers or employees accepting any engagement which conflicts with the potential divestment of the Assets or the interest of the State of Western Australia or Fremantle Ports in relation to the potential divestment of the Assets; or
- (xiii) distribute material written communications in relation to the potential divestment of the Assets to staff.

For the purposes of the above:

- (i) "Assets" means the assets currently managed by Fremantle Ports; and
- (ii) "Material Contract" means:
 - (a) a contract or arrangement, the value of which exceeds \$500,000 per annum; or
 - (b) a lease, licence or other interest in respect of land or assets owned or managed by Fremantle Ports which has a term exceeding twelve months and the value of which exceeds \$100,000 per annum.

Sections 2, 3, and 4 of this plan are to be read subject to the interim arrangements described above which will prevail until 31 December 2016 or such later date as may, in the then prevailing circumstances, appear to be appropriate to Fremantle Ports and agreed as an amendment to this plan by the Minister.

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, 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 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 provided, 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.

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 is reviewing service delivery models for this service, which may result in the reduction in the number of vessels or the transfer of the service to the private sector.

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 2014/15 was valued at over \$28 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 throughout the organisation, 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 2016/17 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.

Over the years, the feedback from customers has enabled Fremantle Ports address any concerns that customers may have and consider the adoption of any improvement suggestions. Improvements in respect to delivering services are central to the success of Fremantle Ports and customers. Fremantle Ports has in place a number of key performance indicators against which targets are set. These include:

- Customer satisfaction with Fremantle Ports' services
- Customer satisfaction with other port services
- Customer satisfaction with value for money

The customer survey carried out in 2015 showed that 91% of shipping line customers were satisfied or very satisfied with Fremantle Ports' services. Customer satisfaction with value for money was rated at 73% and satisfaction with other port services at 64%

Fremantle Ports will continue to monitor and respond to customer needs during 2016/17.

2.1.2. Fremantle Port divestment

On 14 May 2015, the Western Australian State Government announced its intention to embark on a second tranche of asset sales, including the sale of the assets managed by Fremantle Ports by way of a long term lease.

The Department of Treasury is responsible for managing the sale, and Fremantle Ports will continue to support the process through the provision of advice and information.

2.1.3. 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. Fremantle Ports has started the process that will put in place new leases to commence following the conclusion of the current agreements.

2.1.4. 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 2016/17 is \$28.2 million and includes work on Fremantle Ports' wharves and jetties, cargo handling equipment, navigation aids, electrical and civil services, buildings, railways and roads.

2.1.5. 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.

The national alert level for Australia remains at 'high' i.e. a terrorist attack is likely. Security measures have been taken accordingly, including for 'front of house' mass gatherings.

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. Port of Fremantle Master Plan

Fremantle Ports will develop a Port of Fremantle Master Plan, which will establish Fremantle Ports' long term strategic vision for the Port of Fremantle, including both the Inner and Outer harbours.

The need for the development of a Master Plan is driven by Fremantle Ports' interest in:

- Maintaining best planning practices within the port
- Fulfilling its role to plan for future growth and development within the port, as required by the *Port Authorities Act 1999 (WA)*
- Creating alignment between port planning and the national and state ports strategies (as outlined in the *National Ports Strategy* and *A Vision for Western Australia's Ports*, respectively)
- Creating alignment between port planning and relevant state planning policies and transport plans (including, for example, *Perth and Peel @ 3.5 million* and the *Perth Freight Network Plan*)

It is anticipated the Master Plan will incorporate the development of additional container facilities that will be required once the Inner Harbour reaches capacity.

The nature of the Master Plan and the extent to which it can be progressed in the short term will be dependent on the timing and progress of the proposed port divestment.

2.2.2. Outer Harbour

The Outer Harbour in Cockburn Sound plays an important role for the State in the import and export of bulk products including iron ore, grain, petroleum, liquid petroleum gas, alumina, mineral sands, fertilisers, and sulphur.

The challenge facing the operation of KBT remains a lack of berth availability to meet any new bulk handling opportunities.

Cement clinker volumes are expected to reach 1.5 million tonnes per annum in the next two years and this substantial import trade will require investment in cargo handling equipment such as conveying systems and a ship unloader. The high utilisation of KBT facilities will see capacity operating at approximately 80% berth occupancy.

2.3. Trade and business growth

Objective

To promote and facilitate trade and business growth opportunities.

2.3.1. Trade forecasts

The 2016/17 budget is based on forecast growth of 4.0 % in the container trade, 2.5% in Inner Harbour break bulk and bulk trades, and 1.5% in the Outer Harbour bulk trade due to increases in some bulk products.

2.3.2. Road and rail transport

In the Inner Harbour, land transport linkages remain the most significant matter in enabling 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. Rail transport continues to play an important role in relieving pressure on the road system, providing greater choice for importers and exporters.

A strategy for growing rail services (including State Government policy measures) needs to be formulated and agreed so all participants (rail service providers, forwarders, other clients, State Government agencies) have a clear view of rail's planned future. The groundwork for this strategy has been completed and Fremantle Ports will continue to work with the State Government to further develop the strategy.

Road transport will remain the dominant mode of transport at the port. Fremantle Ports will continue to support State Government agencies planning key road corridors. A number of measures to increase truck productivity will continue to be pursued including improving loading performance, reducing truck trips, reducing truck waiting times and extending hours of operation.

A key area of focus for Fremantle Ports is to work with organisations at state and national levels to identify the best means for promoting industry efficiency through integration of IT systems and eventual development of a next generation Port Community System (PCS) for Australia.

2.3.3. 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.

Fremantle Ports is working closely with the City of Fremantle, Public Transport Authority, Department of Planning and key community stakeholders to ensure that the future development of the Victoria Quay Waterfront improves connectivity between the waterfront (in particular the Commercial Precinct) and the Fremantle central business district.

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 the following:

- eLearning: Fremantle Ports will embrace eLearning with the first eLearning module to be Code of Conduct training expected to be launched in 2016.
- Cyber security awareness training will also be rolled out through eLearning in 2016. This will be ongoing to ensure any new cyber security threats are appropriately managed by staff. This is a joint project owned by Corporate Information Services and Technical Computing.
- Cloud computing: Fremantle Ports' will continue to explore and implement cloud computing opportunities in line with the Cloud Computing Policy implemented in March 2014.
- Continue to implement an ICT enterprise architecture framework for planning and managing ICT investments to effectively support future business growth while providing stable and robust systems, with a view to including Fremantle Ports' operational ICT systems within an uniform and cost effective ICT Governance framework.
- Implement recommendations to replace existing functionality of the safety system.
- Initiate and implement measures to replace the Business Improvement applications suite covering corporate risk management, control of procedures and complaints handling.
- Implement key Port Management Information System (PMIS) enhancement initiatives.

2.4.2. Employee development

Fremantle Ports continues to focus on sustained business effectiveness through the development, application and monitoring of professional, technical and behavioural aptitudes and continues to strive for high performance in individuals, teams and overall as an organisation. Opportunities to embed this focus and create linkages and collaboration across all areas of our business are created through workplace projects.

The key drivers for the 'Our People Plan' initiatives continue to be centred on building personal and business resilience, doing the right thing, developing people plus succession mapping. In the context of the broader port sale process there is a potential for distractions. Fremantle Ports has rapidly focused on the impact of the sale process, will monitor employees, and ensure continued alignment of Our People Plan initiatives to maintain the business focus.

Future negotiations and planning of wage increases and associated conditions will be progressed taking account the guidelines contained in the Western Australian Government Public Sector Wages Policy Statement 2016, or any subsequent update.

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 11.8% rate of return, an average price increase of 2.5% on rates and charges for shipping and cargo has been budgeted in 2016/17. 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 first achieved certification to the ASNZS 4801 standard since 2004 and is committed to maintaining this. In addition, the organisation 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.

Current and planned priorities under the Safety for Life strategy include continued improvements for contractor safety, identification and adoption of mitigation strategies for fatality potential events, continued consultation with stakeholders, safety leadership and enterprise wide risk assessments.

Fremantle Ports has a comprehensive five year safety legislative compliance and operational audit schedule which commenced in 2008 and involves annual audits. These audits target various aspects of OHS legislation and Australian Standards. Each year, after completion, an 'Action Plan' is developed to address any gaps that have been highlighted from the audit. To date there have not been any 'Non-Conformances' arising from these audits. These audits are undertaken by an independent external assessor and allow for regular audit of compliance with legislative requirements. The audits will continue in the 2016/17 financial year.

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 in line with the revised ISO 14001 standard, released in 2015, ensuring certification is maintained.

2.5.4. Risk management

Fremantle Ports has a risk management culture where formal risk management is applied through the application of a risk 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, with action plans developed on an ongoing basis to address highest priority risks in a systematic way.

Fremantle Ports has successfully applied formal risk management to operations as well as to new projects & activities including the import and export of hazardous cargoes, and environmental, safety and other business risks. 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 as part of its normal business practices. Current and planned priorities include:

- Ongoing application of our Safety, Environmental and Quality Management Systems and ongoing re-certification and accreditation to the respective international standards for these.
- Review and improvement of our most important processes via our Corporate Process Map (including whole-of-process audits based on risk).
- Ongoing value chain analysis with key strategic customers.
- Review, updating and consolidation of our systems procedures.
- Simplification of business practices.

2.5.6. Community issues and consultation

A good relationship with the community is important for Fremantle Ports' success as a business and for our sustainability as a working port. Recognising the need to value our community, programs to build and maintain positive links will continue to be implemented.

Implementation of our recently reviewed and improved stakeholder management plan, close monitoring and responsiveness to community feedback and creating opportunities for engagement through special events and support for community events and initiatives will continue to be important elements of Fremantle Ports' reputation management.

Fremantle Ports will continue to implement a well-established program of formal and informal community liaison. As well as the quarterly meetings of its Inner Harbour Community Liaison Group, consultation and communication with community will continue to be an important part of planning and implementing major projects.

Fremantle Ports will continue to participate regularly in a number of community and business forums. This includes liaison with local government, community groups and business groups to assist in understanding and monitoring key issues, promote two-way communication and provide an opportunity to promote work being done to increase port efficiency and minimise community impacts.

Fremantle Ports will continue to implement a strategically-targeted sponsorship program in support of a wide range of community organisations in the Inner and Outer Harbour areas. The selection of projects and programs for support will reflect Fremantle Ports' priorities, values and business principles as well as community priorities identified through annual surveying and other consultation. The sponsorship policy and procedures reflect the State Supply Commission's Sponsorship in Government Guidelines and the governance of the program will continue to be closely monitored.

In Fremantle Ports' education program, there will be a continuing strong focus on building links with primary and secondary schools in the port area and with universities. Adding to the links already in place, new partnering opportunities will be sought and developed, with a particular focus on youth, education and the environment.

3 OPERATING BUDGET

Fremantle Ports' operating budget for 2016/17, which has been prepared in accordance with the Australian Accounting Standards Board Standards (AASBs), forecasts an after tax profit of \$40.2M. This budget does not include or assume any potential impacts from the Fremantle Ports sale process. Fremantle Ports will comply with approved requirements regarding capital expenditure limits and associated funding, and endeavour to achieve financial outcomes that are consistent with forecasts contained in approved financial statements.

Table 1 Operating budgets for 2016/17 and 2015/16

	2016/17 (\$M)	2015/16 (\$M)
Total revenue	229.5	218.4
Total expenditure	171.6	169.1
Operating profit before income tax	57.9	49.3
Income tax expense	17.7	15.1
Operating profit after tax	40.2	34.2
Dividend based on prior year profit	25.1	25.1

3.1. Capital works program

Fremantle Ports' capital works program for 2016/17 includes expenditure of \$33.2M on approved capital projects. Major expenditure includes:

- Outer Harbour Bulk Handling Plant and Equipment
- NQ Berth Upgrades - Western stage
- Floating Plant

Fremantle Ports expects to finance its capital works program through a combination of internal funding and additional borrowings. 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 consistent with the recognition and measurement requirements of AASBs and the State Government's dividend requirements.

3.3. Rate of return

The Government's Financial Policy for Port Authorities includes requirements relating to Rate of Return targeting and reporting. A summary of this policy is that port authorities are required to adopt the Deprival Methodology for valuing non-current assets for the purposes of targeting and performance reporting. Gifted assets are to be excluded from the asset base.

3.4. Financial and accounting policies

Fremantle Ports' budgeted financial statements have been prepared consistent with the recognition and measurement requirements of AASBs (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board, and comply with 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 2016/17 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. To improve productivity 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 33,184 gross tons (GT) in 2004/05 to 43,719 GT in 2014/15, an increase of 24% 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 91% for Fremantle Ports and 64% for the private sector.

Fremantle Ports general and bulk cargo trade in 2016/17 is expected to increase by 1.8% (approximately 0.21 million revenue tonnes) to 11.42 million revenue tonnes due to expected increases in bulk commodities slag residue and clinker. Total container throughput is forecast to increase by 4.0%.

The long term aspirational target for rail share of container trade is 30%. The rail share in 2014/15 was approximately 13.2% representing almost 98,000 TEU on rail, and the target for 2016/17 is 15%. Continuing State Government assistance will be required to increase this over time, including the provision of financial support to improve 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 2016/17 being 11.8% 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. Fremantle Ports' continues to aim for a satisfaction rating of over 70% for 2016/17.

Table 2 Performance targets

	2014/15 (actual)	2015/16 (target)	2016/17 (target)
Service delivery			
Crane rates (containers/hr)	36.4	28.0	28.0
Customer satisfaction with:			
Services – all (private + Fremantle Ports)	73 %	80-90 %	>80 %
Services – Fremantle Ports only	91 %	80-90 %	>80 %
Performance against agreed contract rates			
KBT ship un/loading performance	97.1 %	98%	98 %
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 ¹ (% of total)	1.2 %	<12 %	<12 %
Average hours per delay ¹ (hr)	8.3	<20.0	<20.0
<i>Kwinana Bulk Terminal</i>			
Vessels delayed ¹ (% of total)	63.9 %	<40 %	<40 %
Average hours per delay ¹ (hr)	92.6	<120	<120
<i>Kwinana Bulk Jetty</i>			
Vessels delayed ¹ (% of total)	17.0 %	<25.0 %	<25 %
Average hours per delay ¹ (hr)	77.8	<50.0	<50.0
Trade and business growth			
Trade growth			
Fremantle Ports non-containerised trade ²	5.6 %	-3.5 %	1.8%
Container trade	5.7 %	4.0 %	4.0%
Number of ship visits ³	2,110	1,971	1,867
Rail share of container trade	13.7 %	15.0 %	15.0 %
Business sustainability			
Fatalities/disabling injuries	0	0	0
Reduction in LTIFR ⁴ frequency rate	6%	10 %	10 %
After tax profit (\$M)	48.1	34.2	40.2
Rate of return on assets ⁵	14.3	11.0	11.8
Community satisfaction			
Inner Harbour	73 %	70-80 %	>70 %
Outer Harbour	58 %	70-80 %	>70 %

Notes

1. Figures include vessels that arrive ahead of schedule.

2. Fremantle Ports general & bulk cargo trade - revenue tonnes (Includes Inner Harbour, Kwinana Bulk Jetty & Kwinana Bulk Terminal)
3. Includes commercial, non-trading and fishing vessels (excludes naval)
4. Lost time injury frequency rate
5. Using deprivation valuation methodology

ADDENDUM 1

FREMANTLE PORTS AUTHORITY
APPROVED FINANCIAL PARAMETERS
2016/17

	\$'000
Total Revenue	\$229,589
Total Expenses	\$171,731
Profit/(Loss) Before Tax	\$57,858
Notional Income Tax	\$17,686
Profit/(Loss) After Tax	\$40,172
Dividends	\$25,137
<hr/>	
Asset Investment Program	\$49,724

To the extent that the financial parameters within the 2016/17 SCI 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.