



**Fremantle Ports**

**Statement of Corporate Intent**

**2022/23**

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## 1 AGENCY INFORMATION

### 1.1. Context

This Statement of Corporate Intent (SCI) prepared by the Fremantle Port Authority, trading as Fremantle Ports, 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 Ports' approval each year by a date determined by the Minister in agreement with the Treasurer. In January 2021, the Minister fixed the date for submission of the 2022/23 SCI at 15 January 2022.

This SCI outlines Fremantle Ports' targeted outcomes for 2022/23 and the investment strategies required to meet its commercial, trade facilitation, social and environmental responsibilities.

#### 1.1.1. Functions

The core functions of Fremantle Ports, as outlined within the PAA, are to:

- Facilitate trade within and through the port and plan for future growth and development of the port.
- Undertake or arrange for activities that will encourage and facilitate the development of trade and commerce generally for the economic benefit of the State through the use of the port and related facilities.
- Control and other activities in the port or in connection with the operation of the port.
- Be responsible for the safe and efficient operation of the port.
- Be responsible for maintaining port property.
- Be responsible for port security.
- Protect the environment of the port and minimise the impact of port operations on that environment.

#### 1.1.2. Nature and scope of functions

Fremantle Ports is responsible for the Port of Fremantle's two harbours. The Inner Harbour, situated 20 kilometres south of Perth at the mouth of the Swan River, and the Outer Harbour, located in Cockburn Sound 22 kilometres south of the Inner Harbour.

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 several 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, fertilisers, sulphur, silica sands 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 bulk imports and exports. Alcoa, BP and CBH Group also own and/or operate bulk cargo-handling facilities in the Outer Harbour.

Fremantle Ports provides and maintains a range of port infrastructure, including:

- Shipping channels
- Navigation aids
- Cargo wharves
- Seawalls
- Road and rail infrastructure within the port
- Other port infrastructure, such as the Fremantle Passenger Terminal

Fremantle Ports also provides a range of port services, including:

- 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
- Quarantine and waste disposal services

Fremantle Ports also facilitates the provision of services within the port by a range of private sector suppliers, including:

- Container stevedoring (under lease)
- Towage (non-exclusive license under PAA)
- Shipping agencies
- Ships providedores
- Freight forwarding
- Fumigation services
- Bulk and break bulk stevedoring
- Line boats (licensed under PAA)
- Bunkering (non-exclusive license under PAA)
- Road and rail transport
- Customs clearance

Under the PAA, Fremantle Ports has exclusive control of the Port of Fremantle subject to any direction given by the Minister for Ports. 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.

The Port of Fremantle makes a major contribution to the Western Australian economy. Total trade handled through the Inner and Outer Harbour in 2020/21 was valued at over \$31.3 billion.

In 2021, Fremantle Ports undertook a refresh of the five-year corporate strategy as its previous strategy came to an end and in response to a changing operating environment. The revitalised strategy will come into effect on 1 July 2022 and, as such, this SCI reflects the new corporate direction including our new purpose, aspiration and refocussed strategic goals that will guide the organisation in the coming years.

An overview of these key elements is provided below.

### *Purpose*

Facilitating trade for a more prosperous Western Australia.

### *Aspiration*

Providing the safest and most reliable, efficient and sustainable supply chain capacity for importers and exporters.

### *Strategic goal areas*

- Safety - delivering a step-change improvement in safety outcomes for our people and stakeholders.
- Sustainability - enabling a sustainable port and supply chain. Delivering economic, environmental and social returns over the long term
- Efficiency and reliability - meeting our customer and stakeholder needs and building a strong reputation for delivery.
- Capacity - building the capacity to facilitate growth in trade and meet industry requirements now and into the future.
- Engagement - ensuring we have the customer and employee engagement we need to achieve our goals.

### *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.

These values are complemented by four defining principles that form the basis of Fremantle Ports' cultural aspirations:

- Deliver with excellence.
- Future focused.
- Energetic and optimistic.
- Trusted partner.

## 2 MAJOR PLANNED ACTIVITIES FOR 2022/23

### *COVID-19 pandemic impacts*

The COVID-19 pandemic continues to impact global supply chains, which in turn impacts anticipated trade volumes and efficiency. As a critical infrastructure and service provider, business continuity is essential. Business continuity plans are a key part of Fremantle Ports' operations, which include key partners such as the pilots, tug operators and stevedores. The plans identify critical processes and detail actions to be taken should key systems or people be unavailable, or if community transmission of COVID-19 occurs within Western Australia.

The Port of Fremantle remains an important node in the "hard border" protecting the State. Fremantle Ports is working with State and Commonwealth agencies and port users to ensure communication protocols and safety procedures are in place to manage interactions between ship and shore crews across all facilities within the port boundary to mitigate the ongoing risk of COVID-19 transmission. Fremantle Ports has fully supported and complied with State health directions regarding mandatory vaccination for port workers and will ensure implementation of new health directions as required.

Under the State Government's WA Recovery Plan, Fremantle Ports has committed to a \$30.4 million upgrade of KBT's import and export facilities including upgrading material handling import infrastructure, concreting the export stockyard area and upgrading power supplies to the terminal with a budget of \$3.5 million. The majority of these works are expected to be complete by 2024/25, with \$3.6 million budgeted for 2021/22 and \$82,000 budgeted for 2022/23.

### *Westport and Port Master Plan*

Fremantle Ports will continue to actively participate in the Westport process through positive leadership and technical expertise with the aim of assisting it deliver clear and robust outcomes. Parallel to the Westport process, Fremantle Ports is developing a port master plan focussed on Inner and Outer Harbour development to enable integration of (and with) Westport and other planning activities including Future of Fremantle Planning Committee outcomes. This is critical for creating clarity and certainty for Fremantle Ports and its customers.

### *Supply chain visibility*

Fremantle Ports will support supply chain efficiency and performance by creating end to end supply chain transparency for partners and Western Australian importers and exporters, so they have the information they need to manage cargo flow reliably and efficiently.

### *Victoria Quay Waterfront strategy*

Fremantle Ports is committed to the continued activation of the Victoria Quay (VQ) Waterfront area. The aim is to enhance the amenity of the area and create a destination that benefits the broader community, while ensuring no adverse impacts on port operations by avoiding incompatible land uses. Key areas of focus will include:

- Progressing short term initiatives set out in the Stage 1 report of the VQ Waterfront Steering Committee, such as improving the connections between the Fremantle Passenger Terminal and the rest of VQ and Fremantle and various activation strategies.
- Continuing to work with Government on a proposed film studio development for VQ.

### *Enterprise resource planning system*

Fremantle Ports continues implementation of its enterprise resource planning system. In partnership with our selected supplier, we will design and build business processes, system interfaces and master data to support our finance, budgeting, forecasting, human capital management and contract management functions.

### *Sustainability*

Fremantle Ports has a strong commitment to creating an environmentally sustainable port and supply chain with clear targets to embrace and support energy transition in our assets, business and infrastructure.

### **3 ACCOUNTABILITY**

#### **3.1. Reporting**

##### **3.1.1. Information to be reported to the Minister for Ports**

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

The 2022 annual report will comply with the requirements of the PAA and 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 within this SCI
- Financial statements
- Other information required by legislation or the Minister for Ports

Fremantle Ports is obliged to provide financial information to the Department of Treasury under the *Government Financial Responsibility Act 2000* (WA). Quarterly financial results are provided via submission in the State Government's Strategic Information Management System for the purpose of whole-of-government reporting.

#### **3.2. Performance measurement**

##### **3.2.1. Key performance targets and other measures**

Consistent with the Budget Paper 2 publication Fremantle Ports has adopted the Ports WA agreed suite of key performance indicators. These will replace the suite of operational targets previously reported through the SCI process. As a transition year, this SCI will include:

- Ports WA agreed port performance metrics (Table 1).
- Previously reported operational targets (Table 2). These will be focussed to enable reporting against 2021/22 performance and will be retired (ie not reported in following years).



**Table 1 Ports WA key performance indicators**

Key Performance Indicator	Target 2022/23
Return on Assets (%)	7.2
EBITDA (\$000s)	78,390
Debt to Equity Ratio (%)	57
Total Port Trade ('000 Tonnes)	28,273
Total Number Vessel Visits <sup>1</sup>	1,487
Customer Satisfaction Score (%)	>85
Lost Time Injury Frequency Rate (LTIFR) <sup>2</sup>	0 or 10% reduction
Number Reportable Environmental Incidents	0
Employee Engagement and Enablement Score	≥70
Rail share of containers (%)	20

Notes

1. Includes commercial, non-trading and fishing vessels (excludes naval)
2. Rate based on injuries 'occurring in the year' and 'million hours worked'

**Table 2 Retiring performance targets**

<b>Fremantle Ports</b>	<b>2020/21 (actual)</b>	<b>2021/22 (target)</b>
<b>Service delivery</b>		
Customer satisfaction with:		
Services – Fremantle Ports only (%)	64	>85
Performance against agreed contract rates <sup>1</sup>		
KBT ship un/loading performance (%)	103 <sup>2</sup>	100
Import equipment availability (%)	98	96
Export equipment availability (%)	99	96
<b>Business sustainability</b>		
Fatalities/disabling injuries	0	0
Lost time injury frequency rate <sup>3</sup>	7.9	0 or 10% reduction
After tax profit (\$M)	54.5	42.3
Economic rate of return on assets <sup>4</sup> (%)	11.4	8.7
Community satisfaction		
Inner Harbour (%)	62	>70
Outer Harbour (%)	62	>70
<b>Overall port performance - Outcomes dependent on actions of others but influenced by Fremantle Ports</b>	<b>2020/21 (actual)</b>	<b>2021/22 (target)</b>
<b>Service delivery</b>		
Crane rates (containers/hr) <sup>5</sup>	31.7	32
Customer satisfaction with:		
Services – all (private + Fremantle Ports) (%)	64	>85
<b>Capability for the future</b>		
Berthing delays – unavailability of berths		
<i>Inner Harbour - Container vessels</i>		
Vessels delayed (% of total)	5.9	<12
Average hours per delay (hr)	32.3	<20
<i>Kwinana Bulk Terminal</i>		
Vessels delayed <sup>6</sup> (% of total)	66.3	<40
Average hours per delay <sup>6</sup> (hr)	127.5	<120
<i>Kwinana Bulk Jetty</i>		
Vessels delayed <sup>6</sup> (% of total)	51.9	<40

Average hours per delay <sup>6</sup> (hr)	89	<120
<b>Trade and business growth</b>		
Trade growth		
Fremantle Ports non-containerised trade <sup>7</sup> (%)	18.0	-5.2
Container trade (%)	3.0	-1.0
Number of ship visits <sup>8</sup>	1,523	1,472
Rail share of container trade (%)	18.4	20

Notes

1. Quarterly average over the year
2. Average over year- some vessels achieved above target loading rates
3. Rate based on injuries 'occurring in the year' and 'million hours worked
4. Economic Return on assets reflects deprival valuation methodology; asset base includes current assets and excludes gifted assets
5. As at December quarter 2020, which are the most recently-published figures by the Bureau of Infrastructure, Transport and Regional Economics
6. Figures include vessels that arrive ahead of schedule
7. Fremantle Ports general and bulk cargo trade - revenue tonnes (includes Inner Harbour, Kwinana Bulk Jetty and Kwinana Bulk Terminal)
8. Includes commercial, non-trading and fishing vessels (excludes naval)

## 4 FINANCES

### 4.1. Operating Budget

Fremantle Ports' operating budget for 2022/23, prepared in accordance with Australian Accounting Standards (AASs), forecasts a net profit after tax of \$35.7 million. Fremantle Ports will comply with Government requirements relating to capital expenditure limits and associated funding, and endeavour to achieve outcomes consistent with forecasts reflected in approved financial statements.

Small differences in amounts may appear in financial tables throughout this document due to rounding.

**Table 3 Operating budgets**

	<b>2021/22 forecast (\$M)</b>	<b>2022/23 target (\$M)</b>
Total revenue	230.8	236.1
Total expenditure	178.6	184.9
<b>Operating profit before income tax</b>	<b>52.2</b>	<b>51.2</b>
Income tax expense	15.6	15.5
<b>Operating profit after tax</b>	<b>36.5</b>	<b>35.7</b>
Dividend *	-	26.9

\* The board was not required to declare an interim dividend in 2020/21. As noted at section 4.7 below, State Government have advised that forecast dividend payments for 2021/22 are to be retained and utilised for funding of future infrastructure investments, subject to relevant approvals.

### 4.2. Asset Investment Program

Fremantle Ports' asset investment program for 2022/23 includes expenditure of \$78.6 million on capital projects. Major planned expenditure includes:

- Kwinana Bulk Terminal material handling infrastructure renewal of import system (stimulus project).
- Kwinana Bulk Terminal infrastructure and equipment replacement and upgrade.
- North Quay land acquisition.
- Replace floating plant.
- H Berth fender replacement
- Kwinana Bulk Terminal direct conveyor.
- Kwinana Bulk Jetty export-import infrastructure.

Fremantle Ports expects to finance its asset investment program through a combination of internal funding and additional borrowings. These funding arrangements comply with approved net debt limits.

### 4.3. Borrowings

The 2022/23 budget reflects a closing borrowing balance of \$195.9 million. This represents a net increase of \$48.8 million in comparison to the estimated closing balance for 2021/22, contributing to Asset Investment Program funding. Borrowings are managed to ensure sufficient cash resources are maintained for working capital requirements.

### 4.4. Accounting

Financial forecasts are consistent with the recognition and measurement requirements of AASs (including Australian Accounting Interpretations) adopted by the AAS Board and comply with the financial reporting provisions of the PAA.

Forecasts have been prepared on an accrual accounting basis and in accordance with the historical cost convention. They should be interpreted in conjunction with accounting policies set out in Fremantle Ports' 2021 Annual Report.

### 4.5. Pricing

To ensure the long-term financial viability of Fremantle Ports and to achieve an economic rate of return of 7.2%, an average price increase of 1.75% on rates and charges for shipping and cargo has been budgeted from 1 July in 2022.

### 4.6. Payments to Government

Fremantle Ports contributes to the State Government through income tax equivalents, local government rate equivalents, emergency services levy, dividends, land tax, payroll tax and stamp duty as forecast in the table below.

**Table 4 Forecast contributions to Government**

	<b>2021/22 forecast (\$M)</b>	<b>2022/23 target (\$M)</b>
Dividends	-	26.9
Income Tax Equivalent (Payment)	21.8	16.6
Payroll Tax	3.2	3.2
Land Tax	7.5	7.5
Local Government Rate Equivalent	0.7	0.7
Emergency Services Levy	0.2	0.2
Stamp Duty	0.9	-
<b>Total</b>	<b>34.3</b>	<b>55.1</b>

#### **4.7. Dividend Policy**

Dividends are paid in accordance with State Government policy which obliges Fremantle Ports to pay dividends to the State on profits derived after tax and significant items. Dividends have been budgeted in accordance with AASs and the State Government's dividend requirements. Consistent with Section 84 of the PAA whereby the Minister for Ports may provide written notice to the board of a port authority that an interim dividend is to be paid, since 2014/15 Fremantle Ports has made provision for the payment of interim dividends.

In August 2021, the WA Department of Treasury advised Fremantle Ports that Cabinet had approved the retention of 2021/22 dividend payments for most Government Trading Enterprises (GTEs), including Fremantle Ports. State Government have specified the purpose of the dividend retention is for GTEs to fund strategic infrastructure priorities over the forward estimates. Specifically, the funds are to be quarantined for future infrastructure investment only with draw down subject to Expenditure Review Committee's approval of business case(s).

#### **4.8. Community Service Obligations**

Fremantle Ports has no current Community Service Obligations in place.