Chairman’s foreword

Western Australia’s economy continues to adjust following the transition from resources development to resources production. This is reflected in both the domestic and commercial sectors, with the outlook for 2018/19 one of continued moderate growth. For Fremantle Ports, this is expected to translate to a revenue tonnes growth of between 1.0% and 2.0% for key trades including containers, automotive, break bulk and bulk. Fremantle Ports is forecasting a before tax profit of $55.4 million, which will equate to a rate of return of 10.2% on assets and deliver expected payments to the State Government totalling approximately $59.7 million.

Mineral Resources Limited (MRL) has ceased mining iron ore in the Yilgarn, which will see the end of iron ore exports out of Kwinana Bulk Terminal (KBT) after June 2018. With the impending loss of its largest single customer, Fremantle Ports has actively sought out other customers with bulk materials to export, given the freed-up berth capacity at KBT. With these and other new revenue sources, combined with appropriate investment and operating cost reductions, we expect the financial impact on our business of the loss of MRL to be substantially ameliorated.

Fremantle Ports’ corporate strategic plan was fully revised during the 2016/17 financial year, to best reflect the government decision to retain ownership and to ensure that WA’s most diverse trading port is evolving appropriately as a modern and best practice trade gateway for Western Australia. The board played a key role in oversight of the strategic development and our CEO, management and staff have worked diligently to bring a fresh perspective to our strategic approach while retaining and building on the core remit of the port. The strategy continues to guide and motivate the organisation. Among priorities in 2018/19, Fremantle Ports will focus on two significant strategic issues:

- Optimising landside logistics to and from the Inner Harbour - landside operations will have a major impact on the future throughput of the Fremantle Port’s Inner Harbour, the efficiency of the State’s international trade and the acceptability of the port’s operations to the community. Fremantle Ports will continue to work with the State Government and industry on implementing initiatives in response to transport challenges to and from the Inner Harbour.

- Working in conjunction with the State Government, stakeholders and the community to deliver the Westport Port and Environs Strategy. As a member of the Westport Taskforce, we are committed to ensuring the strategy provides clarity and certainty on future port developments that will underpin growth in the State’s economy.

For these initiatives to succeed it will be essential that Fremantle Ports has the trust of not only the local Fremantle community but also the wider community of Perth with which the success of the port is so intricately entwined. While our surveys show we have a good relationship with the people of Fremantle itself, we will be striving to secure and build that understanding and trust within the wider community.

Other significant priorities include continuing to drive towards ‘zero harm’ for our workforce through the Safety for Life program. And while implementing our Business Plan we will be paying close attention to nurturing an appropriate corporate culture encouraging leadership and innovation among our workforce.

As required by legislation, this Statement of Corporate Intent outlines Fremantle Ports’ intended key achievements in 2018/19 and the investment strategies required to meet its commercial, trade facilitation, social and environmental responsibilities.

Jim Limerick
Chairman
Table of contents

Chairman's foreword ............................................................................................................................... ii

Table of contents ..................................................................................................................................... iii

1 INTRODUCTION ............................................................................................................................. 1

1.1. Services and Facilities ............................................................................................................ 1
1.2. Scope of the Business ............................................................................................................ 2
1.3. Corporate business plan ......................................................................................................... 2

2 GOALS AND MAJOR PLANNED ACHIEVEMENTS....................................................................... 4

2.1. Financial and economic performance ..................................................................................... 4
2.2. Customer service and stakeholder engagement .................................................................... 5
2.3. Business and trade development.............................................................................................. 7
2.4. Capacity for future trade growth .............................................................................................. 8
2.5. A safe, agile and high performing organisation .................................................................... 10

3 OPERATING BUDGET .................................................................................................................. 13

3.1. Capital works program .......................................................................................................... 13
3.2. Dividend policy ...................................................................................................................... 13
3.3. Rate of return ........................................................................................................................ 13
3.4. Financial and accounting policies ......................................................................................... 14
3.5. Information to be reported to the Minister for Transport ....................................................... 14
3.6. Provision of financial information .......................................................................................... 14

4 KEY PERFORMANCE TARGETS ................................................................................................. 15

List of tables

Table 1 Operating budgets for 2018/19 and 2017/18 ................................................................... 13
Table 2 Performance targets ........................................................................................................... 16
1 INTRODUCTION

This is the twenty first 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 Statement of Corporate Intent outlines Fremantle Ports’ intended key achievements in 2018/19 and the investment strategies required to meet its commercial, trade facilitation, 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, fertilisers, sulphur, spodumene, silica sands, bauxite 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.

Fremantle Ports provides a range of general and specific services at its Outer Harbour facilities of KBT and KBJ including port safety & environment compliance, wharf preparation, stevedoring services, bulk product receipt and dispatch services, undercover and open stockpile storage and product handling.

Services provided in the port by the private sector include container stevedoring, bulk and break bulk stevedoring, towage, line boats, bunkers, ships provedores, 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 and currently licenses bunkering, lines boats and towage. Non-exclusive licence agreements for towage services, BP fuel oil bunkering and liquid natural gas bunkering are in place and operational.

Pilotage services in the port are provided by Fremantle, Kwinana & Cockburn Sound Pilots Pty Ltd (Fremantle Pilots) under a contractual agreement with 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 2016/17 was valued at over $26.0 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 business plan

Fremantle Ports’ corporate strategic plan, revised during the 2016/17 financial year, continues to guide and provide focus for the organisation.

The business plan identifies the vision, mission, strategic objectives and a set of values for the organisation. An overview of these key elements is provided below.

**Vision**

Australia’s best maritime gateway

**Mission**

Create value by providing safe, reliable, efficient and competitive access to global markets

**Strategic objectives**

1. Financial and economic performance – Improving Fremantle Ports’ financial and economic performance is a primary goal in order to deliver to the expectations of our owner, the State, and our customers. This improvement will be achieved while managing risks at an appropriate level

2. Customer service and stakeholder engagement – Continuing to provide first-rate customer service and maintain strong stakeholder relationships will ensure strong ongoing support, increase our influence and social and political capital. This will result in a greater focus on win-win outcomes and create conditions that support co-investment in the port

3. Business and trade development – Fremantle Ports will become more proactively involved in identifying where we can grow the business and add value for existing and potential customers. This will create increased demand for our facilities and services, strengthen our competitive advantages over other ports, build stronger relationships with customers and capitalise on new trade opportunities

4. Capacity for future trade growth – Certainty for our customers and the community will be increased by planning how the port will be developed over the long term to cater for future demand. We will be working closely with the Westport Taskforce over the next two years to collaboratively deliver a Master Plan for Fremantle Ports that will provide such certainty. This will promote increased investment in the port, ensure we can continue to deliver against our long term financial and customer service goals, and optimise infrastructure investments

5. A safe, agile and high performing organisation – High performing organisations outperform similar teams and exceed expectations, given their composition. Becoming a high performing organisation is a key step towards achieving our vision, and it is a fundamental enabler to achieving all other goals, both now and in the future

Record 1352585
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 aims to create value by providing safe, reliable, efficient and competitive access to global markets. Its objectives and major planned achievements for 2018/19 are as follows:

2.1. Financial and economic performance

Our objective

Improving Fremantle Ports' financial and economic performance is a primary goal in order to deliver to the expectations of our owner, the State, and customers. This improvement will be achieved while managing risks at an appropriate level.

Outcomes sought

- An optimised and flexible organisation, with minimised overheads/costs
- Appropriate financial outcomes, in line with those expected by our owner, the State Government
- An approach to capital management, which will support Fremantle Ports' growth into the future
- A clear understanding and focus on the business's key profit and economic value drivers, that is communicated throughout the organisation
- Based on this understanding, improved business outcomes in all trade and service areas

2.1.1. Port pricing

To ensure the long term financial viability of Fremantle Ports and to achieve a 10.2% rate of return, an average price increase of 2.25% on rates and charges for shipping and cargo has been budgeted in 2018/19. 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 infrastructure projects and provide appropriate returns to government.

Fremantle Ports is continuing a focus of fiscal responsibility, implementing recommendations from a comprehensive expenditure, pricing and revenue review covering:

- All major expenditure items, including major supply contracts that will be actively managed to ensure value for money
- Monitoring of pricing and charges to ensure their continued appropriateness and to highlight areas where modifications are necessary

2.1.2. Operating model and port services

Fremantle Ports will continue to refine its operating model, examining business cases for different operating models for select services and business units.

2.1.3. Infrastructure maintenance

Fremantle Ports' asset portfolio is typical of a port business, relying heavily on static infrastructure type assets, which include, among others:

- Channels
- Seawalls and breakwaters
- Berths, jetties and infrastructure

Fremantle Ports has a well developed asset management framework that supports the business plan, in particular the strategic objective of improving financial and economic performance.
Over the next few years Fremantle Ports will further develop the asset management framework with a focus on reducing whole of life asset costs, while maintaining appropriate asset condition, risk and levels of service. The basic scope continues to be the development of a best-practice asset management framework in order to provide enhanced methods for managing Fremantle Ports' valuable asset portfolio in a highly cost effective manner.

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.

The total asset maintenance budget for 2018/19 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.

### 2.2. Customer service and stakeholder engagement

**Our objective**

Continuing to provide first-rate customer service and maintaining strong stakeholder relationships will ensure strong ongoing support for the operations of the port. This will result in a greater focus on win-win outcomes and create conditions that support co-investment in the port by private sector service providers in the port.

**Outcomes sought**

- A clear understanding of what we can do better with respect to customer service, and customer service plans developed and implemented to achieve high levels of customer service across all areas of operation
- Provide a more seamless service offering by minimising boundaries between Fremantle Ports and key joint service providers, in order to work more collaboratively.
- The important relationships with key stakeholders (including the community) are enhanced to ensure they continue to support our social licence to operate
- Conditions that support co-investment in the port by joint service providers and other key stakeholders are created
- The port, and its associated logistic chains, are resilient to changing social and economic conditions

#### 2.2.1. Customer service improvements

Fremantle Ports sees its role as leading and facilitating achievement of overall port competitiveness and value for money from a customer perspective. In determining the success of our value add incentives, Fremantle Ports has for a number of years conducted surveys with our major customers and followed up with face to face interviews to understand where improvements are required from a customer perspective.

Over the years, the feedback from customers has enabled Fremantle Ports to address concerns that customers may have and to consider the adoption of 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 (KPIs) 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

2.2.2. Customer relationship management and service optimisation

Fremantle Ports has a mature and robust customer relationship management system. In recent years this has been reviewed and moved to a cloud based system for greater access. This enables Fremantle Ports to:

• Identify areas where relationships can be improved, and develop robust plans for addressing these. This is informed by ongoing annual customer surveys and will draw on the outcomes of the planned customer needs analysis
• Manage relationships and implement initiatives to maintain the existing high levels of customer satisfaction
• Conduct internal training to strengthen customer focus

Fremantle Ports will examine opportunities for improving how business is done in the port and will include further investigation of initiatives including working more collaboratively with joint service providers to provide a more holistic service offering.

2.2.3. Building public support

As one of Western Australia’s most important strategic assets, Fremantle Ports appreciates the importance of the ongoing support of the local and wider WA community for our operations.

In its community liaison and external communication, Fremantle Ports will continue to focus on:

• increasing community awareness of the key part the port plays in Western Australia’s economic performance and in the community
• facilitating the development of port infrastructure and services to cater for trade growth by building understanding of the needs and the benefits to the State and community

Key elements of Fremantle Ports’ community relations approach will continue to be implemented. This includes: regular meetings of the Inner Harbour Community Liaison Group; specific consultation on programs and projects, community contribution via targeted sponsorship and education programs; preparation of publications, media relations; workplace giving and volunteering and special events such as the highly successful Maritime Day showcasing aspects of the working port.

To enhance and create further opportunities to build public support, a new stakeholder and community communication strategy has been developed and will be progressively implemented as deemed appropriate. Objectives are to:

• modernise and enhance Fremantle Ports’ communication with external stakeholders;
• broaden and raise stakeholder awareness, understanding and support for Fremantle Ports and its objectives;
• inform and help shape opinions to build support for Fremantle Ports’ current and future activities;
• inform and, where appropriate consult with community to build productive relationships; and
• promote Fremantle Ports as an outstanding corporate citizen.

Community feedback will continue to be closely monitored and valued.

2.2.4. 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.

2.3. Business and trade development

Our objective

Fremantle Ports will become more proactively involved in identifying how we can grow the business and add value for existing and potential customers. This will create increased demand for our facilities and services, strengthen our competitive advantages over other ports, build stronger relationships with customers and capitalise on new trade opportunities.

Outcomes sought

- Business development and market intelligence is a core competency of Fremantle Ports
- Business development opportunities are investigated and implemented
- New business development opportunities are identified through enhanced understanding of the movement of relevant commodities (both existing and potential trades), as well as current and future customers’ potential developments
- Introduction of new, or strengthening existing initiatives to secure attractive trades

2.3.1. Trade forecasts

The 2018/19 budget is based on forecast growth of 3% in the container trade, 0.9% in Inner Harbour break bulk and bulk trades, and -24.8% in the Outer Harbour bulk trade.

2.3.2. Strategic marketing and business development

Fremantle Ports is implementing a strategic marketing and business development plan that broadly defines our approach to business development and the capabilities and resources that are required to implement this approach. In 2018/19, Fremantle Ports will focus on a range of trades to underpin business development into the future.

a) Container trade business development

The two container terminals in the Inner Harbour are operated by DP World and Patrick under leases with Fremantle Ports. These leases are due to expire in mid 2019 and arrangements for service provision beyond this date are currently being considered, in conjunction with the Westport Taskforce.

b) Bulk (dry and liquid) trade business development

Fremantle Ports continues to implement a range of initiatives focussed on growing the bulk trade including:
- Identifying opportunities for new bulk trades that could be facilitated by Fremantle Ports
- Identifying opportunities to strengthen our competitive advantages and compete more effectively with regional WA ports to attract new and existing bulk trades to Fremantle

c) Cruise shipping business development

Fremantle Ports has been a key player in the development and growth of cruise tourism in both Western Australia and Australia. Fremantle Port is a major stop over port for international cruise ships and has also attracted cruise lines to “home port” - where a vessel is permanently or seasonally based, and the
majority of passengers disembark and new passengers embark during each turnaround visit. Cruise tourism contributes significantly to the State economy. There will be fewer ships “home porting” next year owing to a decision by Carnival (a major cruise operator) to discontinue visits to some regional ports in Western Australia.

Freemantle Ports ensures the International Passenger Terminal provides a welcome gateway to visiting cruise passengers and will continue to work with the Public Transport Authority and City of Fremantle to improve linkages to the Fremantle Train Station and city.

d) Property development

Freemantle Ports’ land holdings total approximately 262 ha in the Inner and Outer Harbours. Most of the land is leased for a variety of port and marine related industries. Freemantle Ports will concentrate on continuing to improve land use plans so that the most appropriate and highest value uses continue to be sought out for Freemantle Ports’ property assets.

Specific property initiatives that will be commenced or completed during 2018/19 are:

- Purchase of 4.4 hectares of land from BP adjacent to the Container Terminals in the Inner Harbour
- Purchase of 17.57 hectares of land from Landcorp adjacent to the Kwinana Bulk Terminal in the Outer Harbour.

2.4. Capacity for future trade growth

Our objective

Certainty for our customers and community alike will be increased by planning how the port will be developed over the long term to cater for future demand. This will promote increased investment in the port, ensure we can continue to deliver against our long term financial and customer service goals, and optimise infrastructure investments.

Outcomes sought

- A long term Master Plan for the port (including associated investment plan), developed in conjunction with the Westport Taskforce which is endorsed by our owner and key stakeholders
- Short-term opportunities to develop new facilities and/or optimise the capacity of existing assets/facilities are implemented without compromising longer term plans

2.4.1. Port of Fremantle Master Plan

Freemantle Ports has a responsibility under the PAA to manage the long term planning of infrastructure, services and facilities to accommodate trade growth and will develop a Port Master Plan that will articulate how this will be achieved.

As a first step, Freemantle Ports is working with the State Government appointed Westport Taskforce, government agencies, industry and the community to produce the Westport Port and Environs Strategy. The objectives of the strategy are to:

- Plan for a modern port to meet Perth and surrounding region’s future growth for the next 50–100 years
- Provide land-use and transport plans that support port operations, compatible land uses, port users, community needs and economic growth
- Assess the commercial implications and logistics opportunities of future port infrastructure
- Identify expansion of industrial areas and technology parks to support economic development and future employment opportunities
• Ensure port and landside development is compatible with the environment
• Engage with stakeholders and the community at all stages

The Master Plan that will cover:

• all areas within the boundaries of the Port of Fremantle, including both the Inner and Outer harbours;
• landside supply chain networks that link with and support the port;
• any adjacent areas, including privately-owned and operated port facilities and/or State development agreement areas, which have the potential to impact on the port’s operation or development.

The objectives of the Westport Port and Environs Strategy are to:

• develop and communicate the medium and long term strategy for the Port of Fremantle;
• fulfill the Government’s commitment to commence planning for the Outer Harbour at Kwinana and the associated road and rail links as part of a long term integrated transport plan for the State;
• provide the necessary context within which the planning for associated Government commitments can proceed, i.e.
  o develop Victoria Quay to be a world class cruise ship port and to provide for urban renewal including commercial and tourism operations; and
  o continue to develop the capacity of Bunbury Port;
• fulfill Fremantle Ports’ responsibility to manage the long term planning of infrastructure, services and facilities to accommodate trade growth, as defined in the Port Authorities Act 1999 (WA);
• provide increased certainty for port investors, communities and port users regarding future port development and operations;
• provide a coordinated approach to effectively manage environmental considerations, including existing regulatory requirements, shipping management and dredging;
• develop land-use planning outcomes that complement the Port activities; and
• determine additional naval infrastructure and access requirements.

2.4.2. Victoria Quay waterfront development

The West End of Victoria Quay is an important public, historical and cultural space, linking the port with the port city. Building on the foundations of the Fremantle Waterfront Masterplan, Fremantle Ports has prepared a draft revised vision of how the Victoria Quay Waterfront area can best be developed and revitalised in alignment with the expectations of the State Government, other key stakeholders and the community, but not conflicting with the operation of the port and its future expansion. Further community and stakeholder consultation is planned in collaboration with the City of Fremantle prior to finalising the new vision.

2.4.3. Landside Logistics Optimisation

Fremantle Ports is leading implementation of the Inner Harbour Freight Supply Chain Strategy in cooperation with Department of Transport, Main Roads WA and the WA Freight and Logistics Council. Key areas being addressed in this strategy are:

• Innovation - assessing current and emerging technologies that will provide opportunities to improve efficiency and achieve better use of the system
• Road infrastructure - working collaboratively with Main Roads WA to improve road transport efficiency and better use the existing road system to the port while ameliorating community impacts.
• Rail Transport - promoting greater use of the rail system
• Intermodal development - working collaboratively with Department of Transport and the Freight and Logistics Council to ensure development of intermodal terminals that provide an important contribution to the distribution of freight across the supply chain,
• Additional funding for port-related initiatives - working with Department of Transport to assess options to alternative funding mechanisms to increasingly scarce public sector funds that could place constraints on measures to deal with the landside access to the Inner Harbour.

2.5. A safe, agile and high performing organisation

Our objective

High performing organisations outperform similar teams and exceed expectations, given their composition. Becoming a high performing organisation is a key step towards achieving our vision, and it is a fundamental enabler to achieving all other goals, both now and in the future.

Outcome sought

• Fremantle Ports’ culture and focus on safety and wellbeing for people who work within the port is maintained and enhanced
• The organisational structure required to deliver Fremantle Ports’ refocussed corporate strategy is implemented, with the right people in the right roles
• The people and structure are supported with the right tools, systems and working environment
• A culture of accountability, trust and self-direction where goal-focussed teams deliver projects on time and on budget
• A shared sense of purpose throughout the business that aligns and concentrates focus and priorities with the business goals, ensuring that employees are doing meaningful work
• Fremantle Ports’ environmental management and quality systems are maintained in line with best practice, and in compliance with Fremantle Ports’ existing ISO accreditations

2.5.1. People

Fremantle Ports’ cultural development and engagement program will give renewed emphasis to ensuring alignment between organisational purpose and organisational culture with a strong focus toward being the best we can be in demonstrable leadership, best structure and best people systems and practices. This includes:

• Operationalising the vision to ensure delivery of best fit business initiatives and practices at every level in the business
• A strong focus on leadership to create an environment that allows both the employees and the business to flourish.
• Embedding the revised values into “business as usual” ensuring these are integrated and reflected in our interfaces with the community, customers, stakeholders and each other.
• Implementing a strengths based cultural shift program to address opportunities identified through the employee enablement and engagement survey
• Integration of key business processes (recruitment, retention, career development, succession, recognition, individual work plans and performance components) into a cohesive and transparent framework.
• Joint initiatives between Human Resources and Safety to maintain and enhance Fremantle Ports’ safety performance with an increasing focus on mental health and wellbeing
• Monitoring and measurement of engagement and wellbeing as a determinant for cultural change initiatives and effectiveness
Future negotiations and planning of wage increases and associated conditions will be progressed taking into account the guidelines contained in the Western Australian Government Public Sector Wages Policy Statement 2017, or any subsequent update.

2.5.2. Optimisation and improvement

Fremantle Ports is committed to ensuring business sustainability through excellent performance throughout the organisation, innovation and business improvement. We recognise that excellence in managing our occupational health and safety, environmental and quality responsibilities is essential to our business success, and we strive to meet these responsibilities through our management systems.

a) Safety management

Fremantle Ports first achieved certification to the AS/NZS 4801 standard in 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.

b) 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.

c) 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 and is overseen by the Board’s Audit and Risk Management Committee.

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. The Board reviews the risk register and progress towards ensuring there is an appropriate risk appetite within the business.

Fremantle Ports has successfully applied formal risk management to operations as well as to new projects and 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.

d) 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 continued improvement of our most important processes
- Ongoing value chain analysis with key strategic customers
- Review, updating and consolidation of our systems procedures
- Simplification of business practices
2.5.3. ICT strategy

Fremantle Ports is implementing a new strategy delivering information communications technology (ICT) systems that are fit for purpose and facilitate growth. This includes:

- establishing an optimum organisation structure for Fremantle Ports' ICT functions and ensuring appropriate skilled personnel
- maintaining a flexible and fit for purpose enterprise architecture that allows the business to grow and become technologically mature
- continuous improvements in the implementation and management of cyber security services and tools
- delivery of updates and improvements in core systems that allow for a more agile change delivery approach. This will be done in a strategic manner, removing risk associated with existing legacy systems and making use of cloud and mobile technologies
- implementing elements of the overall strategy that have the highest return on investment and contribute most towards building a high performing organisation
3 OPERATING BUDGET

Fremantle Ports' operating budget for 2018/19, which has been prepared in accordance with the Australian Accounting Standards (AASs), forecasts an after tax profit of $38.5M. 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 2018/19 and 2017/18

<table>
<thead>
<tr>
<th></th>
<th>2018/19 ($M)</th>
<th>2017/18 ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>215.7</td>
<td>216.0</td>
</tr>
<tr>
<td>Total expenditure</td>
<td>160.3</td>
<td>154.4</td>
</tr>
<tr>
<td>Operating profit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>before income tax</td>
<td>55.4</td>
<td>61.6</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>16.9</td>
<td>18.8</td>
</tr>
<tr>
<td>Operating profit after tax</td>
<td>38.5</td>
<td>42.8</td>
</tr>
<tr>
<td>Dividend based on prior year profit</td>
<td>29.7</td>
<td>59.2</td>
</tr>
</tbody>
</table>

3.1. Capital works program

Fremantle Ports' capital works program for 2018/19 includes expenditure of $79.7M on approved capital projects. Major expenditure includes:

- Acquisition of Land at Kwinana Bulk Terminal
- KBJ Export - Import Infrastructure
- KBT Infrastructure & Equipment Replacement & Upgrade
- Replace 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 State Government policy, Fremantle Ports is required to pay dividends to the State on profits derived after tax and significant items. Dividends have been budgeted consistent with the recognition and measurement requirements of AASBs and the State Government's dividend policy 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 are consistent with the recognition and measurement requirements of AASs (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 half-yearly reports, including financial information and comments on performance as considered appropriate.

The 2018/19 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. Quarterly financial results are provided via submission 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 2 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.

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.

Fremantle Ports’ general and bulk cargo trade in 2017/18 is expected to increase by 4.5% (approximately 0.48 million revenue tonnes) to 11.3 million revenue tonnes. However, as a result of the cessation of iron-ore at the end of 2017/18, the general and bulk trade is forecast to decline by 18.8%. Total container throughput for 2018/19 is forecast to increase by 3.0%.

The long term aspirational target for rail share of container trade is 30%. The rail share in 2016/17 was approximately 15.2% representing over 108,000 TEU on rail, and the target for 2018/19 is 17%. 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 2018/19 being 10.2% on the deprival value of assets, with provisions for payments to the State Government in the form of dividends, income tax equivalents, land tax, local government rate equivalents and other state taxes and levies.

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 2018/19.
<table>
<thead>
<tr>
<th>Table 2 Performance targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016/17 (actual)</td>
</tr>
<tr>
<td>Service delivery</td>
</tr>
<tr>
<td>Crane rates (containers/hr)^a</td>
</tr>
<tr>
<td>Customer satisfaction with:</td>
</tr>
<tr>
<td>Services – all (private + Fremantle Ports) (%)</td>
</tr>
<tr>
<td>Services – Fremantle Ports only (%)</td>
</tr>
<tr>
<td>Performance against agreed contract rates</td>
</tr>
<tr>
<td>KBT ship un/loading performance (%)</td>
</tr>
<tr>
<td>Import equipment availability (%)</td>
</tr>
<tr>
<td>Export equipment availability (%)</td>
</tr>
<tr>
<td>Capability for the future</td>
</tr>
<tr>
<td>Berthing delays – unavailability of berths</td>
</tr>
<tr>
<td>Inner Harbour - Container vessels</td>
</tr>
<tr>
<td>Vessels delayed^1 (% of total)</td>
</tr>
<tr>
<td>Average hours per delay^1 (hr)</td>
</tr>
<tr>
<td>Kwinana Bulk Terminal</td>
</tr>
<tr>
<td>Vessels delayed^1 (% of total)</td>
</tr>
<tr>
<td>Average hours per delay^1 (hr)</td>
</tr>
<tr>
<td>Kwinana Bulk Jetty</td>
</tr>
<tr>
<td>Vessels delayed^1 (% of total)</td>
</tr>
<tr>
<td>Average hours per delay^1 (hr)</td>
</tr>
<tr>
<td>Trade and business growth</td>
</tr>
<tr>
<td>Trade growth</td>
</tr>
<tr>
<td>Fremantle Ports non-containerised trade^2 (%)</td>
</tr>
<tr>
<td>Container trade (%)</td>
</tr>
<tr>
<td>Number of ship visits^3</td>
</tr>
<tr>
<td>Rail share of container trade (%)</td>
</tr>
<tr>
<td>Business sustainability</td>
</tr>
<tr>
<td>Fatalities/disabling injuries</td>
</tr>
<tr>
<td>Reduction in LTIFR^b on previous year</td>
</tr>
<tr>
<td>After tax profit ($M)</td>
</tr>
<tr>
<td>Rate of return on assets^5</td>
</tr>
<tr>
<td>Community satisfaction</td>
</tr>
<tr>
<td>Inner Harbour (%)</td>
</tr>
<tr>
<td>Outer Harbour (%)</td>
</tr>
</tbody>
</table>
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 deprival valuation methodology
ADDENDUM 1

FREMANTLE PORTS AUTHORITY
APPROVED FINANCIAL PARAMETERS
2018/19

<table>
<thead>
<tr>
<th>Description</th>
<th>$'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue</td>
<td>215,747</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>160,277</td>
</tr>
<tr>
<td>Profit Before Tax</td>
<td>55,470</td>
</tr>
<tr>
<td>Notional Income Tax</td>
<td>16,920</td>
</tr>
<tr>
<td>Profit After Tax</td>
<td>38,550</td>
</tr>
<tr>
<td>Dividends</td>
<td>29,727</td>
</tr>
<tr>
<td>Asset Investment Program</td>
<td>84,194</td>
</tr>
</tbody>
</table>

*To the extent that the financial parameters within the 2018/19 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.*
## ADDENDUM 2

### Asset Investment Program

<table>
<thead>
<tr>
<th>Works in Progress</th>
<th>Estimated Total Cost 2018-19 $'000</th>
<th>Estimated Expenditure to 30-6-18 $'000</th>
<th>2017-18 Estimated Expenditure $'000</th>
<th>2018-19 Budget Estimate $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fremantle Port - Inner and Outer Harbour</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Security Upgrades Stage 2</td>
<td>5,800</td>
<td>500</td>
<td>500</td>
<td>3,450</td>
</tr>
<tr>
<td>Fremantle Waterfront Project</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial Precinct Access and Services</td>
<td>4,279</td>
<td>1,329</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Inner Harbour - Deepening of the Inner Harbour Stage 1</td>
<td>107,655</td>
<td>97,415</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Overseas Passenger Terminal</td>
<td>10,234</td>
<td>2,234</td>
<td>1,000</td>
<td>3,300</td>
</tr>
<tr>
<td>North Quay - Berth Upgrades - Western Stage</td>
<td>74,213</td>
<td>69,522</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Emergency Warning and Intercommunication system (EWIS)</td>
<td>1,500</td>
<td>300</td>
<td>300</td>
<td>1,200</td>
</tr>
<tr>
<td>Environmental Improvement Program</td>
<td>3,390</td>
<td>2,880</td>
<td>100</td>
<td>300</td>
</tr>
<tr>
<td>Land Acquisitions</td>
<td>25,400</td>
<td>18,200</td>
<td>18,200</td>
<td></td>
</tr>
<tr>
<td>Outer Harbour - Kwinana Bulk Jetty - Fire Fighting Foam System</td>
<td>3,143</td>
<td>2,193</td>
<td>1,560</td>
<td>950</td>
</tr>
<tr>
<td>Replace/Upgrade Transformer and Switchgear</td>
<td>4,700</td>
<td>2,700</td>
<td>2,700</td>
<td>2,000</td>
</tr>
<tr>
<td>Kwinana Bulk Terminal - Civil and Mechanical Assets Upgrade</td>
<td>4,973</td>
<td>3,235</td>
<td>1,000</td>
<td>1,738</td>
</tr>
<tr>
<td>Dust Control and Roadworks</td>
<td>2,386</td>
<td>1,386</td>
<td>-</td>
<td>1,000</td>
</tr>
<tr>
<td>Infrastructure, Equipment Replacement and Upgrade</td>
<td>39,714</td>
<td>9,764</td>
<td>800</td>
<td>10,500</td>
</tr>
<tr>
<td>Kwinana Bulk Terminal - Replacement and Relocation of Operations/Maintenance Offices and Workshop</td>
<td>3,000</td>
<td>400</td>
<td>400</td>
<td>2,600</td>
</tr>
<tr>
<td>Plant and Equipment - Mobile Truck Mounted Capstans</td>
<td>700</td>
<td>200</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Replacement of Navigational Aids</td>
<td>3,877</td>
<td>1,667</td>
<td>250</td>
<td>-</td>
</tr>
<tr>
<td>Rous Head - Seawall Construction and Rous Head Extension - Stage 2</td>
<td>52,025</td>
<td>51,059</td>
<td>320</td>
<td>966</td>
</tr>
<tr>
<td>Victoria Quay - Fremantle Waterfront Implementation Plan</td>
<td>16,226</td>
<td>3,953</td>
<td>-</td>
<td>3,000</td>
</tr>
<tr>
<td>Victoria Quay - H Berth Fender Replacement</td>
<td>3,800</td>
<td>100</td>
<td>100</td>
<td>3,700</td>
</tr>
<tr>
<td>COMPLETED WORKS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inner Harbour - Shore Tension Mooring System</td>
<td>4,650</td>
<td>4,650</td>
<td>546</td>
<td></td>
</tr>
<tr>
<td>Underwater Rock Mound</td>
<td>3,500</td>
<td>3,500</td>
<td>3,306</td>
<td>-</td>
</tr>
<tr>
<td>Minor Works - 2017-18 Program</td>
<td>3,231</td>
<td>3,231</td>
<td>3,231</td>
<td>-</td>
</tr>
<tr>
<td>Outer Harbour - Kwinana Bulk Jetty - Kwinana Bulk Jetty - Conveyor CV03 Drive Replacement</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>-</td>
</tr>
<tr>
<td>Kwinana Bulk Terminal - Upgrade Rail Infrastructure and Replacement of Other Plant</td>
<td>501</td>
<td>501</td>
<td>300</td>
<td>-</td>
</tr>
<tr>
<td>NEW WORKS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fremantle Port - Inner and Outer Harbour - Water Minimisation (Environmental)</td>
<td>3,900</td>
<td>-</td>
<td>-</td>
<td>1,500</td>
</tr>
<tr>
<td>Inner Harbour - Provision of Alternative Vehicular Access</td>
<td>1,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Replacement of HV cable from Main Sub Station to Sub Station 4</td>
<td>550</td>
<td>-</td>
<td>-</td>
<td>550</td>
</tr>
<tr>
<td>Replacement of Mechanical Plant</td>
<td>490</td>
<td>-</td>
<td>-</td>
<td>490</td>
</tr>
<tr>
<td>Rous Head - Replace Street Lighting (West)</td>
<td>1,250</td>
<td>-</td>
<td>-</td>
<td>1,250</td>
</tr>
<tr>
<td>Minor Works - 2018-19 Program</td>
<td>4,450</td>
<td>-</td>
<td>-</td>
<td>4,450</td>
</tr>
<tr>
<td>Miscellaneous Minor Works - 2019-20 Program</td>
<td>5,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Miscellaneous Minor Works - 2020-21 Program</td>
<td>5,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Miscellaneous Minor Works - 2021-22 program</td>
<td>5,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>North Quay - Berth - Heavy Duty Pad</td>
<td>7,900</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Outer Harbour - Kwinana Bulk Jetty - Export-Import Infrastructure</td>
<td>39,500</td>
<td>-</td>
<td>-</td>
<td>2,000</td>
</tr>
<tr>
<td>Kwinana Bulk Terminal - Bulk Handling Equipment</td>
<td>12,000</td>
<td>-</td>
<td>-</td>
<td>2,000</td>
</tr>
<tr>
<td>Kwinana Bulk Terminal - Replacement of JC01 Conveyor</td>
<td>5,000</td>
<td>-</td>
<td>-</td>
<td>5,000</td>
</tr>
<tr>
<td>Kwinana Bulk Terminal Land Acquisition</td>
<td>33,923</td>
<td>-</td>
<td>-</td>
<td>92,000</td>
</tr>
<tr>
<td>Replacement of Front End Loaders</td>
<td>1,500</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Plant and Equipment -</td>
<td>Estimated Total Cost</td>
<td>Estimated Expenditure to 30-6-18</td>
<td>2017-18 Estimated Expenditure</td>
<td>2018-19 Budget Estimate</td>
</tr>
<tr>
<td>----------------------</td>
<td>----------------------</td>
<td>----------------------------------</td>
<td>------------------------------</td>
<td>-------------------------</td>
</tr>
<tr>
<td>Replace Floating Plant</td>
<td>15,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Victoria Quay -</td>
<td>15,900</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Motor Vehicle Decking</td>
<td>2,372</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Total Cost of Asset Investment Program ........................................... 538,641 281,429 35,103 84,194

**FUNDED BY**

<table>
<thead>
<tr>
<th>Capital Appropriation</th>
<th>-</th>
<th>-</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowings</td>
<td>76,000</td>
<td>35,044</td>
</tr>
<tr>
<td>Internal Funds and Balances</td>
<td>8,144</td>
<td>59</td>
</tr>
<tr>
<td>Other</td>
<td>50</td>
<td>50</td>
</tr>
</tbody>
</table>

Total Funding ................................................................. 35,103 84,194