



Fremantle Ports

Draft Statement of Corporate Intent

2023/24

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Table of contents

1	AGENCY INFORMATION.....	3
1.1	Context.....	3
2	BUSINESS OBJECTIVES AND APPROACH	5
3	MAJOR PLANNED ACTIVITIES FOR 2023/24.....	7
4	ACCOUNTABILITY	8
4.1	Reporting.....	8
4.2	Performance measurement.....	8
5	FINANCES	10
5.1	Operating Budget.....	10
5.2	Asset Investment Program.....	10
5.3	Borrowings	11
5.4	Accounting	11
5.5	Pricing.....	11
5.6	Payments to Government.....	11
5.7	Dividend Policy.....	11
5.8	Community Service Obligations	12

List of tables

Table 1	Ports WA key performance indicators	9
Table 2	Operating budgets.....	10
Table 3	Forecast contributions to Government.....	11

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 SCI on 15 January each year.

This SCI outlines Fremantle Ports' targeted outcomes for 2023/24 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 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 is situated 20 kilometres south of Perth at the mouth of the Swan River, and the Outer Harbour is 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 diversified 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 and the Kwinana Bulk Terminal 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	Seawalls
Navigation aids	Road and rail infrastructure within the port
Cargo wharves	Other port infrastructure, such as the Fremantle Passenger Terminal

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

Ship scheduling and berth allocation	Security services
Port communications	Emergency response
Pilotage (through a contract with Fremantle Pilots)	Hazardous cargo services over common user berths
Pilot transport	Property services
Mooring	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)	Other stevedoring (licensed under PAA)
Towage (non-exclusive licence under PAA)	Line boats (licensed under PAA)
Bulk and break-bulk stevedoring (licensed under PAA)	Bunkering (non-exclusive licence under PAA)
Ships providedores	Road and rail transport
Freight forwarding	Customs clearance
Fumigation services	Shipping agencies

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 2021/22 was valued at over \$37.6 billion.

Fremantle Ports' strategic business plan continues to guide and provide focus, identifying the purpose, aspiration, strategic goals, and a set of values for the organisation. An overview of these key elements is provided below.

2 BUSINESS OBJECTIVES AND APPROACH

In December 2021, Fremantle Ports' Board approved our 2027 Strategic Plan which includes a set of 12 strategic goals. The 2027 Strategic Plan came into effect on 1 July 2022. This SCI incorporates our new corporate direction including our new purpose, aspiration and strategic goals.



2027 Strategic Plan



Our purpose

Facilitating trade for a more prosperous Western Australia








Our aspiration

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



Our goals

To provide the ambition behind our aspiration, 12 measurable strategic goals have been identified

Goal area	Goals
 Safety Delivering a step-change improvement in safety outcomes for our people and all participants	1. Zero fatalities and top 50th percentile TRIFR performance in Australia (mining, mine services, oil and gas reference group) 2. Safety maturity index as 'mature'
 Sustainability Ensuring we have a sustainable port and supply chain; delivering economic, environmental and social returns over the long term	3. Rate of return on assets \geq 7% 4. Community satisfaction score \geq 80% 5. Net zero scope 1 and 2 emissions
 Efficiency and reliability Meeting our customer and stakeholder needs and building a strong reputation for delivery	6. 95% of all vessels berth on time 7. 95% of all KBJ and KBT vessels depart on time 8. Top 100 World Bank Global Container Port Performance Index Ranking 9. Container supply chain \$/TEU from anchorage to warehouse
 Capacity Building the capacity to facilitate growth in trade and meet industry requirements at any point in time	10. 100% capacity for imports and exports
 Engagement Ensuring we have the customer and employee engagement we need to achieve our goals	11. Customer (importer and exporter) Net Promoter Score \geq 30 12. Employee engagement and enablement scores in Australian top quartile

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Strategic themes

Our work for the next five years will be organised into six strategic themes

Transform our organisation

Transform our business model, structures and behaviours to enable our strategy

Leading the supply chain

Lead Western Australia's supply chain improvement, through enablement and investment

Strong customer and commercial relationships

Build and maintain strong stakeholder relationships based on a reputation for delivery

Assets and infrastructure for our future

Provide certainty on our future through planning and developing our assets and infrastructure

A sustainable port and supply chain

Embrace and support the energy transition across our assets, business and infrastructure

Operational excellence

Keep everyone safe, and build our people and business through relentless improvement and excellence in all we do

Connecting Western Australia to the world

Values

In 2022, Fremantle Ports undertook a process to refresh its corporate values. The values are simple and will drive everything Fremantle Ports does and the behaviour and decisions of our staff. The values are the essence of what is important to the business as we work together to deliver our strategic goals.

The values that apply at Fremantle Ports are:

Collaboration: We work together, build trusting relationships and consider the impact of our actions. We look for ways to contribute to a better future for our people, our communities and the environment.

Accountability: No matter where we work, our role or where we are from, we have standards to which we hold ourselves and each other accountable. We strive to make the right choices every time. We do what we say we are going to do and take responsibility for our actions.

Respect: We value each other and create an environment where everyone's voice is heard and respected.

Excellence: We strive for excellence in everything we do, to optimise performance and productivity. In doing so, we deliver for our teams, our customers, our organisation and ourselves. We learn from the past while embracing innovation and change.



3 MAJOR PLANNED ACTIVITIES FOR 2023/24

Infrastructure Investment Supporting Government Objectives

Fremantle Ports is committed to investing in improvements to key infrastructure, the largest project of which is currently the upgrade to KBT's clinker import circuit. In December 2022 Fremantle Ports submitted a revised business case to WA Treasury to increase the approved budget from \$55 million to \$61.8 million. The majority of these works are expected to be complete by 2023/24.

Westport and Port Development Plan

Fremantle Ports will continue to actively support 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 producing a port development plan that will articulate how the port will develop in the near future to ensure continuity of development while the broader planning work being undertaken within the State Government's Westport and Future of Fremantle projects is completed. The port development plan will ultimately integrate with Westport and Future Fremantle to set out how the port and its transport linkages are expected to develop over the next 50 years.

Safety

Safety will continue to be a primary focus for Fremantle Ports. We will continue to implement initiatives to improve safety across the port for our workers and contractors, developing our safety and incident reporting systems within the business so that they align with international standards for safety management.

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

In partnership with Department of Planning, Lands and Heritage, Fremantle Ports is committed to the continued activation of the Victoria Quay 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:

- A Place Improvement Plan which identifies the short- and medium-term place improvements for the western end of Victoria Quay Waterfront with a focus on improving connections, amenity and activation. This will incorporate previously planning works to date.
- Continuing to work with other short, medium, and long-term Government initiatives for Victoria Quay Waterfront in the context of the planned future development of the Inner Harbour.

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.

4 ACCOUNTABILITY

4.1 Reporting

4.1.1 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 2023 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.

4.2 Performance measurement

4.2.1 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.

Table 1 Ports WA key performance indicators

Key Performance Indicator	Target 2023/24
Return on Assets (%)	8.3
EBITDA (\$ M)	97.2
Debt to Equity Ratio (%)	56
Total Port Trade ('000 Tonnes)	30,709
Total Number Vessel Visits ¹	1,605
Customer Satisfaction Score (%) ²	N/A
Lost Time Injury Frequency Rate (LTIFR) ³	0 or 10% reduction
Number Reportable Environmental Incidents	0
Employee Engagement and Enablement Score	TBA
Rail share of containers (%)	20

Notes

1. Includes commercial, non-trading and fishing vessels (excludes naval)
2. Fremantle Ports uses Net Promoter Score as the measure of customer satisfaction
3. Rate based on injuries 'occurring in the year' and 'million hours worked'

5 FINANCES

5.1 Operating Budget

Fremantle Ports' operating budget for 2023/24, prepared in accordance with Australian Accounting Standards (AASs), forecasts a net profit after tax of \$46.5 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 2 Operating budgets

	2022/23 forecast (\$M)	2023/24 target (\$M)
Total revenue	244.35	260.53
Total expenditure	190.73	193.96
Operating profit before income tax	53.61	66.56
Income tax expense	16.16	20.11
Operating profit after tax	37.45	46.45
Dividend *	0	33.15

* The board was not required to declare an interim dividend in 2022/23. As noted at section 4.7 below, State Government have advised that forecast dividend payments for 2022/23 are to be retained and utilised for funding of future infrastructure investments, subject to relevant approvals.

5.2 Asset Investment Program

Fremantle Ports' asset investment program for 2023/24 includes expenditure of \$95.3 million on capital projects. Major planned expenditure includes:

- Kwinana Bulk Terminal material handling infrastructure renewal of import system (stimulus project).
- Inner Harbour infrastructure refurbishment program.
- Kwinana Bulk Terminal infrastructure, equipment replacement and upgrade.
- Vic Quay activation stage 1.
- Kwinana Bulk Terminal direct conveyor.
- Replace floating plant.

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.

5.3 Borrowings

The 2023/24 budget reflects a closing borrowing balance of \$209.65 million. This represents a net increase of \$41.73 million in comparison to the estimated closing balance for 2022/23, contributing to Asset Investment Program funding. Borrowings are managed to ensure sufficient cash resources are maintained for working capital requirements.

5.4 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' 2022 Annual Report.

5.5 Pricing

To ensure the long-term financial viability of Fremantle Ports and to achieve an economic rate of return of 8.3%, an average price increase of 2.5% on rates and charges for shipping and cargo has been budgeted from 1 July in 2023.

5.6 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 3 Forecast contributions to Government

	2022/23 forecast (\$M)	2023/24 target (\$M)
Dividends	0.00	33.15
Income Tax Equivalent (Payment)	21.62	11.78
Payroll Tax	3.21	3.25
Land Tax	7.49	7.34
Local Government Rate Equivalent	0.70	0.86
Emergency Services Levy	0.20	0.23
Stamp Duty	0.92	0.00
Total	34.14	56.61

5.7 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). In January 2023, Government advised that the retention of dividends would be extended to forecast dividend payments for 2022/23.

5.8 Community Service Obligations

Fremantle Ports has no current Community Service Obligations in place.