



PORT of TOWNSVILLE

Nexus North Queensland

STATEMENT OF CORPORATE INTENT

2010/2011

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Introduction

The 2010-2011 Statement of Corporate Intent (SCI) has been developed to demonstrate how Port of Townsville Limited (the Corporation) will achieve directions and expectations set by shareholding Ministers. This SCI also provides agreed performance criteria and strategic objectives which will be implemented in 2010-2011. The SCI forms part of the Corporation's 5-year strategic direction outlined in the Corporate Plan 2010-2015.

The five-year Corporate Plan, together with the annual SCI and budget, are the key strategic planning and resource documents for the Corporation's future activities. In particular, the SCI outlines the following:

Core Business

A clear statement of the Corporation's core business activities.

Vision

Encapsulates the Corporation's vision of where it is planning to be in the future.

Corporate Values

Represent what the Corporation stands for as a business operating in the marketplace, as a corporate citizen and employer, a community member, as well as its environmental and safety commitment.

Corporate Objectives

The specific, realistic and measurable targets which the Corporation plans to have achieved in 2010-2011.

Strategies

The strategies and direction in which the Corporation will direct its activities and resources over the 2010-2011 period to achieve its corporate objectives.

Key Actions

The key actions that need to be undertaken during the 2010-2011 period in order to achieve its corporate objectives.

Key Business Drivers

The internal and external environmental factors that impact on and influence the Corporation's business.

Performance Targets

The results that the Corporation seeks to achieve by conclusion of the SCI plan period. Achievement of the stated performance target indicates that the Corporation is progressing towards achieving the stated corporate objectives from the Corporate Plan.

The *Government Owned Corporations Act 1993* (Old) (the GOC Act) provides that the SCI is intended to form an agreement between the Corporation's board of directors and its shareholding Ministers. In view of this, the development of the SCI is guided by the following principles:

- the SCI is to establish key accountability requirements for the Corporation to shareholding Ministers;
- the Corporation is required to continually assess its performance against the SCI and report against the agreed outcomes in its biannual and quarterly reports to shareholding Ministers; and
- performance contracts for the Chief Executive Officer and senior executives are to be linked to the financial and non-financial performance targets in the SCI.

The new SCI is prepared annually in accordance with the GOC Act.

1.1 Core Business

This SCI is consistent with the Corporation's Corporate Plan 2010-2015 and has been developed in accordance with the GOC Act and Guidelines for the Preparation of Corporate Plans and Statements of Corporate Intent (February 2010). The SCI outlines strategies that will be implemented in 2010-2011, forming part of the longer-term Corporate Plan five-year strategic direction to achieving the Corporation's Vision over the period 2010-2011 to 2014-2015.

In accordance with the requirements of the Corporation's Constitution, GOC Act, *Transport Infrastructure Act 1994* (Old) (TI Act) and shareholding Ministers' expectations, the Corporation's core business functions are to:

- act commercially and optimise the value of the business whilst endeavouring to achieve sustained long-term business growth;
- establish, manage and operate effective and efficient Port facilities and services in its Ports;
- make land available for:
 - the establishment, management and operation of effective and efficient Port facilities and Port services in its Ports by other persons; or
 - other purposes consistent with the operation of its Ports;
- provide or arrange for the provision of ancillary services or works necessary or convenient for the effective and efficient operation of its Ports;
- keep appropriate levels of safety and security in the provision and operation of the Port facilities and Port services;
- provide other services incidental to the performance of the Corporation's other functions, or likely to enhance the usage of its Ports;
- perform any other functions and exercise any other powers conferred on the Corporation under the TI Act, the GOC Act and Regulations or another Act or under the Corporation's SCI or Corporate Plan;
- provide Port services and ancillary services whether in or outside its Ports, whether in or outside Australia and whether for another Port or for other parties; and
- carry out any activity that is incidental to the attainment of the objects set out above.

The Corporation undertakes the above functions for both the Port of Townsville and Port of Lucinda.

1.2 Corporate Direction

The Corporation's Vision is to be the leader in the provision of innovative, efficient and effective Port services.

The Corporation will accomplish this by:

- acting commercially and competitively to promote a sustainable economic future for the Port of Townsville and the Port of Lucinda;
- providing best practice facilities and services to meet the needs of existing and future customers;
- identifying and securing commercial opportunities;
- delivering critical infrastructure to ensure timely and sustainable development of the Port of Townsville and the Port of Lucinda;
- maximising utilisation of existing resources; and
- enhancing environmental and safety performance in all aspects of the Corporation's operations.

The Corporation's Vision will be driven by a culture that reflects its core values of:

Collaboration & Value Creation

- Proactively working in partnership with customers to grow existing business and attract new trade.
- Acting commercially to maximise shareholder returns while appropriately managing business risks.
- Being a responsible corporate citizen providing economic and social value to the community.

Respect, Development & Innovation

- Providing a work environment that encourages and supports innovation, teamwork, respect and the development of its employees.

Commitment and Performance Excellence

- Commitment to sustainable development, monitoring impacts and minimising environmental harm.
- Ensuring robust safety management systems are in place to protect the safety of all employees, contractors and visitors.

Transparency & Accountability

- Compliance with governance structures and procedures, transparent and accountable reporting, and minimisation of risk.

1.3 Objectives, Strategies & Key Actions For 2010-2011

Consistent with the medium to long-term corporate objectives as outlined in its 2010-2015 Corporate Plan, the strategies and key actions that will be implemented by the Corporation during the period 2010-2011 to achieve its key corporate objectives and associated performance targets are detailed below:

CORPORATE OBJECTIVE	STRATEGY	OPERATIONAL OBJECTIVES - KEY ACTIONS FOR 2010-2011
Port Facilities and Services	Optimise flexibility and capability of existing Port infrastructure	<ul style="list-style-type: none"> • Completion of stage 3 Berth 8 and 9 pile encapsulation works at Port of Townsville • Implementation of solutions at Port of Townsville to ensure safe operation of Berth 7 until transfer of trade to an upgraded Berth 8 facility • Completion of fire fighting system upgrade works on Port of Townsville berths • Investigate enhancement options for Berth 4 at the Port of Townsville • Optimise channel configuration at the Port of Townsville through strategic planning • Investigate berth deck enhancement for car carriers at the Port of Townsville • Investigate berth utilisation and efficiency opportunities at the Port of Townsville
	Maintain Port infrastructure in a cost effective manner, ensuring reliability and sustainability	<ul style="list-style-type: none"> • Maintenance of Port of Townsville and Port of Lucinda infrastructure in line with approved maintenance plans and budget • Completion of maintenance dredging of channels and harbour areas at the Port of Townsville • Progress asset management plans
	Improve transport connectivity to and within the Port of Townsville	<ul style="list-style-type: none"> • Promote continued development of the Townsville Port Access Road and Eastern Rail Access
	Improve safety and security initiatives and measures	<ul style="list-style-type: none"> • Maintain compliance with approved Port of Townsville Security Plan • Implementation of new Port of Lucinda Security Plan • Upgrade of security system at Port of Townsville • Maintain Occupational Health and Safety (OHS) System certification with AS/NZS 4801:2004 • Integrate Port of Lucinda safety management system with the Port of Townsville system • Commission safety training for the Corporation's employees
Port Planning & Development	Secure planning and approvals and actively progress major Port projects	<ul style="list-style-type: none"> • Progress Environmental Impact Statement for the Port of Townsville Expansion Project • Completion of Eastern Reclamation Area works at the Port of Townsville for the Townsville Marine Precinct Project • Progress construction of Townsville Marine Precinct Project • Completion of approvals for Berth 12 project at the Port of Townsville • Completion of Berth 10A design works and commencement of construction at the Port of Townsville • Commencement of approvals process for Berth 10B to be constructed at the Port of Townsville • Achieve agreement on an operating solution with users of Berth 7 at the Port of Townsville. • Secure dredging approvals for strategic channel widening at the Port of Townsville
	Strategic planning for the responsible and sustainable future development of the Port to facilitate future trade growth	<ul style="list-style-type: none"> • Review and update trade forecasts and infrastructure requirements identified in the Port of Townsville Port Development Plan • Publication of Port of Townsville Land Use Plan and Port Development Plan • Review of current land use strategy for Port of Lucinda
	Review of under utilised and non-performing lands owned by the Corporation	<ul style="list-style-type: none"> • Finalise property master planning process and implement recommendations for divestment / redevelopment of under utilised and non-performing lands
	Implement strategic initiatives to promote and manage compatibility of the Port of Townsville with City-Port interface developments	<ul style="list-style-type: none"> • Finalise agreements for Townsville Marine Precinct Project and Ross River lands redevelopment in line with the City-Port Strategic Plan • Continue implementation of Port Protection Measures for the Surplus Casino Lands adjacent to the Port of Townsville

CORPORATE OBJECTIVE	STRATEGY	OPERATIONAL OBJECTIVES - KEY ACTIONS FOR 2010-2011
Financial Performance and Shareholder Value	Actively pursue opportunities to enhance the financial profitability of the Corporation	<ul style="list-style-type: none"> Continued implementation of new Port of Townsville pricing structure Review of Port of Lucinda pricing structure Actively pursue new trade opportunities Application of market rates to all new leases Application of market rates to existing leases where opportunities arise Continued implementation of efficiency strategies Review of leases to clarify maintenance responsibilities
	Review the performance of the Corporation's assets to ensure alignment with strategic objectives	<ul style="list-style-type: none"> Complete review of non-core assets able to be divested Complete identification of lands able to be redeveloped Finalise arrangements for the consolidation of marine industries from Ross Creek and Ross River
	Improve financial planning and management, providing increased value to shareholders	<ul style="list-style-type: none"> Finalise development of a 10-year financial plan for the Corporation Complete a review of the Corporation's Procurement Framework Development of asset management plans incorporating asset maintenance Review sediment sampling programs to support strategic dredging
Customers, Community & Stakeholders	Engagement and communication with customers, the community and stakeholders	<ul style="list-style-type: none"> Implement community consultation plans for all major Port developments and projects Continue quarterly Port Community Partnerships Forum meetings Continue stakeholder education and information workshops Review and upgrade website to ensure user friendliness Ensure timely and appropriate response to customer and community enquiries and complaints Regular reporting to senior management and board of unresolved complaints Review of complaint trends to determine opportunities for improvement Port open day at the Port of Townsville
	Understand customer needs and expectations, identify synergies and facilitate coordination	<ul style="list-style-type: none"> Increase opportunities to communicate with Port customers through customer relationship program Continue quarterly Port Advisory Body meetings Undertake customer satisfaction surveys Investigate and encourage cooperative / joint promotional activities with Port customers Continue to maintain a register of Port customer profiles
	Support and reinvest in the community in line with strategic objectives	<ul style="list-style-type: none"> Sponsorships and Donations program Continue quarterly Port Community Partnerships Forum meetings
	Improve transparency and accountability with respect to the Corporation's performance	<ul style="list-style-type: none"> Ensure compliance with Government policies and reporting requirements Provision of robust financial and non-financial information to support informed decision making Quarterly performance reporting to shareholding Ministers Publication of biannual and annual performance results

CORPORATE OBJECTIVE	STRATEGY	OPERATIONAL OBJECTIVES - KEY ACTIONS FOR 2010-2011
Environmental Responsibility and Sustainability	Continuously improve sustainability initiatives in line with Government, community and stakeholder expectations	<ul style="list-style-type: none"> Continued implementation of the Corporation's Sustainability Policy and sustainability initiatives Continued implementation of initiatives to meet State Government sustainability policies Investigate potential for renewable energy alternatives
	Ensure that Port developments and operations are undertaken in an environmentally responsible and sustainable manner	<ul style="list-style-type: none"> Nil environmental compliance breaches with respect to the Corporation's environmental licences Review and undertake planned environmental monitoring and research activities Review and comment on proposed Port developments to ensure appropriate measures are implemented to minimise environmental impacts
	Continuous improvement of environmental management systems and reporting	<ul style="list-style-type: none"> Maintain ISO14001 accreditation Investigate implementation of Environmental Management Strategy in collaboration with the whole-of-Port Environmental Working Group Review and integration of the Port of Lucinda's environmental management system with the Port of Townsville's system Annual reporting of environmental monitoring results
People, Systems & Culture	Commitment to an inclusive work environment with an emphasis on regular and transparent communication	<ul style="list-style-type: none"> 100% of employees trained in diversity/appropriate workplace practices Increase in employee satisfaction with communication ascertained through performance reviews Publish employee newsletters at least quarterly
	A work environment that encourages and supports positive outcomes	<ul style="list-style-type: none"> Investigate strategies to reduce workplace absenteeism Successful renegotiation of the Corporation's Enterprise Agreements
	Support employee training and development	<ul style="list-style-type: none"> Develop and implement supervisor training course Continue implementation and review of career development program to ensure appropriate skilling and knowledge of employees
	Ensure organisational structure is aligned with the achievement of corporate objectives	<ul style="list-style-type: none"> Review and align structure, recruitment strategies and succession plan to ensure resources are sufficient and appropriate to meet the Corporation's objectives.
Establish robust corporate management systems and technologies that continuously complement and support business activities	Establish robust corporate management systems and technologies that continuously complement and support business activities	<ul style="list-style-type: none"> External certification of Information Security, Quality and Environment Management Systems maintained Geographical Information System operational and maintained Streamline new Financial Management System Display integrated management systems on intranet for easy accessibility

1.4 Key Performance Drivers

The following outlines a summary of the key business drivers that will have a significant impact on the performance and core business environment of the Corporation:-

Key Challenges

- Ability to achieve a full commercial rate of return on assets.
- Obtaining funding for major projects at an affordable rate.
- Ensuring consistency of and integration with Government and industries in relation to port/rail/mining developments.
- Securing efficient rail transport connectivity and haulage options for products in the north-west and north-east mineral provinces.
- Constraints in maximising the efficient use of land and infrastructure.
- Obtaining environmental approvals and managing associated offsets for major projects.
- Maintaining community support for Port operations and future expansion projects at the Port of Townsville given proximity of established CBD and increasing residential development / urban encroachment.

Key Advantages

- Proximity and existing rail link to the north-west and north-east mineral provinces.
- Significant infrastructure investment by existing Port customers.
- Recognition by State and Federal Governments of the strategic importance of the Port of Townsville.
- Available infrastructure and capacity at the Port of Townsville to handle a diverse range of products (> 30 different commodities).
- Established relationships with major Port customers.

These business drivers consider the internal and external environmental factors that form the basis of the Corporation's direction in the medium to long term.

By working towards achieving the Corporation's vision, the Corporation will seek to capitalise on its strengths and opportunities, whilst addressing weaknesses and threats that have the potential to impact on the business. Strategies to mitigate the effect of key business drivers that have the potential to adversely affect and influence the Corporation's business environment are carried forward into the key strategy areas detailed in section 1.3 of this SCI.

2.1 Financial Performance Targets

In accordance with the Corporation's corporate objectives, the Corporation's board of directors undertakes to achieve at least the following performance targets in 2010-2011:

PERFORMANCE TARGET/INDICATOR	2010-2011 BUDGET	2008-2009 ACTUAL	2009-2010 BUDGET	2009-2010 ESTIMATED ACTUAL
EBITDA (\$M)	\$39.88	\$12.59	\$15.92	\$60.26
(EBIT (\$M)	\$31.27	\$4.99	\$7.92	\$52.21
NPAT (\$M)	\$15.04	\$3.17	\$4.80	\$11.88
Economic Profit (\$M)	\$6.81	-\$7.24	-\$6.06	\$24.59
Return on Operating Assets	8.66%	2.09%	3.06%	16.48%
Return on Equity	6.36%	1.58%	2.22%	5.46%
Current Ratio	1.45	0.99	2.47	2.64
Debt to Debt + Equity Ratio	0.03	0.03	0.08	0.05
Interest Cover	51.70	11.46	7.39	66.70

Note: the above includes the effect of revaluation adjustments in compliance with the Australian Equivalent of the International Financial Reporting Standards.

The anticipated government funding for the Townsville Marine Precinct (TMP) and Berth 10A projects has a significant impact on the Corporation's performance targets. As a result of funding for the TMP project being received in the 2009-2010 year, the Corporation's performance targets show a considerable variance to those of 2010-2011. Funds received are being treated as grants related to assets under AASB120, Accounting for Government Grants and Disclosure of Government Assistance. Government grants related to assets shall be presented in the balance sheet either by setting up the grant as deferred income, or by deducting the grant in arriving at the carrying amount of the asset.

2.1.1 Legacy Items and Non-Performing Assets

The table below shows the value of and return on assets held by the Corporation by relevant key business activities based on figures available as at 1 January 2010:

BUSINESS CATEGORY	ASSET VALUE	ANNUAL REVENUE	ANNUAL EXPENDITURE	% OF TOTAL REVENUE	% OF TOTAL EXPENSES	ROA
Shipping	\$99,971,694	\$31,238,815	\$26,677,089	78%	75%	4.6%
Property Leasing	\$88,021,808	\$4,068,629	\$4,297,660	10%	12%	-0.3%
Service Infrastructure	\$21,482,661	\$872,909	\$3,136,723	2%	9%	-10.5%
Pilot Transfer Service	\$202,787	\$742,401	\$512,020	2%	1%	113.6%
Small Boats	\$3,796,674	\$406,576	\$512,537	1%	1%	-2.8%
TOTAL	\$213,475,623	\$37,329,330	\$35,136,029	93%	99%	

NOTE: The above figures do not include revaluation adjustments and are based on the Corporation's performance in the 2008-2009 financial year. The figures do not include the impact of Port of Lucinda which was transferred to the Corporation on 1 July 2009.

The paragraphs below provide a brief summary of the historical reasons behind the negative ROA values in respect to shipping, property leasing, service infrastructure and small boats operations, and the actions that will be undertaken by the Corporation to improve ROA values over the period of this SCI:

SHIPPING

In light of the low returns achieved on assets, the Corporation commenced a review of its pricing structures at the Port of Townsville in 2007, focusing firstly on the areas with the most significant revenue and assets. Initial focus was on price adjustments for berthage and cargo charges as this business activity accounts almost 80% of the Corporation's total revenue.

A review completed in September 2007 by Synergies Economic Consulting Pty Ltd confirmed that a commercial rate of return was not being achieved on all berths at the Port of Townsville and in the absence of significant trade growth the Corporation would need to implement significant increases in Port charges to fully recover costs and deliver the required rate of return on assets.

Accordingly, the Corporation applied a 10% increase to cargo charges and berthage charges at the Port of Townsville on 1 July 2007. The Corporation implemented a further 5% increase on cargo charges and a 25% increase in berthage charges on 1 July 2009. The decision to impose these price increases, as opposed to an hourly rate methodology for berthage charges, was made after careful consideration of the following issues:

- promoting berth loading efficiencies could have negative short term effects:

- multiple berth rates would require expensive and time-consuming software changes;
- in the current economic climate, Port customers will demand certainty in pricing methodologies;
- the emphasis on increasing berthage charges will still provide an incentive for customers to improve loading efficiencies; and
- the emphasis on berth charges will allow for an easier transition to a new hourly rate methodology of berth charges in the future if this direction is later pursued.

This series of price increases has seen performance in this area improve however return on assets remains relatively low due to:

- limited growth (and in some cases decline) in trading activities in recent years; and
- significant fixed costs (with increasing administration costs relating to major projects) which have not yet been offset by any additional revenue.

The Corporation intends to implement a further 10% increase in cargo and berthage charges at the Port of Townsville on 1 July 2010. In the absence of significant new trade throughput, increases in shipping charges are necessary to achieve the required rate of return on assets and fully recover costs of Port operations. In determining shipping charges, the Corporation evaluates the impact that any price increase will have on customers by assessing each commodity to ensure the increases are sustainable in the long-term and do not adversely impact overall trade levels. The Corporation also undertakes an assessment of charges across ports to ensure that the Corporation's prices remain competitive.

The Corporation has maintained Port of Lucinda's berthage and cargo charges as set by Ports Corporation of Queensland Limited (now known as North Queensland Bulk Ports Corporation) prior to the transfer of Port of Lucinda to the Corporation on 1 July 2009. The Corporation intends to review Port of Lucinda's operations during the period of this SCI to ensure efficiencies that can be gained through this new management arrangement can be realised. This review will include, amongst other things, a review of the existing price structure at Port of Lucinda and consideration of strategies to improve berth loading efficiencies and capacity.

Overall, it is essential that the Corporation secures additional trade throughput to improve performance in this area.

PROPERTY LEASING

Revenue from rentals totalled \$4 million in 2008-2009, or just over 10% of the Corporation's total operating revenue. A number of legacy contracts and arrangements entered into prior to corporatisation present challenges to the Corporation achieving full commercial returns on many of its property holdings. It is estimated that such legacy contracts account for approximately \$4 million per annum in land rental that would normally be achieved on current commercial terms.

The Corporation's property assets have therefore been examined to:

- Ensure properties leased for commercial Port operations achieve full market rates if permitted under lease agreements. This process has resulted in a number of leases being subject to market rental reviews, resulting in increases in rental revenue. The Corporation is transitioning leases across to market rental rates, with total 2009-2010 rental revenue forecast to be almost 40% above budget for 2008-2009. All new leases are entered into on market rates with provision for regular market rental reviews.
- Determine appropriate strategies for properties that are under-performing, non-core or surplus to the Corporation's requirements. These lands represent more than 30 hectares of waterfront properties in Ross Creek, Ross River and the Breakwater Marina in Townsville. A review of these properties is being undertaken and will consider the ability to monetise or redevelop these assets to achieve appropriate rates of return. This review, which will be finalised during 2010, is discussed further in section 3.4.1 (Reform 4) of this SCI.

SERVICE INFRASTRUCTURE

This category includes significant assets which do not generate returns (i.e. roads) as well as improvements to land including power, water, sewerage, etc. The Corporation has been increasing charges and reviewing arrangements, however a full review of assets is required to properly understand asset values (including impairment) and appropriate charging structures (including head works allocations). The Corporation intends to commence a review into these charges and arrangements during the term of this SCI with a view of improving the rate of return on these assets and ensuring the Corporation is fully recovering costs associated with the provision of such services and infrastructure.

PILOT TRANSFER SERVICE

As outlined in the table above, the Pilot Transfer Service continues to provide more than adequate returns to the Corporation. The Corporation is examining options at present for the purchase of a new pilot transfer vessel during the 2010-2011 financial year.

SMALL BOATS

The Corporation is seeking to divest itself of non-core business activities where these are more appropriately delivered by the private sector. In 2008, the Corporation disposed of a number of moorings in Ross Creek as part of the move to divest non-core business assets. The Corporation will be examining options for either improving returns or divesting these activities through a series of developments over the term of this SCI. Further information regarding the Corporation's review of surplus and non-core business assets is discussed in section 3.4.1 (Reform 4) of this SCI.

2.2 Non-Financial Performance Targets

In accordance with the Corporation's corporate objectives, the Corporation's board of directors undertakes to achieve the following non-financial performance targets in 2010-2011:

PERFORMANCE TARGETS / INDICATORS	2010-2011 TARGET	2008-2009 ACTUAL	2009-2010 TARGET	2009-2010 EST. ACTUAL
Operational				
Trade (million tonnes)	10.96	9.08	9.79	10.78
Trade (TEUs)	> 31,000	31,361	31,000	> 31,000
Vessels to Port	> 640	642	626	> 630
Average Berth Utilisation Factor - Townsville	> 30%	33.41%	> 30%	> 30%
Average Berth Utilisation Factor – Lucinda	> 10%	-	> 10%	> 10%
Reputation				
Environmental – Reportable EPA Breaches (#)	0	0	0	0
No. of Security Issues Reported	0	3	0	2
Lost Time Injury Frequency Rate (LTIFR)	0	6.65	0	10.64
Lost Time Injury Duration Rate (LTIDR)	0	20 days	0	25 days
Staff Turnover (annualised)	< 10%	14.6%	< 10%	9.76%
Net FTE Staff Numbers	107	96	102.5	102.5
Compliance with Reporting Requirements (%)	100%	100%	100%	100%
Customer Satisfaction Index (%)	> 70%	66%	> 65%	Annual Survey to be conducted in 4th quarter
Investment				
Capital Expenditure (\$M)	\$99.27	\$15.33	\$8.03	\$15.78
Planned Maintenance Performed (%)	100%	66.79%	100%	100%

2.3 Assumptions

2.3.1 Financial & Economic Assumptions

ASSUMPTIONS	2010-2011 BUDGET	2008-2009 ACTUAL	2009-2010 BUDGET	2009-2010 ESTIMATED ACTUAL
Economic Indices				
CPI	3.00%	3.80%	3.50%	3.50%
Wages Growth Rate Per Annum	4.00%	4.50%	4.50%	4.50%
Long Term Interest Rates	5.00%	6.37%	5.70%	6.37%

The Corporation's undertaking to achieve its performance outcomes is predicated upon the following financial and economic assumptions:

The Corporation's CPI forward estimates are based on the CPI estimates published in the Treasury Financial Circular 2009-2010. The Corporation has also reviewed the CPI estimates taking into account Reserve Bank CPI estimates and regional trend adjustments.

The Wages Growth Rate estimates are projected based on the relevant enterprise agreements, incremented annually.

Long Term Interest Rate estimates are based on the ten-year Queensland Treasury loan interest rate as at 31 January 2010.

2.3.2 Trade Assumptions

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The Corporation's trade and revenue forecasts for 2010-2011 have been based on trade throughput estimates available at March 2010.

Trade forecasts from the Corporation's Port of Townsville master planning process show potential significant increases beyond 2010-2011. Information received from Port customers to date suggests that the Corporation's long term forecasts will remain the same despite the impact of the global economic crisis in 2008-2009. These forecasts increases do not impact on the trade and revenue forecasts for 2010-2011, but have been included in five year forecasts in the Corporation's Corporate Plan.

Further information on market outlook and trade forecasts beyond 2010-2011 is provided in the Corporate Plan 2010-2015.

	2008-2009 ACTUAL TONNES	2009-2010 ESTIMATED TONNES	2010-2011 BUDGET TONNES	INCREASE (DECREASE)
Imports				
General Purpose Oil	880,719	830,000	885,000	55,000
Yabulu Oil	107,179	120,000	150,000	30,000
Nickel Ore	2,618,563	3,853,206	3,800,000	(53,206)
General Cargo	152,086	165,000	145,000	(20,000)
Motor Vehicles	15,500	24,000	19,000	(5,000)
Fertiliser	91,600	90,000	100,000	10,000
Sulphuric Acid	37,578	-	-	-
Cement	460,538	450,000	470,000	20,000
Zinc Concentrates	228,476	160,000	230,000	70,000
Sulphur	101,703	100,000	100,000	-
Ravensthorpe MHP	41,439	-	-	-
Copper Anode	31,655	110,000	30,000	(80,000)
Total Imports (Tonnes)	4,767,036	5,902,206	5,929,000	26,794
Total Imports (Revenue)	\$ 11,267,266	\$ 13,171,722	\$ 14,675,390	\$ 1,503,668
Exports				
General Cargo	150,018	140,000	135,000	(5,000)
Sugar	1,078,520	1,078,520	1,100,000	21,480
Molasses	244,463	200,000	230,000	30,000
Meat and Assoc. Products	6,832	13,000	9,000	(4,000)
Cattle	76,204	40,000	115,000	75,000
Nickel	1,146	8,000	1,000	(7,000)
Refined Copper	205,500	184,000	184,000	-
Lead Ingots	153,192	150,000	170,000	20,000
Concentrates - Xstrata/3rd Parties	899,196	945,252	889,284	(55,968)
Concentrates - BHP Cannington	424,543	380,000	400,000	20,000
High Analysis Fertilizer	773,619	860,000	800,000	(60,000)
Zinc Ingots	158,945	150,000	160,000	10,000
Sulphuric Acid	30,497	11,432	-	(11,432)
Sand / Gravel / Coke	-	8,181	-	(8,181)
Zinc Ferrites	67,218	40,000	15,000	(25,000)
Contaminated Oil	5,566	1,667	1,500	(167)
Silver Concentrate	8,110	5,000	-	(5,000)
Lead Concentrates - Containers	34,220	72,000	72,000	-
Xstrata Iron Concentrates	-	-	200,000	200,000
Total Exports (Tonnes)	4,317,789	4,287,052	4,481,784	194,732
Total Exports (Revenue)	\$ 11,642,161	\$ 12,084,457	\$ 13,950,275	\$ 1,865,818
Imports & Exports Total - Tonnes	9,084,825	10,189,258	10,410,784	221,526
Imports & Exports Total - Revenue	\$ 22,909,428	\$ 25,256,179	\$ 28,625,665	\$ 3,369,486

The forecast total trade throughput for Port of Townsville for 2010-2011 is 10.41 million tonnes, which is an increase of 13.6 % on the original budget for 2009-2010 of 9.16 million tonnes.

Significant increases in major commodities forecast for 2010-2011 include:

- Xstrata plc (Ernest Henry Mining Operations) – Xstrata announced on 3 December 2009 corporate approvals for a total investment of US\$542 million to extend the life of its Ernest Henry Mining operation near Cloncurry in north-west Queensland to at least 2024 through the transformation of its open pit mining operations to a major underground mine together with the construction of an associated magnetite extraction plant. The magnetite processing operation will result in 200,000 tonnes of magnetite being exported from the Port of Townsville to Asia in 2011, ramping up to 1.2 million tonnes per annum within five years.
- Cattle – export of about 115,000 tonnes of cattle are expected during 2010-2011 with the establishment of a stock holding facility in Woodstock by Wellard Rural Exports.

		5% VARIATION	10% VARIATION
Nickel Ore	Tonnes	190,000	380,000
	Cargo Dues	\$ 266,000	\$ 532,000
Sugar	Tonnes	55,000	110,000
	Cargo Dues	\$ 162,250	\$ 324,500
Concentrates - Xstrata & Third Parties	Tonnes	44,464	88,928
	Cargo Dues	\$ 131,169	\$ 262,339
Concentrates - BHP Cannington	Tonnes	20,000	40,000
	Cargo Dues	\$ 59,000	\$ 118,000
High Analysis Fertiliser	Tonnes	40,000	80,000
	Cargo Dues	\$ 118,000	\$ 236,000

PORT OF LUCINDA

In 2008-2009 throughput for the Port of Lucinda was 591,500 tonnes of sugar and 7,455 tonnes of general cargo.

Trade throughput at the Port of Lucinda during the term of this SCL is expected to be as follows:

	2008-2009 ACTUAL TONNES	2009-2010 ESTIMATED TONNES	2010-2011 BUDGET TONNES	INCREASE (DECREASE)
Sugar	591,500	583,129	550,000	(33,129)
General Cargo	7,455	6,500	4,000	(2,500)
Total - Tonnes	598,955	589,629	554,000	(35,629)
Total - Revenue	\$ 595,696	\$ 471,372	\$ 437,360	\$ (34,012)

The Corporation is currently investigating possible additional trade opportunities through the Port of Lucinda in consultation with the current terminal operator, Queensland Sugar Limited. These investigations are still in early stages and the Corporation will revise its trade estimates accordingly if these additional trade opportunities are later pursued.

2.4 Community Service Obligations

No Community Service Obligations have been identified by the Corporation for 2010-2011.

2.5 Employment and Industrial Relations Plan

An Employment and Industrial Relations Plan (E&IR Plan) meeting the requirements of section 149 of the GOC Act and the Guidelines for the Development of Employment and Industrial Relations Plans in Government Owned Corporations (E&IR Plan Guidelines) is provided to shareholding Ministers as Attachment 2 to this SCI.

The remuneration arrangements for the directors, Chief Executive Officer and all senior executives of the Corporation, in line with the E&IR Plan Guidelines, are also detailed in the E&IR Plan provided as Attachment 2 to this SCI.

BALANCE SHEET

SEPT \$	2010-2011 AS AT QUARTER ENDING				2010-2011 BUDGET \$	2008-2009 ACTUAL \$	2009-2010 BUDGET \$	2009-2010 ESTIMATED ACTUAL \$
	DEC \$	MAR \$	JUN \$					
				Current Assests				
102,113,893	54,657,968	41,060,863	31,636,567	Cash	31,636,567	5,741,957	14,813,197	121,049,688
4,376,257	4,436,031	4,495,805	4,555,578	Receivables	4,555,578	4,003,881	3,952,855	4,316,483
281,496	904,969	696,969	488,968	Other	488,968	469,981	47,381	479,381
106,771,646	59,998,968	46,253,637	36,681,113	Total Current Assets	36,681,113	10,215,819	18,813,433	125,845,552
				Non-Current Assets				
265,992,100	268,928,645	287,597,903	292,837,689	Property, Plant & Equipment	292,837,689	231,085,052	253,613,669	263,055,555
1,796,245	1,796,245	1,796,245	1,796,245	Other	1,796,245	1,791,025	1,798,268	1,796,245
267,788,345	270,724,890	289,394,148	294,633,934	Total Non-Current Assets	294,633,934	232,876,077	255,411,937	264,851,800
374,559,991	330,723,858	335,647,785	331,315,047	Total Assests	331,315,047	243,091,896	274,225,370	390,697,352
				Current Liabilities				
5,734,684	7,484,451	9,234,218	10,983,983	Creditors	10,983,983	2,454,115	3,308,479	3,984,917
2,373,165	1,582,110	791,055	794,874	Borrowings	794,874	2,790,235	3,828,552	3,164,220
37,753,261	(197,314)	904,130	5,608,734	Current Tax Liability	5,608,733	1,030,231	(80,955)	33,746,741
3,768,220	-	-	8,931,795	Dividends	8,931,795	-	700,246	3,768,220
3,045,911	3,045,911	3,045,911	45,911	Provisions etc.	45,911	4,045,912	45,911	3,045,910
52,675,241	11,915,158	13,975,314	26,365,297	Total Current Liabilities	26,365,296	10,320,492	7,802,233	47,710,008
				Non-Current Liabilities				
78,455,697	78,455,697	78,455,697	20,944,077	Creditors	20,944,077	825,881	835,425	78,455,697
7,826,333	7,826,333	7,826,333	7,031,459	Borrowings	7,031,459	3,186,571	14,587,670	7,826,333
28,756,163	28,756,163	28,756,163	32,090,964	Deferred Tax Liability	32,090,964	21,823,539	26,616,679	28,152,425
95,469	95,469	95,469	95,469	Provisions etc.	95,469	95,469	95,469	95,469
115,133,662	115,133,662	115,133,662	60,161,969	Total Non-Current Liabilities	60,161,969	25,931,460	42,135,243	114,529,924
167,808,903	127,048,820	129,108,976	86,527,266	Total Liabilities	86,527,265	36,251,952	49,937,476	162,239,932
206,751,088	203,675,038	206,538,809	244,787,781	Net Assets	244,787,782	206,839,944	224,287,894	228,457,420
				Equity				
42,290,687	46,351,340	49,049,118	44,539,935	Retained Earnings	44,539,935	30,314,125	34,410,206	38,427,724
88,283,528	88,283,528	98,501,679	98,501,679	Reserves	98,501,679	77,957,883	88,370,000	88,283,528
101,746,168	101,746,168	101,746,168	101,746,168	Share Capital	101,746,168	98,567,936	101,939,688	101,746,168
232,320,383	236,381,036	249,296,965	244,787,782	Total Shareholders Equity	244,787,782	206,839,944	224,719,894	228,457,420

CASH FLOW STATEMENT

SEPT \$	2010-2011 AS AT QUARTER ENDING				2010-2011 BUDGET \$	2008-2009 ACTUAL \$	2009-2010 BUDGET \$	2009-2010 ESTIMATED ACTUAL \$
	DEC \$	MAR \$	JUN \$					
				Current Assests				
11,701,519	23,674,516	33,775,981	46,246,015	Receipts from Customers	46,246,015	36,009,309	39,906,656	42,122,972
7,642,990	15,285,980	22,928,970	30,571,958	Grants and Subsidies Received	30,571,958	-	-	114,857,143
(5,733,001)	(11,466,002)	(17,199,008)	(22,932,001)	Payments to Employees & Suppliers	(22,932,001)	(25,742,997)	(31,123,201)	(25,899,827)
(8,717,187)	(42,463,928)	(44,206,041)	(44,197,695)	Tax Equivalents Payments	(44,197,695)	(3,829,733)	(3,439,683)	(5,724,464)
4,894,321	(14,969,434)	(4,700,098)	9,688,277	Net Cash Provided by Operating Activities	9,688,277	6,436,579	5,343,772	125,355,824
				Cash Flows from Investing Activities				
(24,817,969)	(49,635,938)	(74,453,907)	(99,271,875)	Payments for Property, Plant & Equipment	(99,271,875)	(15,331,899)	(8,025,065)	(15,786,597)
265,679	537,522	766,871	1,050,000	Proceeds from Sale of Non-Current Assets	1,050,000	126,072	50,001	22,217
1,664,433	3,328,866	4,993,299	6,657,730	Interest Received	6,657,730	958,545	335,633	1,485,320
(22,887,857)	(45,769,550)	(68,693,737)	(91,564,145)	Net Cash Provided by / (Used in) Investing Activities	(91,564,145)	(14,247,281)	(7,639,431)	(14,279,060)
				Cash Flows from Financing Activities				
-	-	-	-	Injections from Owners	-	-	-	-
-	-	-	-	Proceeds from Borrowings	-	-	16,000,000	8,000,000
(791,055)	(1,582,110)	(2,373,162)	(3,164,220)	Repayment of Borrowings	(3,164,220)	(2,626,243)	(3,560,584)	(2,986,253)
(151,203)	(302,406)	(453,608)	(604,813)	Interest Paid	(604,813)	(435,205)	(1,072,517)	(782,780)
-	(3,768,220)	(3,768,220)	(3,768,220)	Dividend Paid	(3,768,220)	(3,917,003)	-	-
(942,258)	(5,652,736)	(6,594,990)	(7,537,253)	Net Cash Provided by / (Used in) Financing Activities	(7,537,253)	(6,978,451)	11,366,899	4,230,967
(18,935,794)	(66,391,719)	(79,988,825)	(89,413,121)	Net Increase / (Decrease) in Cash Held	(89,413,121)	(14,789,153)	9,071,240	115,307,731
121,049,688	121,049,688	121,049,688	121,049,688	Cash at the Beginning of the Financial Year	121,049,688	20,531,110	5,741,957	5,741,957
102,113,893	54,657,968	41,060,863	31,636,567	Cash at the End of the Financial Year / (Quarter)	31,636,567	5,741,957	14,813,197	121,049,688

3.2 Main Undertakings and Businesses

ASSETS

Consistent with its core business, the Corporation owns and manages the following major assets:

TOWNSVILLE			
ASSET	OWNERSHIP (%)	DETAILS	VALUE (AS AT 30/06/2009)
Wharves	100%	Wharves 1, 2, 3, 4, 6/7, 8/9, 10 and 11.	\$ 26,732,404
Channels and Swing Basins	100%	Platypus Channel, Ross River Channel, Inner Harbour, Outer Harbour.	\$ 36,862,515
Land	100%		\$ 61,576,177
Land Improvements	100%		\$ 20,182,483
Breakwaters	100%		\$ 20,412,525
Buildings	100%		\$ 10,221,101
Plant & Equipment	100%		\$ 6,084,082
Access Roads	100%		\$ 2,225,509
Small Boat Harbours and Facilities	100%	Ross Creek and Ross River	\$ 2,520,960
Investment Properties	100%		\$ 26,657,967

LUCINDA			
ASSET	OWNERSHIP (%)	DETAILS	VALUE (AS AT 30/06/2009)
Plant & Equipment	100%		\$ 19,553
Land	100%		\$ 3,703,167
Land Improvements	100%		\$ 258,329

The Corporation will not be undertaking any major changes to the asset holdings owned and managed by the Corporation during the 2010-2011 financial year.

3.3 Major Expenditure Program

The Corporation will inform shareholding Ministers before submitting any projects for declaration as a 'significant project' under the *State Development and Public Works Organisation Act 1971* (Qld).

3.3.1 Repairs/Upgrades, Maintenance and Renewals

DESCRIPTION	BUDGETED TOTAL COST	BUDGETED COST 2010-2011	PURPOSE AND OBJECTIVE	PROJECT STATUS	EXPECTED COMPLETION DATE
Plant and Equipment	\$808,616	\$808,616	Routine maintenance to plant and equipment to meet safety and operational requirements.	Included in 2010-2011 budget	2010-2011
Property and Landholdings	\$1,379,120	\$1,379,120	Routine maintenance to property and landholdings to meet safety and operational requirements. This category includes provisions for landscaping and cleaning of grounds and gardens, and maintenance/repairs of buildings, roads and pavements.	Included in 2010-2011 budget	2010-2011
Shipping Operations	\$6,189,601	\$6,189,601	Routine maintenance to ensure efficient and safe Port services. This category includes provisions for annual maintenance dredging (\$2.11 million) and structural concrete repairs on Berths 8 and 9 at the Port of Townsville (\$3.151 million).	Included in 2010-2011 budget	2010-2011
Utilities	\$166,377	\$166,377	Routine maintenance to utility services to meet safety and operational requirements.	Included in 2010-2011 budget	2010-2011
TOTAL	\$8,543,714	\$8,543,714			

The above budgeted figures show the estimated total cost for the 2010-2011 financial year only. The total overall cost is not included due to the ongoing nature of the Corporation's maintenance program.

3.3.2 Business Development (Material expenses on projects being considered)

DESCRIPTION	BUDGETED TOTAL COST	BUDGETED COST 2010-2011	PURPOSE AND OBJECTIVE	PROJECT STATUS	EXPECTED COMPLETION DATE
Investigation into major Business Development Opportunities	\$154,500	\$154,500	Miscellaneous business development investigations and cost analysis into the feasibility of accommodating new trade opportunities through the Ports of Townsville and Lucinda.	Various	Ongoing
TOTAL	\$154,500	\$154,500			

3.3.3 Assets Under Construction

DESCRIPTION	BUDGETED TOTAL PROJECT COST	EST. ACTUAL 2009-2010	BUDGETED COST 2010-2011	PROJECT STATUS	EXPECTED COMPLETION DATE
Saltwater Fire System Review and Upgrade	\$5.4M	\$1.3M	\$4.1M	Upgrade works	December 2010
TOTAL	\$5.4M	\$1.3M	\$4.1M		

PORT OF TOWNSVILLE SALTWATER FIRE SYSTEM REVIEW & UPGRADE

During 2008/2009 the Corporation undertook preliminary investigation works to determine whether the existing High Density Polyethylene fire line system under Berths 2, 3 and 4 is compliant with Australian Standards and Codes. Subsequent investigation and design indicated that a significant overall upgrade of the fire detection and control systems were required. Design works for both components of the project have been completed and the fire detection upgrade has reached practical completion. The contract for the fire control system ('wet system') upgrade works was awarded in late 2009, with works having commenced in early 2010. These works are expected to be completed in late 2010.

3.3.4 Approved Capital Expenditure Not Yet Undertaken

ASSET	PORT	PROJECT STATUS	EXPECTED DATE OF COMPLETION
Berth 10A	Port of Townsville	Design	June 2013
Townsville Marine Precinct Project	Port of Townsville	Design and construction	December 2011
Berth 4 Upgrade	Port of Townsville	Design and construction	June 2011
Road Upgrades	Port of Townsville	Road rehabilitation and surfacing works	June 2011
Plant, Equipment and Minor Works	Port of Townsville & Port of Lucinda	Minor asset replacements/ acquisitions and infrastructure works	Ongoing
Port Expansion Project – Environmental Impact Statement	Port of Townsville	Environmental Impact Statement	June 2011
Quarry	Port of Townsville	Purchase of suitable land to develop a quarry to supply armour rock for future Port projects	June 2011
Archer Street Drainage Works	Port of Townsville	Construction Works	June 2011
TOTAL	\$185.364M	\$11.764M	

PORT OF TOWNSVILLE BERTH 10A UPGRADE

The upgrade of the existing Berth 10 structure is required to cater for cruise and defence vessels. The upgraded facility will be Berth 10A.

In-principle approval has been received from Government in relation to the development of the project however the funding arrangements are yet to be confirmed. The project is expected to be jointly funded by the State, Defence and Townsville City Council. The Corporation submitted a detailed business case for the project to shareholding Ministers for their consideration and approval in March 2010.

In the interim a contract for the design of Berth 10A has been awarded. These works are progressing and will be completed within the period of this SCI. Pending funding approval, construction works will commence in late 2010 and will be completed in 2013.

TOWNSVILLE MARINE PRECINCT PROJECT

The TMP project will be constructed on reclaimed land at the mouth of Ross River and will ultimately accommodate the marine activities currently located upstream in Ross River and in Ross Creek. It will allow the consolidation of industrial marine facilities into a single area enabling the Corporation to redevelop areas in Ross River and Ross Creek for more suitable purposes. Stage I of the project presents a solution for

relocating marine activities from Ross River prior to the construction of the Townsville Port Access Road.

The decision by Government to progress the Townsville Port Access Road has placed time constraints on the Corporation to deliver the TMP. Ross River activities must be relocated prior to the construction of the proposed bridge across Ross River as the bridge will restrict movement of vessels. The current Government estimate is that the Townsville Port Access Road will be completed in 2012, requiring the TMP to be completed and tenants relocated by the end of 2011.

The Corporation submitted a draft business case to shareholding Ministers for consideration and approval for the project in September 2009. On 10 December 2009, the Queensland Government granted in principle approval that the TMP Project should proceed.

In February 2010, an Alliance contract was executed by the Corporation with Laing O'Rourke Australia Construction Pty Ltd, for the construction of Stage 1 of the TMP. By letter dated 2 April 2010, the Treasurer confirmed funding approval for the project, including payment of grant funding to the Corporation by the Department of Transport and Main Roads (TMR) of \$126.4 million (reflecting the approved \$80.4 million grossed up by \$46 million for GST and income tax expenses payable by the Corporation).

The Corporation will contribute \$20 million towards the TMP, with this investment based on the commercial returns to be achieved from rental revenue from the TMP. The Corporation is further investigating re-development and sale options of its Ross River upstream lands that will be vacated by upstream users affected by the Townsville Port Access Road bridge. The Department of Transport and Main Roads will purchase part of these lands to establish recreational boating facilities, with the balance of lands under review. Revenue received by the Corporation from sale of these land holdings will be offset against borrowings or redirected to the State in accordance with Government's decision of 10 December 2009.

At this stage, early TMP construction works are scheduled to commence in May 2010 with primary construction works to commence in June 2010.

PORT OF TOWNSVILLE BERTH 4 UPGRADE

During 2009, the Corporation was requested by one of its customers to undertake minor structural upgrades to Berth 4 to facilitate the use of a new mobile crane on that berth. The Corporation will be undertaking design and construction works during the 2010-2011 period in order to facilitate the use of the new mobile harbour crane which is expected to increase future berth utilisation and trade throughput. These works are expected to be completed in mid-2011.

PORT OF TOWNSVILLE ROAD UPGRADES

The Corporation commissioned and has now received a draft 10-year asset condition and management report prepared by AECOM. The draft report indicates road maintenance expenditure for 2010-2011 will be in the order of \$1.048 million for rehabilitation and resurfacing treatments.

PLANT, EQUIPMENT AND MINOR WORKS

A provision of \$4.093 million has been made for the 2010-2011 financial year for minor asset replacements, acquisitions and minor infrastructure works at the Port of Townsville and Port of Lucinda, including the conversion of the dumb barge "Max Hooper" to a jack-up barge and the purchase of a new pilot vessel (subject to Maritime Safety Queensland requirements).

PORT OF TOWNSVILLE PORT EXPANSION PROJECT – ENVIRONMENTAL IMPACT STATEMENT

The Port of Townsville Master Plan examined trade forecasts to 2030 and predicted that Port development and expansion will be necessary to meet the region's trade requirements over the next 25 years. The Corporation must develop additional infrastructure in the outer harbour to meet predicted bulk minerals product trade growth.

The Port Expansion Projects will involve reclamation in several stages of up to 100 hectares of seabed to the north of the Port of Townsville over the next 25 years, deepening of the Port approach channels and provide an additional six berths to meet future operational demand. This will boost the Port of Townsville's import and export capacity from 10 million tonnes a year to as high as 30 million tonnes per year.

Whilst the expansion works will proceed as additional Port capacity is required, having the necessary approvals in place will shorten the timeframe for infrastructure delivery and place the Port in a position to be more responsive to industry requirements. An alternative to obtaining development approvals at this time would be to adopt a just-in-time approach. However this approach would extend the delivery time of any new infrastructure by several years. The Corporation must therefore obtain the necessary approvals now, particularly in light of the long lead times for outer harbour developments.

The Corporation is currently considering whether to obtain approvals for this project by way of the 'significant project' assessment process pursuant to the *State Development and Public Works Organisation Act 1971* (Old) (SDPWO process). Once the approvals are obtained the Corporation will be better positioned to deliver critical Port infrastructure as trade requires it, thus improving shareholder returns. Investigation works for the Port of Townsville Port Expansion Project Environmental Impact Statement (EIS) will be substantially progressed during the SCI period.

PORT OF TOWNSVILLE QUARRY

The Port Master Planning process completed in 2007 identified the potential requirement for the Port to significantly expand its reclamation areas for the next 30 years if it is to have sufficient land to accommodate the forecast growth in demand for import and export capacity. A major risk to the viability of these expansions is security of supply of fill material and in particular, quality armour rock. Historical sources of quarry material, being Pilot Hill, Magazine Island and Castle Hill, are no longer available.

The aim of the quarry project is to secure permanent access to a practical source of high quality hard rock suitable for marine use to provide the Corporation with an unfettered ability to meet the development requirements of future Port expansion and maintenance works. The Corporation commissioned a regional quarry study in 2008 which has since uncovered a potential long term quarry source in close proximity to the Port of Townsville. The Corporation has entered into call-option agreements for the purchase of two properties containing the rock source. The Corporation will exercise its option to purchase should the development application permitting the establishment of the quarry on the sites be approved by the Townsville City Council. A provision of \$4.775 million has been made for the purchase of these properties during the reporting period.

ARCHER STREET DRAINAGE WORKS

The Corporation currently leases approximately 9.23 hectares of land accessed from Hubert Street to Sugar Terminals Limited (STL) for the third bulk sugar storage shed constructed by STL in 2003. An area of approximately 3.2 hectares is located adjacent to the third sugar shed running the length of Archer Street.

The Corporation and STL have been in discussions for a number of years regarding the future use of the area.

The Corporation considers that the area could be developed from some commercial and light industrial uses (e.g. offices, warehousing and logistics activities) with street-scaping, providing a form of buffer between heavier industrial port operations and the neighbouring residential area. The ability to retain land for potential future commercial use is becoming more critical, as reclamation costs are significant, time constrained and involve a number of environmental approvals.

Stormwater from flood events in the local area are currently managed by way of a drainage pond constructed in the buffer zone. The Corporation and STL intend to better manage stormwater drainage in the area by removing the pond and constructing a new pipeline to Ross Creek, thereby enabling the return of the developable land to the Corporation. Landscaping of the street frontage will also significantly improve the amenity of the area.

3.3.5 Proposed Capital Expenditure (expected to be approved in 2010-2011)

ASSET	PORT	PROJECT STATUS	EXPECTED DATE OF COMPLETION	APPROVAL REQUIRED
Berth 8 Upgrade	Port of Townsville	Preliminary and Conceptual Investigative Works	June 2014	Shareholding Ministers' approval
Berth 10B	Port of Townsville	Preliminary and Conceptual Investigative Works	June 2014	Shareholding Ministers' approval
Berth 12	Port of Townsville	Preliminary and Conceptual Investigative Works	June 2013	Shareholding Ministers' approval
Eastern Reclamation Area	Port of Townsville	Preliminary and Conceptual Investigative Works	June 2012	Shareholding Ministers' approval
TOTAL				

The financial statements included in this SCI exclude the expenditure and revenue (exclusive of any preliminary and conceptual investigative works) associated with these capital projects.

The Corporation will seek approval of shareholding Ministers for these projects, which are each estimated to cost over \$7.5 million, in accordance with the Investment Guidelines for Government Owned Corporations.

The Corporation formally notified shareholding Ministers on 8 April 2009 of the costs associated with preliminary and conceptual investigative works undertaken for each project where those costs have been greater than \$2 million. To minimise cost exposures and risk associated with these works, the Corporation has sought contributions from the project partners towards these costs wherever possible. Advancing these works has been deemed prudent and responsible to ensure that the Corporation can have greater confidence in the estimated total project costs to determine whether to proceed with the projects and to inform business cases to shareholding Ministers, particularly given the findings of audits of Infrastructure Projects by the Auditor-General in the past three years. The Corporation will continue to liaise with officers of the TMR and Treasury in relation to each of these projects through the development of business cases, and will ensure that shareholding Ministers are kept informed.

The impact on the Corporation's financial position of these major capital investments is shown at Appendix A of the Corporate Plan 2010-2015.

PORT OF TOWNSVILLE BERTH 8 UPGRADE AND INSTALLATION OF NEW SHIP LOADER

Berth 6/7 is a finger pier berth, originally constructed in 1911. The Berth 6 side of the pier is now in a serious state of disrepair. Berth 7 was created through a widening and lengthening of the original finger pier undertaken by (then) Mount Isa Mines in the 1970s. Berth 7 is supported by Berth 6, and the structural deterioration of the pier has resulted in navigational restrictions being imposed on Berth 7. Furthermore, the presence of these structures places constraints on access to the adjacent Berths 4 and 8, reducing the efficiency and utility of those berths.

The Corporation's board of directors has notified shareholding Ministers and berth users of the requirement to demolish these structures due to their condition and the risk they present to Port safety. The Corporation intends to upgrade Berth 8 to be capable of receiving panamax sized ships for loading bulk mineral concentrates and fertilizer product that is currently exported across Berth 7. This upgrade and the subsequent transfer of trade from Berth 7 to Berth 8 will enable the demolition of Berths 6 and 7 to commence. This will eliminate a major risk to Port operations and remove shipping constraints on other inner harbour berths.

Prior to demolishing Berths 6 and 7, the cargo exported across Berth 7 must be transferred to an alternate out-loading facility. The transfer of product to a new ship loading facility on Berth 8 is the preferred option as it presents minimal disruption to Port operations, provides opportunities

for improved cargo handling rates and efficiencies and enables improved environmental practices.

During 2009 a contract was tendered for the design of conveyors, transfer towers, a ship loader and argumentation works on Berth 8. The approximate cost of these design works is \$3.5 million.

The Corporation is currently negotiating with Berth 7 users with a view of reaching an agreement in respect to the transfer of their operations to Berth 8 once upgraded. When Berth 7 operations are relocated, Berths 6 and 7 will be decommissioned and demolished.

A business case detailing the proposal, funding requirements and project timeframes will be submitted to shareholding Ministers once agreement has been reached with the Berth 7 users.

PORT OF TOWNSVILLE BERTH 10B

The Port of Townsville general cargo and container handling facilities are located at Berths 3, 4, 8 and 10. Berth 3 is at capacity with excess cargo overflowing to Berth 4. Berth 4 is forecast to reach capacity by 2015. General cargo capacity on Berths 8 and 10 will be substantially lost in the upgrade of those berths for bulk minerals and defence/cruise ships respectively.

Berth 10B is proposed to be a general cargo facility constructed on the western breakwater of the existing Port harbour. This berth is the most cost effective solution to increase the Port's general cargo capacity and will meet the forecast growth in general cargo demand to 2023.

The project will involve diversion of Ross Creek through the area north of the Entertainment Centre. This will greatly enhance the safety and security of the Port, especially for Defence vessels.

A business case for the project is being prepared for submission to shareholding Ministers. Pending funding approval, works to be undertaken during the SCI period will include investigations for environmental approvals and design.

PORT OF TOWNSVILLE BERTH 12

Legend International Inc. (Legend) proposes (subject to commercial agreements) to commence shipping rock phosphate through the Port of Townsville starting at 360,000 tonnes per annum during the SCI period and subsequently increasing throughput to five million tonnes per annum within the next five years. Achievement of this throughput target is dependent on the construction of the Eastern Access Rail to the Port and will require an additional bulk out-loading berth in the outer harbour (Berth 12).

Concept design for Berth 12 has been completed and investigations to obtain environmental approvals for the project are underway.

During the SCI period, the Corporation aims to finalise agreement with Legend for Berth 12. The outcome of these negotiations will be heavily dependent upon the availability of rail access to the Port. A business case detailing the proposal, funding requirements and project timeframes will

then be submitted to shareholding Ministers for consideration. Detailed design will be progressed pending funding approval.

PORT OF TOWNSVILLE EASTERN RECLAMATION AREA – DESIGN AND CONSTRUCTION OF SERVICES AND DRAINAGE

The Eastern Reclamation Area project involves the preparation of land for the Townsville Marine Precinct and for future Port users seeking to establish their own facilities and trade through the Port of Townsville.

Works will include finalisation of reclamation and head works including power, water, sewage reticulation, communications, roads, stormwater drainage and street lighting.

INVESTMENT GUIDELINES

In accordance with the Investment Guidelines for Government Owned Corporations, approval of shareholding Ministers will be requested for projects over \$7.5 million, and shareholding Ministers will be notified of investments over \$2 million.

3.4 Major Initiatives Being Undertaken

3.4.1 Government Owned Corporation (GOC) Reforms

By correspondence dated 9 December 2008, the Treasurer advised a range of reforms designed to further improve the returns to shareholding Ministers to levels similar to those expected by investors in private sector firms. At the same time, the State Government requires GOCs to improve their efficiency and productivity, to ensure continued strength and sustainability in the future, protecting and growing jobs and bringing greater benefit to the Queensland economy.

GOCs were requested to develop, with their boards, a detailed implementation plan for all aspects of the GOCs reform package for consideration by shareholding Ministers with the intent being that the agreed plans would be reflected in the GOC's Statements of Corporate Intent and Corporate Plans for 2010-2011. The six areas of reform and the Corporation's proposed actions in this regard are set out below:

REFORM 1: OPERATIONAL EFFICIENCIES AND SAVINGS TARGETS

The Corporation will implement strategies that will result in efficient business practices, containment of costs and improved returns over the long-term, whilst still maintaining core service delivery, reasonable service standards, regulatory requirements, essential maintenance and critical capital refurbishment. Long-term and sustainable strategies to be implemented by the Corporation include:

- procurement framework reviews to maximise procurement efficiencies and gains;
- maintenance strategy review to improve alignment with core service delivery and efficiencies;
- asset management review to ensure productive and sustainable use of assets;
- implementation of measures to reduce energy consumption and waste; and
- implementation of business process improvements to streamline operations and improve productivity.

The above strategies and a five-year forecast of anticipated efficiency gains through the implementation of such strategies is outlined in section 9.5 of the Corporate Plan 2010-2015.

REFORM 2: RATE OF RETURN TARGETS AND INVESTMENT HURDLE RATES

As detailed in section 2.1.1 of this SCI, the Corporation will be effecting changes to Port of Townsville's pricing structure and reviewing the current pricing structure at the Port of Lucinda to maximise berth loading efficiencies and capacity. The Corporation is also pursuing new trade opportunities, such as the Legend Phosphate Export Project which may see up to 5,000,000 tonnes per annum of rock phosphate exports through the Port of Townsville in the next five years necessitating the construction of a new Berth 12.

The Corporation will ensure that all projects as detailed in this SCI and the Corporate Plan 2010-2015 are commercial and achieve investment hurdle rates. The Corporation will use its WACC as calculated from time to time as the minimum investment hurdle rate for projects considered low risk or commensurate with operating a Port business as this risk is inherent in the WACC calculation.

For high risk projects, such as the construction of Berth 12 at the Port of Townsville, the Corporation will undertake a risk profile assessment as part of the business case development process to determine the appropriate investment hurdle rate for each individual project. The assessment will consider factors such as the terms of contract, participant credit ratings, equity risk, take or pay options and available guarantees. This approach will ensure that the commercial merit of these projects is demonstrated in the business cases and that all investments will be based on achieving an appropriate commercial rate of return.

REFORM 3: CAPITAL EXPENDITURE REVIEWS

The Corporation has reviewed its expenditure to take into account changes in the Corporation's operating environment, and the current economic climate. Capital expenditure forecasts have been revised, with an emphasis on expenditure associated with core Port activities only. Capital expenditure (outside the scope of major infrastructure projects) has been prioritised both on a need and risk basis to enable a timely response to any significant change in revenue.

Information received from Port customers to date suggests the Corporation's long term trade forecasts will remain the same despite the global economic crisis.

The Corporation is therefore continuing to progress its core infrastructure project schedule at the Port of Townsville to ensure that Port infrastructure is delivered to meet demand, particularly given the significant impacts and losses that may result from failure to deliver the projects on time. In addition, the Corporation is also in negotiations for the establishment of new Port infrastructure and upgrades of existing infrastructure to meet the needs of proposed new trades and operations at the Port of Townsville. Consequently, the Corporation is forecasting increases in capital and operating expenditure over the period of this SCI to support this growth strategy.

Capital expenditure for 2010-2011 is estimated at \$99.27 million, which is an increase on previous years in light of core Port infrastructure required to facilitate core projects. Planned capital works at the Port of Townsville over the next five years is expected to total more than \$300 million. These capital works, which are discussed in more detail in sections 3.3.4 and 3.3.5 of this SCI and section 9.5 (Reform 3) of the Corporate Plan 2010-2015, will support the north Queensland economy and employment during difficult economic times. The projects identified will only be undertaken by the Corporation if they achieve the appropriate investment hurdle rate as assessed by the Corporation.

REFORM 4: SURPLUS AND NON-CORE ASSETS

Various lands owned or held in trust by the Corporation have been identified as not being required for core Port activities in the future. The Corporation has historically retained these lands for strategic reasons (i.e. securing "buffer" protection, financial value in the long term, etc) or due to historical land tenure arrangements. These lands represent more than 30 hectares of waterfront properties in Ross Creek, Ross River and the Breakwater Marina in Townsville.

The Corporation is currently undertaking a detailed analysis of these surplus and non-core assets with a view to developing a proposal for consideration by shareholding Ministers for:

- redevelopment of those land holdings that present opportunities for ongoing commercial returns to the Corporation and/or where the proximity of the lands to core Port operational areas necessitates retention of planning and development control by the Corporation; and
- divestment of those land holdings not required for core business where appropriate planning controls can be secured to protect current and future Port operations.

This assessment will detail the expenditure and returns that the Corporation expects will be achieved, and will also consider the most appropriate timeframe for any property redevelopment and/or divestment in the context of the global economic climate and local property market.

REFORM 5: CAPITAL STRUCTURE REVIEWS

During 2010 Queensland Treasury Corporation (on behalf of Queensland Treasury) will complete a capital structure review of the Corporation. A number of major projects currently being advanced for the Port of Townsville will be included in the five-year forecast for the purposes of this review, including the Townsville Marine Precinct Project (Stage 1), Berth 10 Upgrade and the Berth 8 Upgrade.

REFORM 6: PORT REVIEW IMPLEMENTATION

In 2008, following the Queensland Government's decision to divest its investment in airport assets, the Departments of Transport and Treasury conducted a review into the structure of the Queensland Port Network. On 24 September 2008, the Queensland Government announced there would be five Port corporations for the State. Under this structure, which was implemented on 1 July 2009, Port of Townsville Limited was designated management responsibility for the Ports of Townsville and Lucinda.

Over the term of this SCI, the Corporation will investigate efficiencies that can be realised through this new management arrangement, including options of diversifying product handled through Lucinda, and the potential for raw sugar from Lucinda being transferred to the Port of Townsville.

3.5 Sponsorship, Advertising, Corporate Entertainment, Donations and Other Arrangements

Consistent with the Corporate Entertainment and Hospitality Guidelines (September 2008) and the Corporation's Corporate Entertainment and Hospitality Policy, the Corporation has budgeted the following total amounts for Sponsorship, Advertising, Corporate Entertainment, Donations and Other Arrangements for 2010-2011 (excluding GST). The amounts include all activities above and below \$5,000. Full details of the budgeted expenditure are provided in Attachment 3 to the SCI.

ACTIVITY	BUDGET 2009-2010	EST. ACTUAL 2009-2010	BUDGET 2010-2011
Sponsorship	\$136,250	\$131,241	\$91,150
Advertising	\$90,000	\$90,000	\$60,600
Corporate Entertainment	\$45,300	\$51,789	\$52,600
Donations	\$93,000	\$93,000	\$160,000
Other Related Activities	Nil	Nil	Nil
Total	\$364,550	\$366,030	\$364,350

Financial sponsorships and donations are assessed in accordance with the Corporation's Sponsorship and Donation Policy, which incorporates elements of, and is consistent with, the Queensland Government Sponsorship Policy. The Corporation participates in sponsorship and donation proposals that:

- adequately address the Corporation's sponsorship criteria;
- are appropriate for the nature of a corporate organisation;
- present value for money and appropriate levels of promotion/recognition;
- enhance the Corporation's reputation and image;
- fall within budget;
- promote the objectives and goals of the Corporation;
- are in line with shareholding Ministers' expectations; and
- assist and present tangible benefits to the local community or charities.

The Corporation will provide details of any significant changes to the listed commitments in quarterly reports to shareholding Ministers, and will notify shareholding Ministers of any significant proposed sponsorship arrangements prior to the signing of a binding contract. A post audit/review will be conducted to verify outcomes against specific corporate objectives for significant sponsorship and advertising programs, with a report provided to shareholding Ministers in the June quarterly report.

3.6 Other Undertakings

As part of its performance agreement with its shareholding Ministers, the Corporation's board of directors provides the following additional undertakings:

3.6.1 Prudent Financial Management

The board and chief executive officer of the Corporation take full responsibility to ensure that prudent financial practices will be applied within the Corporation.

Without limiting the obligations imposed on the board and the Chief Executive Officer by the GOC Act and the *Corporations Act 2001* (Cth), this includes a commitment to:

- abide by the Code of Practice for Government Owned Corporations' Financial Arrangements (the Code) as issued by the Queensland Government; and
- the establishment, maintenance and implementation of appropriate financial risk management practices and policies specified in the Code.

3.6.2 Capital Structure

The Corporation will prudently manage the financing of its existing business and new business developments. As an integral part of the financing of the Corporation, the overall debt will be managed to ensure that the Corporation maintains the appropriate credit rating or other rating as directed by shareholding Ministers. The Corporation's board will ensure the Corporation complies with this.

3.6.3 Weighted Average Cost of Capital (WACC)

The Corporation's Board will ensure that the Corporation reviews its WACC on an annual basis. As part of the SCI negotiation process, the Corporation's beta and optimal capital structure have been determined in consultation with shareholder representatives. Separate WACCs have been calculated for those parts of the Corporation's operations that face differing business risk profiles.

Other than the annual review process, in the event the Corporation encounters a significant change to the risk profile of its business, its WACC will be recalculated in consultation with shareholder representatives.

Details of the Corporation's WACC calculations are provided in Attachment 4 to the SCI.

3.6.4 Dividend Policy and Payment

While the dividend process is governed by the GOC Act, the Board will ensure that the Corporation's dividend policy takes into account the return its shareholders expect on their investments.

The board of the Corporation will recommend a dividend amount

equivalent to 80% of the Corporation's net profit after tax and adjustments for the 2010-2011 financial year. The dividend amount will be exclusive of amounts attributable to reversal of prior year write downs on assets and changes in fair value of investment properties.

The board will adopt such a recommendation on the basis of its shareholding Ministers agreeing to provide the necessary funding for projects which have received board and shareholding Ministers' approval or for the maintenance of the Corporation's approved capital structure or for ensuring the operational viability of the Corporation. The Corporation's board undertake to ensure that dividend policy is adhered to.

The dividend payment recommendation provided by the board will be in the form of a percentage of consolidated profit after provision has been made for income tax (net profit after tax, NPAT), adjusted for the net impact of non cash transactions. The recommendation will be accompanied by an estimate of NPAT and will include detailed information on any proposed or likely adjustments to NPAT, including a statement of the amount and reasons for any adjustments.

When determining the final dividend to be declared at the end of the period, the board will ensure shareholder departments are consulted with and that written agreement is received from shareholder departments for any material changes to the adjustments identified or any subsequent adjustments in the dividend recommendation agreed to by shareholding Ministers.

3.6.5 Corporate Governance Guidelines for Government Owned Corporations

The board of the Corporation undertakes to continually monitor and review its corporate governance arrangements to reflect good practice, having regard to the Corporate Governance Guidelines for Government Owned Corporations (February 2009) ("Corporate Governance Guidelines"). The Corporation has adopted all the recommendations in the Corporate Governance Guidelines.

3.6.6 Risk Management

The Board of the Corporation has ultimate responsibility for the management of all potential internal and external risks for the Corporation. The Corporation's risk identification and management process is monitored by the Financial, Audit and Risk Management Committee ("the FARM Committee"), which is a sub-committee of the board and which reports to the board on a regular basis.

The risk management framework is designed to ensure that all potential financial, operational and other risks are regularly identified, assessed, monitored and reported FARM Committee and the board, along with appropriate risk mitigation and management plans. In particular, potential security risks have been considered and identified and a framework to respond to security threats has been developed. The board will continually

monitor security risks and update the Corporation's response framework as necessary.

Risk management plans have been incorporated in the Corporation's budgetary and strategic planning processes.

3.6.7 Compliance with Government Policies

The board of the Corporation will comply with all relevant Government policies and guidelines as set out in Attachment 6. In particular, the Corporation will comply with the approval, notification, reporting and other requirements of those policies and guidelines.

4.1 Director's Statement & Agreement of Shareholding Ministers

THE SCI AND ALL ATTACHMENTS, FOR 2010-2011, ARE PRESENTED IN ACCORDANCE WITH CHAPTER 3, PART 8 OF THE GOC ACT.

In accordance with Chapter 1, Part 3, Section 7 of the GOC Act, the SCI represents a formal performance agreement between the board of the Corporation and its shareholding Ministers, the Honourable Andrew Fraser MP, Treasurer and Minister for Employment and Economic Development and the Honourable Rachel Nolan MP, Minister for Transport, with respect to the financial and non-financial performance targets specified for the financial year. The SCI also represents an acknowledgement of and agreement to major activities, objectives, undertakings, policies, investments and borrowings of the Corporation for the 2010-2011 financial year.

This SCI is consistent with the Corporation's 2010-2015 Corporate Plan submitted to, and agreed to by, shareholding Ministers in accordance with Chapter 3, Part 7 of the GOC Act.

In signing the document the board of the Corporation undertakes to ensure that the document, and all reports to shareholding Ministers, are prepared with accuracy and timeliness.

In signing this document the Corporation's board undertakes to achieve the targets proposed in the SCI for the 2010-2011 financial year.

Major changes to key assumptions and outcomes detailed in this SCI, and which come to the board's attention during the year, will be brought to the attention of shareholding Ministers. Any modifications to this SCI will be dealt with in accordance with the GOC Act.

This SCI is signed by the Chair on behalf of all the directors in accordance with a unanimous decision of the board of the Corporation.

Ross Dunning AC

Chairman

Date: ____ / ____ / 2010

Approval of shareholding Ministers

The Honourable Andrew Fraser MP
**Treasurer and Minister for Employment
and Economic Development**

Date: ____ / ____ / 2010

The Honourable Rachel Nolan MP
Minister for Transport

Date: ____ / ____ / 2010

Attachments

- Attachment 1 – List of financial and non-financial target definitions
- Attachment 2 – Employment and Industrial Relations Plan
- Attachment 3 – Sponsorship, Advertising, Corporate Entertainment, Donations and Other Arrangements
- Attachment 4 – WACC Calculations
- Attachment 5 – Corporate Governance Guidelines for Government Owned Corporations
- Attachment 6 – Compliance with Government Policies

Attachment 1

List of Financial and Non-Financial Target Definitions

KPI	USE	DEFINITION
Average Berth Utilisation Factor	Measures usage of berths based on occupancy. It demonstrates the potential for throughput increases without additional capital investment based on increased berth usage. Other operational efficiencies (e.g. loading rates) can also deliver Port throughput growth without capital investment	Average time that all berths within the Port's control are occupied measured as: $\frac{\sum (\text{Time berth is occupied} * \text{percentage of berth occupied})}{\sum \text{Time berth is available for occupation}}$ Shown as a %. Available time for occupation excludes time for planned and unplanned outages. Percentage of berth occupied is relevant for regional Ports where two smaller ships may be able to occupy one berth. Percentage of berth occupied is 100% if there is no available room for another ship to safely and practically use the berth. If there is room for another ship to safely and practically use the berth, percentage of berth occupied is calculated: length of ship / length of berth. If not practical for further ships to use berth, assume berth is 100% utilised.
Capital Expenditure	Measures spending on capital projects.	Amount incurred by the GOC on capital projects to the end of the reporting period
Compliance with Reporting Deadlines	Indicates performance of GOC regarding reporting requirements	Compliance with Statutory Reporting Timeframes and Data Submission and Reporting Requirements in Treasury Financial Circulars (%). For clarity, Number of deadlines complied with / Total number of deadlines.
Current Ratio	Indicates ability of GOC to meet debts as they fall due.	Current assets / current liabilities
Customer Satisfaction Index (%)	Indicates level of customer satisfaction with GOC	Overall percentage satisfaction with Port services based on an annual survey of key customers and stakeholders. Note: to be reported biannually and annually.
Debt to Debt + Equity Ratio	Measures financial leverage	Debt divided by the total of debt and equity (using balances current as at the end of the reporting period)
EBIT		Group Earnings before Interest and Tax
EBITDA		Group Earnings before Interest, Tax, Depreciation and Amortisation. Measures the group earnings in terms of cash-related items only.
Economic Profit	Measures financial performance based on residual value created after deducting cost of capital (i.e. minimum expected rate of return)	Financial performance of the company based on residual wealth calculated by deducting the cost of capital from its operating profit. Measured by EBIT- Notional tax expense - (Capital Invested*Cost of Capital) where Capital Invested = Total Assets - non interest bearing liabilities and Notional tax expense = EBIT * 30%. Note the cost of capital is a post tax WACC.
Environmental – Reportable EPA breaches (#)	Measures environmental performance of Port. Qualitative information on response to breaches to be included in quarterly report.	Number of reportable breaches of the Environmental Protection Act.
Interest Cover	Measures ability to service debt.	Earnings before Interest and Tax (but after any abnormal or extraordinary items) divided by interest cost (for clarity - includes capitalised interest, but excludes finance charges)
Lost Time Injury Duration Rate (LTIDR)	Indicates average duration of injuries	Total days of lost time for injury and disease for every million hours worked. Calculated as number of working days lost to injuries X 1,000,000/ number of injury occurrences. Calculated for employees and contractors directly employed by the Port (i.e. this excludes services sub-contracted to external service providers e.g. Port security).

KPI	USE	DEFINITION
Lost Time Injury Frequency Rate (LTIFR)	Indicates average frequency of injuries	The number of lost time occurrences of injury or disease for every million hours worked. Calculated as number of lost time injury occurrences X 1,000,000/ employee hours. Calculated for employees and contractors directly employed by the Port (i.e. this excludes services sub-contracted to external service providers, e.g. Port security).
Net FTE staff numbers	Measures number of FTEs employed by the GOC	Measures the GOC's efforts at hiring and maintaining the budgeted staff numbers as set in the Establishment Plan. Reported as net number of staff full time equivalents employed by the GOC at the end of the period.
No of Security Issues Reported	Measures security issues. Qualitative report on serious security threats or breaches to be incorporated into quarterly report.	Number of security events as defined in the <i>Maritime Transport and Offshore Facilities Security Act 2003</i> (Cth) reported during the period.
NPAT	Measures profitability	Group net profit after tax
Planned Maintenance Performed (%)	Measures the performance of maintenance tasks planned. To be considered with qualitative reporting in the quarterly report	Total number of planned maintenance activities weighted by cost completed / scheduled maintenance activities for the period weighted by cost. Expressed as a percentage. Calculated as: $\frac{[\sum \text{maintenance completed}]}{[\sum \text{maintenance planned}]} * \frac{\text{budgeted cost of maintenance activities completed}}{\text{budgeted cost of maintenance planned}}$
Return on Equity		Group Operating Profit after tax (but before any abnormal or extraordinary items) divided by the average contributed equity plus asset revaluation reserve
Return on Operating Assets	Measures return on operating assets of the entity.	Group Earnings before Interest and Tax (but after any abnormal or extraordinary items), less income from investments, divided average of group operating assets (for clarity this excludes legacy assets and assets under construction but includes strategic Port land)
Staff Turnover	Indicator of loss of human capital to the entity	The annualised number of staff leaving the GOC in the period divided by the total number of full time equivalent staff at the end of the period.
Trade	Measures the tonnage that is moving through the Port	Total trade of both inbound and outbound during the period. To be presented separately for bulk: tonnes, Container: TEUs, Cars: units.
Vessels to Port	Measures vessel traffic through the Port	Number of commercial vessels that berth at the Port for the purpose of loading or unloading during the period.

Attachment 2

Shareholder Information

1. EMPLOYMENT AND INDUSTRIAL RELATIONS PHILOSOPHY/ DIRECTION

OUR VISION IS

To have a workforce that is motivated, trained and capable of meeting the Corporation's current and future operational requirements and strategic objectives.

OUR MISSION IS

To provide contemporary Human Resource/Industrial Relations (HR/IR) services to management and employees and create an environment where employees can communicate ideas and information freely to engender a team ethos in the organisation.

WE WILL ACHIEVE THIS BY

- maintaining compliance with all applicable HR/IR legislation and Government Directives;
- keeping abreast of contemporary HR/IR issues;
- providing a medium for involving employees in communication and consultation on issues that affect them;
- acknowledging employees who create new initiatives and/or perform at superior levels;
- actively consulting with employees on any proposed changes that may affect their employment; and
- mentoring and coaching management to enable fair and consistent performance management practices

CORPORATE VALUES

The Corporation will be driven by a culture that reflects its core values of:

Collaboration & Value Creation

- Proactively working in partnership with customers to grow existing business and attract new trade.
- Acting commercially to maximise shareholder returns while appropriately managing business risks.
- Being a responsible corporate citizen providing economic and social value to the community.

Respect, Development & Innovation

- Providing a work environment that encourages and supports innovation, teamwork, respect and the development of its employees.

Commitment and Performance Excellence

- Commitment to sustainable development, monitoring impacts and minimising environmental harm.
- Ensuring robust safety management systems are in place to protect the safety of all employees, contractors and visitors.

Transparency & Accountability

- Compliance with governance structures and procedures, transparent and accountable reporting, and minimisation of risk.

OUR STRATEGIC FRAMEWORK AND OUTCOMES

The Corporation's overall vision is to be the leader in the provision of innovative, efficient and effective Port services.

Integral to achieving the Corporation's overall vision and objectives are the Corporation's employees – the greatest asset of any organisation.

Over the next five (5) years the Corporation's efforts will be focused on establishing critical Port infrastructure to meet future trade demand in a sustainable manner. This will include delivering major Port developments including the Townsville Marine Precinct, Berth 10 Capability Upgrade, Berth 8 Upgrade, construction of a new Berth 12 and the Port Expansion Project at the Port of Townsville.

Whilst it is not envisaged that these projects will significantly affect internal staffing levels during the 2010-2011 financial year, the Corporation will be undertaking workforce planning to ensure staffing and skill levels will be available upon commencement of major Port developments.

As part of the project delivery method for major Port projects and to manage risks associated with major Port developments, the Corporation has aligned resources to its preliminary works and seeks to employ private sector and contract employees where appropriate. Any increase in future resources for major projects will be commensurate with the projects to be delivered.

Consistent with the Corporation's Workforce Plan and Statement of Corporate Intent 2010-2011 (SCI), strategies and key actions to be implemented during 2010-2011 are as follows:

CORPORATE OBJECTIVE	STRATEGY	OPERATIONAL OBJECTIVES – KEY ACTIONS 2010-2011
People, System and Culture	Commitment to an inclusive work environment with an emphasis on regular and transparent communication	<ul style="list-style-type: none"> • 100% of employees trained in diversity/appropriate work practices • Increase in employee satisfaction with communication ascertained through performance reviews • Publish employee newsletters at least quarterly
	A work environment that encourages and supports positive outcomes	<ul style="list-style-type: none"> • Investigate strategies to reduce workplace absenteeism • Successful negotiation of the Corporation's Enterprise Agreements
	Support employee training and development	<ul style="list-style-type: none"> • Develop and implement supervisors training course • Continue implementation and review of career development program to ensure appropriate skilling and knowledge of employees
	Ensure organisational structure is aligned with the achievement of corporate objectives	<ul style="list-style-type: none"> • Review and align structure, recruitment strategies and succession plan to ensure resources are sufficient and appropriate to meet corporate objectives.

2. SIGNIFICANT AND EMERGING ISSUES

The key emerging issues for the Corporation relating to industrial relations and human resources during 2010-2011 include:

1. SUCCESSFUL NEGOTIATION OF THREE (3) ENTERPRISE AGREEMENTS

The Corporation's three (3) current Enterprise Agreements, lodged in accordance with the *Workplace Relations Act 1996* (Cth), expire on 30 June 2010. These Agreements are:

- Port of Townsville Port Services Collective Agreement 2007
- Port of Townsville Administrative, Technical, Supervisory and Professional Employees Collective Agreement 2007
- Port of Townsville Maintenance Employees' Collective Agreement 2007

In early 2010, the Corporation commenced the process of seeking approval from the IR CEO Committee to engage in bargaining for three (3) new Enterprise Agreements in accordance with the *Fair Work Act 2009* (Cth) (the Act). Negotiations will commence immediately subsequent to receiving the appropriate approval. The Corporation is committed to complying with its obligations under the Act, including the Agreement making process, National Employment Standards and better off overall test. The Corporation is also committed to applying all relevant aspects of the Modern Award applicable to Port Authorities, being the Port Authorities Award 2010. The Corporation has engaged Workplace Consulting Queensland, a commercial consultancy unit within the Queensland Department of Justice and Attorney-General, to assist with the drafting and renegotiation of the Corporation's Enterprise Agreements that expire on 30 June 2010 and provide ongoing human resource and industrial relations advice as required.

2. ESTABLISHING REMUNERATION STRUCTURES THAT ARE ATTRACTIVE AND COMPETITIVE

The Corporation keeps abreast of market trends in relation to employment

conditions and remuneration and regularly engages a Human Resources Consulting firm (designated by the Office of Government Owned Corporations) to undertake remuneration reviews for key positions, including Chief Executive, General Manager and Manager positions. As part of negotiating the new Enterprise Agreements, the Corporation will provide for employment conditions and annual wage increases in accordance with Queensland Government Wages Policy 2010.

3. ATTRACTING AND RETAINING EMPLOYEES WITH THE SKILLS, QUALIFICATIONS AND EXPERIENCE NECESSARY TO ACHIEVE THE CORPORATION'S FUTURE OBJECTIVES:

The Corporation regularly reviews and aligns its recruitment strategies, structure, and succession planning to ensure its resources are sufficient and appropriate to meet corporate objectives. The Corporation will continue to implement and review its career development program to ensure appropriate skilling and knowledge of employees. Career planning and development activities are undertaken formally during annual performance reviews and informally throughout the year as required to provide employees with assistance to develop realistic career goals and strategies to realise them. The Corporation also undertakes regular reviews of position descriptions to ensure accuracy for position requirements. As part of a continuous improvement process, the Corporation regularly reviews its reward and recognition program to ensure the parameters are appropriate.

4. ENSURING CORPORATE KNOWLEDGE IS MAINTAINED:

The Corporation is committed to fostering a work environment that continues to challenge and motivate individuals and recognise and reward performance. A range of practices are in place which promote flexibility for the Corporation and employees with regard to hours of work and workloads. These flexible work practices include flexible work hours and part time arrangements, option to purchase additional annual leave, paid parental leave, telecommuting, multi-skilling and job rotation, study leave,

leave without pay and special leave (includes defence reserve leave, emergency service leave, sporting competition leave and blood products donation leave).

To assist in providing job security for employees the Corporation engages in the following practices:

- professional training and development;
- continual updating of employee skills and competencies;
- multi skilling of employees; and
- providing employees with new skills.

5. IMPLEMENTATION OF CRIME AND MISCONDUCT ACT 2001

From 1 January 2010 amendments were made to the *Government Owned Corporations Act 1993* which brought the Corporation within the jurisdiction of the Crime and Misconduct Commission (CMC) in relation to the investigation of official misconduct. The amendments require the Corporation to report to the CMC complaints which raise a suspicion of official misconduct. The Corporation is committed to the implementation and ongoing application of the *Crime and Misconduct Act 2001* (Qld) and its obligations to report suspicions of official misconduct to the CMC.

HR/IR ARRANGEMENTS

WORKPLACE RELATIONS

Over the next 12 months, the Corporation will continue to manage strategies to improve workplace relations, encourage employee development and improve employee satisfaction. Some of the key actions for 2010-2011 include:

- annual performance reviews to monitor levels of employee satisfaction and identify any negative workplace and organisational issues, with formulation and implementation of strategies that continually improve the work environment for employees;
- training and development of employees to ensure that required skill and knowledge bases exist and employees are confident and competent to carry out their duties;
- renegotiation of Enterprise Agreements; and
- continued implementation and improvement of Corporate Health Programs designed to encourage employee health and wellbeing.

HUMAN RESOURCES AND WORKPLACE HEALTH & SAFETY COMMITTEE

The Board of the Corporation has an active Human Resources and Workplace Health & Safety Committee with a charter to assist the Board in fulfilling its corporate governance responsibilities by reviewing recommendations, monitoring and establishing Human Resources and Workplace Health & Safety policy frameworks. Such frameworks shall be consistent with the Corporation's business needs and objectives, commercial profile and relevant legislation.

ORGANISATION STRUCTURE

The Corporation promotes employee commitment and job satisfaction through the provision of an appropriate and stable organisational structure. The organisational structure is function-based and provides employees opportunities to relieve in higher level positions where appropriate and practicable. The Corporation has in place policies and procedures for employee consultation and communication, and for the provision of adequate training and development, thereby assisting the personal and career development of employees, and broadening the Corporation's skill base to meet the needs of an expanding Port. The Corporation's policies regarding employment security are detailed further in this plan.

The Corporation ensures that resource requirements are relative to trade growth and future Port projects. The organisational structure is regularly reviewed by Management in conjunction with the Human Resources and Workplace Health & Safety Committee. Future Port projects including berth upgrades and Port expansions are identified in the Corporation's SCI.

EMPLOYEE FEEDBACK

The Corporation's Annual Performance Review System has a specific section for employees to identify operational and cultural factors that may impact on their ability to undertake their tasks at optimal performance. The information gathered from the Annual Performance Review also assists the Corporation to gauge the level of satisfaction of all employees in areas including:-

- job satisfaction;
- remuneration arrangements;
- work / life balance;
- communication efficiencies;
- management leadership and direction;
- organisational effectiveness; and
- opportunities for training and career development.

The results of these performance reviews enable the Corporation to identify workplace and organisational issues, so that strategies that continually improve productivity and the work environment for employees can be formulated and implemented.

TRAINING & PROFESSIONAL DEVELOPMENT

The Corporation is committed to ongoing training and professional development of its employees. The Corporation encourages employees to undertake tertiary and vocational studies, as well as attendance at short courses and seminars/workshops. The Corporation also provides a number of training courses in house. Further training and refresher courses will be provided in 2010-2011.

COMMUNICATION

The Corporation publishes and distributes an employee newsletter each month. This newsletter covers all topics relevant to employees including policies, procedures, Port and shipping news, outcomes of meetings as appropriate, Port events, employee changes and Port history. A separate newsletter, designed for Port clients, is also distributed to all employees. Email is used extensively to distribute information to employees and clients. All media releases and upcoming events are routinely posted to the Corporation's intranet site for ready access by employees. In addition, an Employee Portal has been created to allow greater interaction between employees. The portal is available for all employees to use to advertise items for sale or wanting to buy, display details of upcoming social events and an Employee Blogs page where employees can share pictures and post comments. Additional computers have been placed in the workshop lunchroom to facilitate access by employees who do not have access to a computer as part of their usual routine. Information is also communicated verbally through staff meetings.

INTEGRATED MANAGEMENT SYSTEM

The Corporation maintains an Integrated Management System incorporating ISO 9001:2008 (Quality Management System), ISO 27001:2006 (Information Security Management System), AS 4801:2001 (Occupational Health and Safety Management System) and ISO 14001:2004 (Environmental Management System). Surveillance audits on the Corporation's Integrated Management System (IMS) are conducted bi-annually in February and August by external auditors with various internal audits conducted throughout the year by qualified employees.

EMPLOYMENT SECURITY AND ECONOMIC SUSTAINABILITY

The Corporation is committed to maintaining employment security whilst remaining economically sustainable and will continue to monitor employment arrangements as the economic climate changes and take appropriate action as necessary. The Corporation will strive to preserve employee numbers through economically challenging periods whilst there is productive work to be undertaken and it is economically viable to do so. Some initiatives the Corporation has implemented to ensure employee numbers are maintained include:

- managing leave entitlements to reduce leave balances;
- reviewing vacant positions to ensure positions are essential to the core operations of the Corporation;
- reviewing all positions to determine if different skill sets are required that promote diversity and flexibility;
- reviewing work undertaken by contractors to determine if these services are still required and if so, whether they are able to be undertaken by the Corporation's employees; and
- encouraging part time service with the Australian Defence Force Reserves.

3. DIRECTORS/SENIOR EXECUTIVE REMUNERATION

The Corporation's remuneration policy provides for a review of salaries for senior executives during June of each year with any adjustments effective 1 July each year. Details of senior executive remuneration are included in the Annual Report and SCI in accordance with legislative and policy requirements. Whilst senior executive total fixed remuneration remains constant for the year, the other remuneration components included in the SCI are an estimate that may vary from amounts actually paid at year's end due to the June review of salaries, and the impact of other variable factors such as fringe benefit payments and salary sacrificing options chosen.

The Corporation's remuneration framework has been approved by shareholding Ministers. Any increase in senior executive remuneration will be limited to a maximum advised by shareholding Ministers in accordance with the Government Owned Corporations Governance Arrangements for Chief and Senior Executives (February 2009).

Non-Executive Directors including Chairman Remuneration as at 17 May 2010

NON EXECUTIVE DIRECTORS	DIRECTOR'S FEES \$	COMMITTEE FEES \$	SUPERANNUATION \$	OTHER \$	TOTAL \$
R.W. Dunning (Chair)	29,695.00	14,847.00	4,008.78	1,800.00	50,350.784
S. Graw (Deputy Chair)	13,497.00	5,399.00	1,700.64	0	20,596.64
S. Cantwell (Director)	13,497.00	4049.00	1,579.14	0	19,125.14
M. Griffith (Director)	13,497.00	4049.00	1,579.14	0	19,125.14
T. McGrady (Director)	13,497.00	4049.00	1,579.14	0	19,125.14
M. Stolz (Director)	13,497.00	4049.00	1,579.14	0	19,125.14
D. Zetlin (Director)	13,497.00	4049.00	1,579.14	0	19,125.14
R. Krayem (Director)	13,497.00	4049.00	1,579.14	0	19,125.14

1. 'Other' \$1800 is an annual amount paid in monthly instalments to R. W. Dunning for reimbursement of telephone and internet usage. These are business use related costs and do not form part of any fixed remuneration.

CEO and Senior Executive Remuneration as at 17 May 2010

Executives with remuneration exceeding \$161,757 per annum (being total fixed remuneration over the agreed rate for an SES 2 Level 1 equivalent - effective 01/07/2009) are:-

CEO / SENIOR EXECUTIVES	BASE SALARY ¹ \$	EMPLOYER SUPERANNUATION CONTRIBUTIONS ² \$	MOTOR VEHICLES ³ \$	CAR PARK ⁴ \$	OTHER PERSONAL BENEFITS ⁵ \$	TOTAL FIXED REMUNERATIONS ⁶	OTHER NON-PERSONAL BENEFITS ⁷ \$	PERFORMANCE PAYMENT MADE ⁸ \$
Chief Executive Officer	244,233	32,341	9,426	0	0	286,000	0	27,500
General Manager Operations	145,578	13,537	4,829	0	24,591	188,535	0	17,705

1. Includes salary sacrifice items plus cash salary;

2. Employer contributions to superannuation (other than by salary sacrifice);

3. Value of a motor vehicle for business and personal use (other than by salary sacrifice);

4. Value of car park if car park is a personal benefit to the Executive (other than by salary sacrifice);

5. Includes, but is not limited to, general/expense allowances, subscriptions, home telephone/communication expenses, FBT not elsewhere included, etc. (other than by salary sacrifice).

6. Sum of columns 1-5.

7. Include the value of non-personal benefits provided to the Executive to assist in the performance of their duties.

8. This is the actual payment made in the year immediately preceding the plan year relating to performance in the financial year two years prior to the plan period.

Employment and Industrial Relations Plan**4. EMPLOYMENT CONDITIONS****WORKPLACE RELATIONS LEGISLATION**

The Corporation's current Enterprise Agreements, lodged in accordance with the *Workplace Relations Act 1996* (Cth), provide for equal to, or above minimum entitlements of employment such as: basic rates of pay and casual loadings, maximum ordinary hours of work, annual leave, personal leave and parental leave. The Corporation's Enterprise Agreements also comply with the provisions contained in the *Workplace Relations Act* with regards to content, coverage, bargaining and lodgement process of Workplace Agreements. The Corporation's Agreements also contain Dispute Resolution Procedures.

In early 2010, the Corporation commenced the process of seeking approval from the IR CEO Committee to engage in bargaining for three (3) new Enterprise Agreements in accordance with the *Fair Work Act 2009* (Cth) (the Act). Negotiations will commence immediately subsequent to receiving the appropriate approval. The Corporation is committed to complying with its obligations under the Act, including the Agreement making process, National Employment Standards and better off overall test. The Corporation is also committed to applying all relevant aspects of the Modern Award applicable to Port Authorities, being the Port Authorities Award 2010. The Corporation complies with the relevant Government Policy guidelines on Agreement making in Government Owned Corporations.

WORKPLACE CONSULTING QUEENSLAND

The Corporation has engaged Workplace Consulting Queensland, a commercial consultancy unit within the Queensland Department of Justice and Attorney-General, to assist with the drafting and renegotiation of the Corporation's Enterprise Agreements that expire on 30 June 2010 and provide ongoing human resource and industrial relations advice as required.

ENTERPRISE AGREEMENTS

The three (3) Enterprise Agreements currently in effect:

- maintain stability in the workforce and confidence in employees;
- encourage best practice working conditions; and
- provide for employment conditions and annual wage increases in accordance with Queensland Government Wages Policy 2005 – 2007.

The Enterprise Agreements that are currently in operation and due for renegotiation are:-

- 095991791 – Port of Townsville Port Services Collective Agreement 2007 between the Corporation and Australian Maritime Officers Union (AMOU) was lodged with the Workplace Authority on 22 April 2009 and expires on 30 June 2010. The agreement covers eighteen

(18) Port Services Officers. Work hours under the agreement are in accordance with the Port Control Roster, and average 42 hours per week. Salary increases under this Agreement are as follows:

- 1 July 2007 4.5%
- 1 July 2008 4.5%
- 1 July 2009 4.5%

- 095991934 – Port of Townsville Administrative, Technical, Supervisory and Professional Employees Collective Agreement 2007 between the Corporation and Australian Maritime Officers Union (AMOU) was lodged with the Workplace Authority on 22 April 2009 and expires on 30 June 2010. The agreement covers forty-eight (48) employees. Work hours under the agreement are 36.25 hours per week, between the hours of 8.00am and 6.00pm, Monday to Friday. Salary increases under this Agreement are as follows:

- 1 July 2007 4.5%
(4% wage increase plus 0.5% productivity payment each year)
- 1 July 2008 4.5%
- 1 July 2009 4.5%

- 095960448 –Port of Townsville Maintenance Employees' Collective Agreement 2007 between the Corporation and Maritime Union of Australia (MUA) was lodged with the Workplace Authority on 9 April 2009, and expires on 30 June 2010. This agreement covers twenty-two (22) maintenance employees. Hours worked average 38 per week over a four week cycle, between the hours of 6.00am and 6.00pm, Monday to Friday. Salary increases under this Agreement are as follows:

- 1 December 2007 4.5%
- 1 December 2008 4.5%
- 1 December 2009 2.6%

The Corporation is committed to complying with the Government's Principles with respect to minimum employment, industrial relations and job security as detailed in the document entitled "Minimum Employment, Industrial Relations and Job Security Principles for Government Owned Corporation (GOC) Employees" dated November 2009, a copy of which is appended as Annexure 1. Where there are differences, the Corporation's industrial instruments or policies will prevail.

On 1 July 2009, one North Queensland Bulk Ports Corporation (NQBPC) employee from Port of Lucinda transferred to Port of Townsville Limited. In accordance with the Queensland Ports Reform IR Framework 2009, the terms and conditions of the transferred employee that applied immediately prior to the transfer continued to apply after the transfer until replaced with new industrial instruments (union collective agreement). The applicable industrial instrument for this one employee is the Ports Corporation of Queensland Workplace Agreement 2007-2009. This Agreement has been renegotiated, lodged and approved by Fair Work

Australia and is referred to as Ports Corporation Queensland Enterprise Agreement 2010-2011. The employee will continue to be covered by the Ports Corporation Queensland Enterprise Agreement 2010-2011 until covered by one of the three (3) Enterprise Agreements to be negotiated.

5. ENTERPRISE BARGAINING AND PRODUCTIVITY INITIATIVES

ENTERPRISE BARGAINING

The Corporation's three (3) Enterprise Agreements will expire on 30 June 2010. In early 2010, the Corporation commenced the process of seeking approval from the IR CEO Committee to engage in bargaining for three (3) new Enterprise Agreements. Negotiations will commence immediately subsequent to receiving the appropriate approval. There are currently no union claims and/or bargaining notices in relation to these Agreements. No industrial action has, or is expected to be taken in 2009-2010.

The Corporation continually reviews all employment conditions and policies with the objective of:

- supporting a preference for the regulation of employment conditions via enterprise agreements negotiated in conjunction with unions; and
- no new individual contracts being entered into where total fixed remuneration is less than the monetary equivalent of the Public Service Award – State, Level AO-8, pay point 4 plus 12.75%.

The Corporation has maintained a good relationship with employees and unions during the drafting and negotiation period for the three (3) current Agreements. During the periods of negotiation and lodgement, salary increases were paid to employees.

PRODUCTIVITY INITIATIVES

As mentioned above, negotiations for the Corporation's new Enterprise Agreements are due to commence mid 2010 subject to Government approval. As part of the negotiation process, the Corporation will identify productivity initiatives relevant to the new Enterprise Agreements.

PART-TIME ARRANGEMENTS	DETAILS
Flexible Work Hours	Flexibility of hours and part time arrangements may be available subject to operational requirements and approval of supervisor. RDO arrangements apply for Maintenance employees.
Reduced Working Year	Part time work arrangements may be negotiated between the employee and supervisor. Employees can also choose to purchase one (1) weeks' additional annual leave by sacrificing 2% of their base salary.
Paid Maternity/Paternity/Adoption Leave	Fourteen (14) weeks paid maternity and adoption leave. One (1) week paid Paternity leave.
Telecommuting (work from home)	Some employees may choose to do additional work from home. If an employee requested to work from home the Corporation would consider the request on a case by case basis.
Other Policies/Practices	<ul style="list-style-type: none"> • Multi skilling and job rotation • Study leave • Leave without pay • Special Leave (includes defence reserve leave, emergency service leave, sporting competition leave, blood products donation leave)

6. EMPLOYEE FLEXIBILITY

A range of practices are in place which promote flexibility for the Corporation and employees with regard to hours of work and workloads.

Maintenance employees are entitled to a Rostered Day Off (RDO) every fourth week on the basis that each week a minimum of 40 hours per week are worked, of which 2 hours are "accrued" to allow for an RDO on the Monday of each fourth week. Subject to operational requirements and mutual consent of the parties, this RDO may be changed to another day. Start and finish times for maintenance employees are also determined in accordance with operational requirements to ensure that work is carried out in an efficient, effective and productive manner. Time worked in excess of 40 hours per week (38 hours ordinary time plus 2 hours RDO) is paid as overtime.

General hours for administration, technical and professional employees are 8.45 am to 5pm Monday to Friday, however it is recognised that the roles of these employees are task orientated rather than time based. Accordingly a degree of flexibility is available, subject to the approval of the employee's supervisor.

The Corporation has several policies and practices that support employees with family responsibilities. The details are as follows:

7. TYPE OF EMPLOYMENT AND WORKFORCE PLANNING

The Corporation's Workforce Plan identifies the issues, factors and strategies to provide an adequate workforce for the future. The process of Workforce Planning involves: identifying future business directions and workforce needs; analysing and understanding the make-up of the current workforce (through demographic employee profiling, SWOT analysis and environmental scanning); determining the necessary skills, capabilities and competencies required to achieve strategic operational goals in the future; and developing and implementing policies and strategies that will assist in achieving these goals. Some of the strategies the Corporation use to address workforce planning and resourcing issues include: competitive remuneration arrangements; professional development opportunities; flexible work practices; family-friendly working arrangements; and other employment conditions tailored to individual needs.

The Corporation's four (4) year projected employment figures are as follows:

	30 JUNE 2010	30 JUNE 2011	30 JUNE 2012	30 JUNE 2013
Employment Category				
Permanent Full Time	89	89	89	89
Permanent Part-time (FTE)	2.0517	2.0517	2.0517	2.0517
Other Contract	7	7	7	7
Senior Executive Contract	4	4	4	4
Apprentices (In House)	4	4	4	4
Trainees (In House)	1	1	1	1
Casual Employees (FTE)	5	5	5	5
Total Directly Employed Workforce	112.05	112.05	112.05	112.05
Apprentices (Group)	0	0	0	0
Trainees (Group)	0	0	0	0
Contractor Employees (Trade/Technical)	0	0	0	0
Contractor Employees (Professional/ Administrative/Clerical)	1	1	1	1
Labour Hire (Trade/Technical - FTE)	0	0	0	0
Labour Hire (Professional/ Administrative/Clerical - FTE)	0	0	0	0
S457 Temporary Visa	0	0	0	0
Total Workforce	113.05	113.05	113.05	113.05

The Corporation will continue to review its workforce and may need to increase or decrease employee numbers dependent on trade throughput. Increases in future employee numbers is envisaged to ensure the Corporation is appropriately resourced to manage upcoming projects, security requirements and to achieve our objective of being prepared to capitalise on future growth opportunities.

The proposed growth areas are envisaged to be in engineering, project management and contractor management. These positions will be recruited using a mix of recruitment strategies appropriate to the position and may include internal hiring, utilising external recruitment agencies and associations with professional bodies.

The Corporation notes Government's 2009 election commitment to maintain 5,000 public sector apprenticeship and trainee positions over

four years to April 2013 across the Queensland public sector agencies, Government Owned Corporations, government departments and statutory authorities. The Corporation's workforce planning and employment policies are underpinned by a clear recognition of the need for a skilled and viable workforce which takes into account the need for on-going renewal and appropriate training to ensure there is sufficient capacity within the organisation to replace retiring or departing employees. Apprentices and trainees are an important part of this forward planning and the Corporation therefore supports the Government's commitment. The Corporation will continue to make available apprenticeship and trainee opportunities consistent with its workforce planning, training programs and business needs.

8. WORKPLACE HEALTH & SAFETY

The Corporation is committed to complying with its obligations under the *Workplace Health and Safety Act 1995* (Qld) (WH&S Act). The Corporation has implemented and maintains an Integrated Management System which complies with AS 4801:2001 (Occupational Health and Safety Management System) that ensures the systematic management of health and safety throughout the Corporation and compliance with legal and other requirements. Surveillance audits on the Corporation's Integrated Management System (IMS) are conducted bi-annually in February and August by external auditors with various internal audits conducted throughout the year by qualified employees.

In accordance with Part 7 of the WH&S Act, the Corporation has appointed Workplace Health and Safety Representatives and a Workplace Health and Safety Committee has been established to assist cooperation between the Corporation and workers in developing and carrying out measures to ensure workplace health and safety in the workplace and to provide information and advice to the Corporation about workplace health and safety.

The Corporation has in place an Occupational Health and Safety (OHS) Strategic Plan 2008-2011 and an Operational Business Unit Plan. The Corporation has a number of initiatives in place that have been adopted to meet obligations under the WH&S Act including:

- safety inductions;
- fitness for work program;
- employee assistance program;
- implementation of safe work practices;
- promotion of the use of safety equipment through training and tool box talks; and
- safety education and training on topics such as manual handling and use of fire extinguishers.

Over next 12 months, the Corporation is planning to implement a Health and Wellbeing program aimed at reducing the number of injuries in the workplace, particularly strains and sprains. The program involves individual fitness and health programs and proactive maintenance treatments with an Exercise Physiologist.

Initial baseline assessments will be conducted at the start of the program and personalised action plans will be developed as part of this process. Throughout a period of three (3) months, an Exercise Physiologist will visit the worksite and conduct a number of education sessions and group exercise classes. The baseline measures will be reviewed at the end of the program with individual and non-identifying data reported back to the Corporation on the results of the program. Expected results from the program include: improvement in blood pressure and heart rate, weight loss and waist line reduction, improved flexibility and strength, reduced pain and discomfort and improved energy and fatigue. This program will initially be implemented in the Maintenance Workshop as a mandatory program in early 2010. The Corporation will assess the success of the

initial program and will seek to implement it throughout other areas of the organisation over a period of time.

Performance targets for OHS are detailed in the OHS Strategic Plan. Performance against these targets is reported to the Board on a quarterly basis. A series of indicators are also included in the Corporation's SCI and reported to the Board and shareholding Ministers on a quarterly basis. The Corporation's year to date (as at January 2010) Lost Time Injury Frequency Rate (LTIFR) is 18.45 and year to date Lost Time Injury Duration Rate (LTIDR) is 25 days.

Corporate Health Program: The Corporation has implemented a Corporate Health Program to educate employees on matters of health and fitness for work. Presentations and activities that are run include: healthy eating demonstration, ergonomic assessments, health checks (cholesterol, BMI, blood pressure), 10,000 steps challenge, hearing and vision awareness/education, flu shots and skin checks. Attendance at these events is voluntary but well attended.

9. EQUAL EMPLOYMENT OPPORTUNITY (EEO) AND ANTI-DISCRIMINATION

The Corporation has adopted and implemented an Equity Policy which aims to promote equality of opportunity by prohibiting unfair discrimination, sexual harassment and associated objectionable conduct. The policy contains information relating to Equal Employment Opportunity, Anti-Discrimination, Sexual Harassment and Prevention of Harassment and Bullying. New employees are trained in this Policy during induction and all employees are required to attend annual training in relation to this Policy. Any reported breaches of the Corporation's Equity Policy are investigated promptly and any person found to be in breach of the policy may be subject to disciplinary action in accordance with the Corporation's Disciplinary Procedure.

The fundamental principles which underpin the Corporation's Equity policy are as follows:

- Respect - All employees must uphold a commitment to working in an atmosphere of mutual respect.
- Professional conduct- Proper and professional conduct in accordance with the Corporation's Equity Policy requires the following:
 - selection and recruitment based on merit;
 - appraisal, development and promotion based upon skill and performance;
 - no discrimination on grounds prohibited by legislation; and
 - absence of harassment, victimisation and bullying by any employee.

The Corporation has appointed Contact Officers who are trained in providing advice and support to employees in regards to the application of the Equity Policy. The role of the Contact Officer is to:

- act as a point of contact for any person considering making a complaint;

12. MANAGEMENT OF THE RELATIONSHIP BETWEEN PORT OF TOWNSVILLE LIMITED & UNIONS

The Corporation maintains a productive working relationship with the Maritime Union of Australia (MUA) and the Australian Maritime Officers Union (AMOU). The Corporation is committed to applying the Minimum Employment, Industrial Relations and Job Security Principles for Government Owned Corporation (GOC) Employees (November 2009) as well as any applicable legislation governing the interaction and management of the relationship between the Corporation and Unions.

The Corporation has established Consultative Committees which meet regularly to discuss industrial matters affecting employees.

The Consultative Committees comprise management representatives and employee representatives. Employees' nominated representatives also are invited to attend.

The Consultative Committees meet at least once in each quarter and meetings are chaired by the Chief Executive Officer. The Consultative Committees monitor and discuss:

- the implementation and operation of the Agreements;
- continuous improvement initiatives including Occupational Health and Safety matters; and
- any proposed organisational/structural changes and prospect of special projects.

13. REDUNDANCY PROVISIONS

In responding to situations of organisational change where a job ceases to exist, the Corporation adopts as its prime option a policy of retraining and redeployment in preference to redundancy/retrenchment. Voluntary redundancy options will be considered taking into account the benefits and costs to the Corporation in each individual case. Acceptance of voluntary redundancies will be at the discretion of the Corporation. The Corporation remains committed to the policy of no forced redundancies unless approved by Shareholding Ministers.

The Corporation is committed to providing redundancy provisions in accordance with Division 11 of the *Fair Work Act 2009* (Cth). The Corporation's current redundancy provisions provide that in the event of a redundancy, affected employee/s are provided with four weeks' salary in lieu of notice, with an additional one week's salary payable to employees over 45 years of age and with not less than two years' continuous service. Redundancy payments will be calculated on the basis of three (3) weeks salary per year of service. However in accordance with the National Employment Standards, employees with at least one (1) year but less than two (2) years continuous service with the Corporation who is offered a redundancy payment will receive four (4) weeks salary for that period. Affected employee/s shall also be allowed up to one day's time off without loss of pay during each week of notice for the purpose of seeking other employment. Accrued Annual Leave is paid out on termination. Accrued Long Service Leave is paid out on termination if the entitlement exists.

- provide appropriate advice and support to employees who may have concerns regarding discrimination or harassment;
- provide support to a complainant to enable them to make an informed choice as to how to deal with their complaint through:
 - a) treating all complaints seriously and listening with respect and empathy;
 - b) identifying the nature of the complaint and providing information about both internal and external avenues of dealing with the complaint;
- where appropriate refer complainants to external agencies and/or other staff;
- document the procedure adopted to resolve the complaint and the outcome;
- a Contact Officer is not an advocate or legal expert and does not 'judge' whether a person is right or wrong; and
- maintain appropriate confidentiality and impartiality at all times.

The Corporation's Contact Officers provide a report to Management on a quarterly basis which outlines statistics and trends of reported complaints. No confidential information is disclosed in these reports.

The Corporation continues to ensure that the principals of merit and equity are upheld in the processes associated with the recruitment, selection and promotion of employees, and has investigated and implemented opportunities for improving representation and involvement of target groups in other areas such as interview panels.

The Corporation currently employs thirty-one (31) women, of which seven (7) are classified at Port of Townsville Level 5 and above. Four women are currently working in senior or middle management positions.

In accordance with section 31 of the *Public Service Act 2008* (Qld) (the Act), the Corporation submits an annual report to the Public Service Commissioner on the outcomes of its actions required under section 30 of the Act.

The age distribution of employees as at 11 January 2010 is:

AGE (YEARS)	NUMBER
<20	5
21 - 30	18
31 - 40	19
41 - 50	27
= or > 51	29

10. INTERSTATE ACQUISITIONS/OPERATIONS

The Corporation does not employ any interstate employees.

11. JOINT VENTURE PROJECTS

The Corporation's employees are not involved in the operation of any joint venture assets at this time.

Employment policies will be regularly reviewed to allow for the adherence to any formal direction given by shareholding Ministers on matters relating to position redundancies. Employees who have received a redundancy package will not be re-employed, or re-engaged on a consultancy basis, during the currency of their redundancy package. These provisions are in accordance with Government expectations.

VOLUNTARY EARLY RETIREMENT POLICY

The Corporation is committed to establishing and maintaining effective organisational structures that are flexible and responsive to changing statutory requirements, best value in service delivery, organisational change and technological developments. As a result, the Corporation may from time to time seek to adjust or renew the employee profile of the workforce. Payment of voluntary early retirement is one way that changes to organisational structures can be achieved.

The Corporation has adopted a Voluntary Early Retirement policy which provides a mechanism for the Corporation to offer voluntary early retirement to eligible employees. The voluntary early retirement benefit is calculated at the rate of two (2) weeks' salary for each year of continuous employment with the Corporation, pro-rated for any part of the period of employment less than a year, up to a maximum of 52 weeks. This Voluntary Early Retirement policy is consistent with Government policy.

14. JOB SECURITY

The Corporation is committed to providing long term job security to all employees. The Corporation currently has nineteen (19) employees with more than ten (10) years service, and eleven (11) employees with more than 20 years service.

The Corporation provides a commitment to have no forced redundancies unless formally approved by shareholding Ministers.

To assist in providing job security for employees the Corporation engages in the following practices:

- professional training and development;
- continual updating of employee skills and competencies;
- multi skilling of employees; and
- providing employees with new skills.

The above initiatives assist by alleviating the need to contract out work that may have been contracted out in the past due to not having suitably skilled/qualified employees.

15. CONTRACTING OUT

The Corporation is committed to orderly and sustainable best practices in relation to the use of contactors and the use of labour hire arrangements.

The Corporation will continue to contract out work associated with non-core activities and/or work of a specialised nature that is outside the scope or expertise of the Corporation's workforce, and/or does not justify the employment of a full time person to undertake required works.

Personnel entering the Port environment to engage in contracted duties participate in an induction process to ensure familiarisation with required safe work practices and systems.

The Corporation ensures that any contractor's employees performing the work have appropriate and valid prescribed occupational licences, levels of competency and use safe work practices and systems. Contractor registration is the Corporations process of verifying and documenting that the proposed contractor meets the Corporation's requirements. Upon completion, this will establish the contractor has the appropriate competencies (qualifications & experience). Upon successful tender the contractor is required to submit a safety management plan which includes:

- training and competency registers;
- risk identification;
- safe work practices;
- emergency plan; and
- site inspections.

The Corporation does not currently employ people on 457 visas or Australian Workplace Agreements. However should it engage people on 457 visas through use of contractors or labour hire companies in the future, appropriate measures (such as sighting and maintaining a copy of visas) will be taken to ensure that such employees are engaged in accordance with the relevant legislation and where people are engaged on 457 visas, employees on 457 visas are engaged as a minimum on the same terms and conditions as agreement employees and in accordance with relevant legislation.

The Corporation provides a commitment to adhere to any direction issued by shareholding Ministers on this issue.

16. SUPERANNUATION

The Corporation applies the *Superannuation Guarantee (Administration) Act 1992* (Cth) (as varied) and associated legislation in respect to employees' entitlement to superannuation. As the Corporation uses QSuper as its default Superannuation fund, it does not have access to any surplus from defined benefit funds.

If an employee chooses to have their employer superannuation contributions made to the QSuper Scheme, employees have two (2) options under this Scheme, either contributory or non-contributory.

CONTRIBUTORY

Employees may contribute up to 5% of their base wage to the scheme. The Corporation then contributes an equivalent amount plus an additional 7.75% of the employee's base wage.

NON-CONTRIBUTORY

Employees who decide not to make contributions will have an amount as determined by the Superannuation Guarantee Legislation paid into the QSuper Accumulation Plan by the Corporation. This amount is currently 9% of the base wage.

The Corporation continues to actively encourage employees to become contributory members of superannuation and to consider the long term benefits of salary sacrifice and additional voluntary contributions. QSuper seminars have been arranged for employees in work time. All current Enterprise Agreements provide for employees to transfer their long service entitlement into their superannuation account. To date, no employee has exercised this option.

Currently there are thirty (30) employees covered by the defined benefit arrangement of QSuper and sixty-three (63) employees covered by the defined contribution (accumulation) arrangement of QSuper. Five (5) employees have chosen to have their employer superannuation contributions deposited into different superannuation funds.

17. CONSULTATION

The Corporation is currently undertaking consultation on this Employment and Industrial Relations Plan 2010-2011 with:-

- employees;
- Maritime Union of Australia;
- Australian Maritime Officer's Union; and
- Queensland Transport, Office of Government Owned Corporations (OGOC), Department of Justice and Attorney-General, and the Department of the Premier and Cabinet. The E&IR planning process is coordinated by OGOC.

A summary of the outcome of consultations about the plan is detailed in the table below.

NAME	DATES CONSULTED	COMMENTS	PORT OF TOWNSVILLE RESPONSE
Office of Government Owned Corporations (co-ordinated consultation with Queensland Transport, Department of Justice and Attorney-General, Department of Premier and Cabinet)	15 January 2010	Sent to Mr Reg Prakash	
	4 February 2010	Changes made as per advice from Mr Reg Prakash on 4 February 2010	Plan updated and re-sent to OGOC on 16 February 2010
	5 March 2010	Changes made as per advice from Ms Bethany Hanna on 5 March 2010	Plan updated and re-sent to OGOC on 10 March 2010
	17 March 2010	Changes made as per advice from Mr Reg Prakash on 17 March 2010	Plan updated on 17 March 2010 (not required to re submit to OGOC)
	7 April 2010	Changes made as per advice from Bethany Hanna on 7 April 2010	Plan updated and re-sent to OGOC on 7 April 2010
Maritime Union of Australia	25 March 2010	Sent to MUA for comment	
Australian Maritime Officer's Union	25 March 2010	Sent to AMOU for comment	
All Port of Townsville Employees	25 March 2010	Sent to all employees for comment	

18. REPORTING

In accordance with the Guidelines for the Development of Employment and Industrial Relations Plans in Government Owned Corporations (December 2009), the Corporation will provide a brief report to OGOC with a copy to Department of Justice and Attorney-General at the time of submission of the E&IR Plan for the upcoming year, which covers the following matters:

- confirmation of implementation of the current E&IR Plan;
- outline of any events or matters that have occurred or due to occur that vary to the E&IR provisions for that cycle and explanations for those variations; and
- details of any contentious issues that have arisen or are expected to arise during the current E&IR Plan cycle.

Minimum Employment, Industrial Relations and Job Security Principles for Government Owned Corporation (GOC) Employees

CONTEXT

The Queensland Government through shareholding Ministers holds the principal financial interest in Government Owned Corporations (GOCs). Consequently Government is an important stakeholder in GOCs, which now operate in the national marketplace. Government also has a leadership role setting minimum employment standards and providing an example of a model employer.

RATIONALE

The introduction of Work Choices legislation has created some uncertainty regarding minimum employment standards, industrial relations practices and job security, especially in the government owned corporation sector, which is subject to the Work Choices legislation. This Government is opposed to the erosion of employment conditions by the Work Choices legislation introduced in 2006.

OBJECTIVE

The principles set out below, which have been endorsed by Government, are intended to confirm the Government's position on minimum employment conditions and industrial relations practices and ensure that pre-Work Choices conditions are not eroded.

As a general principle, GOCs should maintain arrangements and policies existing prior to Work Choices, including in any GOCs subsidiaries within Queensland unless otherwise agreed with unions. GOCs should also work cooperatively with unions to resolve issues using services available at the State level where possible.

APPLICATION

GOC shareholding Ministers request that GOCs put in place available safeguards to maintain standard employment conditions, industrial relations practices and job security through the provisions of GOC Employment and Industrial Relations Plans (E&IR Plans). E&IR Plans form part of the annual Statements of Corporate Intent which are considered and approved by the shareholding Ministers by 30 June each year in line with the *Government Owned Corporations Act 1993* provisions.

Legal advice from Crown law supported this approach, except where the relevant GOC is subject to the National Code of Practice for the Construction Industry e.g. Qld Rail as a result of undertaking work on federally funded rail infrastructure projects.

PRINCIPLES

1. UNION ENCOURAGEMENT

At the point of engagement, employees are to be provided with a document indicating that the Corporation encourages employees to join and maintain financial membership of an organisation of employees that has the right to represent their industrial interests.

Union delegates and job representatives have a role to play within a workplace. The existence of accredited union delegates and/or job representatives is to be encouraged.

Accredited union delegates and/or job representatives shall not be unnecessarily hindered in the reasonable and responsible performance of their duties.

2. NO DISADVANTAGE

Rates of pay and conditions of employment included in a Notional Preserved State Award and/or a Preserved State Collective Agreement, when taken as a whole, are not to be reduced in the future except as required by relevant federal legislation or as agreed between the relevant industrial parties.

3. ENTERPRISE AGREEMENTS

The following conditions of employment and practices shall continue –

- a) collective agreements with unions shall be the preferred means of industrial regulation of rates of pay and conditions of employment;
- b) new individual common law contracts shall not be written within the relevant enterprise agreement envelope (individual contracts should only be executed where total fixed remuneration equates to or exceeds the equivalent of the Queensland Public Service AO-8 level (from 1/7/2008 \$95,082.40 per annum) plus 12.75% plus the equivalent of annual leave loading plus any overtime component) or the top rate in the respective GOC enterprise agreement plus the applicable superannuation and annual leave components, where the aggregate of these is lower –
 - i) An amount lower than outlined in b) above may be negotiated within an enterprise agreement as agreed between the relevant parties; and
 - ii) Developing and utilising alternative employment arrangements under enterprise agreements, which provide hours and overtime flexibility linked to a rolled-up rate of pay, is preferred to the use of individual contracts within the relevant enterprise agreement envelope/s.

4. PAYROLL DEDUCTIONS OF UNION FEES

Requests from employees for payroll deduction of union fees are to be accommodated where the service was made available immediately prior to 27 March, 2006. It is noted that Government agencies provide this facility without charge to relevant unions.

5. USE OF CONTRACTORS

The following general principles should be followed when using contractors:

- (a) Contractors and/or labour on-hire arrangements are to be utilised in an orderly and responsible manner, such that there is not a detrimental effect on the State's or public interest e.g. causing disruption to services to the public or causing damage to the economy or standing of the State.
- (b) It is recognised that circumstances arise where the use of Contractors is either desirable or essential. These circumstances are seen to be within the following guidelines:–
 - (i) The work volume, type of work or specialisation required is beyond the capacity of resources or staff;
 - (ii) It is in the public interest to undertake such work. Public interest includes issues of cost effectiveness; or
 - (iii) The security and tenure of employment of additional staff required to meet work peaks cannot be guaranteed.
- (c) The use of contractors is not to be used to avoid training existing staff or employing new staff to cater for emerging areas of work. "Emerging areas of work" does not include one-off works or temporary work peaks.
- (d) In addition, contractors and/or their employees are not to be appointed to any position as permanent employees unless normal advertising and selection processes have been followed.

6. UNFAIR DISMISSAL

Responsible and defensible policies and procedures regarding the management of performance, conduct and capacity of staff should be in place and adhered to. That is, except where situations arise warranting summary dismissal under common law, –

- a) if an employee's conduct, capacity or performance is deficient
 - (i) ensure the employee is formally warned about the conduct, capacity or performance and is given a chance to rectify any deficiency; and
 - (ii) ensure the employee is given an opportunity to respond formally to any allegation about their conduct, capacity or performance; and
 - (iii) ensure employees have a right to be represented through all parts of the process; and
- b) if dismissal is subsequently contemplated –
 - (i) provide the employee with a clear reason for dismissal detailing the process gone through to seek improvement as referred to above; and
 - (ii) ensure clarity as to whether the dismissal is related to the employee's conduct, capacity or performance.

7. RIGHT OF ENTRY OF UNION OFFICERS TO THE WORKPLACE

An officer of a union party to a GOC award or enterprise agreement shall be provided with access to relevant workplaces during business hours to inspect and request information and/or discuss with the employer and members or potential members, a suspected breach of applicable employment legislation, a relevant award or enterprise agreement or a workplace or industrial matter. The above is subject to seeking access from a responsible manager or other person in charge. Permission shall not be unreasonably withheld, but access and the activities undertaken thereafter shall not interrupt the normal continuity of work.

It is noted that by law, entry to certain operations subject to national/ State security initiatives can only occur under escort unless the necessary authorities are held. Union officials should make contact with GOCs beforehand to ensure necessary compliance before entering workplaces where this might be the case e.g. ports, airports and like essential infrastructure installations.

8. INDUSTRIAL RELATIONS EDUCATION LEAVE

Unless an award/enterprise agreement and/or custom and practice immediately prior to 27 March 2006 provides otherwise, paid time off not exceeding five days per union in any one year non-cumulative, is to be made available to a duly elected or appointed union representative or delegate, upon written application by the union at least 6 weeks in advance (or such lesser period as was provided for in an award/enterprise agreement or custom or practice immediately prior to 27 March 2006 or as is mutually agreed by the union and the GOC), to attend courses or seminars conducted by the union or specific training courses approved and accredited by the union. The GOC shall give consideration to the special requirements of any regionally based workplaces in applying the limits on paid time off referred to above, provided that the granting of such leave does not unreasonably interfere with the GOC's operations. The scope, content and level of such courses or seminars shall be such as to contribute to a better understanding of industrial relations within the GOC's operations.

9. CONSULTATIVE ARRANGEMENTS

GOCs shall endeavour to deal with industrial relations matters cooperatively through consultative arrangements with employees and union delegates at the workplace level and through employees and/or delegates and union representatives or officials at the organisation level. Paid involvement of delegates and relevant employees shall be considered in relation to such consultative arrangements, as well as in circumstances where their involvement facilitates the resolution of industrial relations issues or assists the employer in developing and implementing new initiatives, provided they are not involved in industrial action. Where paid union meetings have been available as a result of an award/enterprise agreement or custom and practice existing immediately prior to 27 March 2006, such arrangements shall be continued.

10. JOB SECURITY

In any situation of redundancy, options for redeployment and retraining of staff shall be exhausted before the offer of voluntary redundancy arrangements is considered. DEIR should be consulted prior to the offer of voluntary redundancy arrangements. There shall be no forced redundancies without the explicit and written sanction of relevant shareholding Ministers in the case of forced redundancies at GOCs.

11. ASSISTANCE WITH THE RESOLUTION OF DISPUTES

The *Industrial Relations Act 1999* (IR Act) was amended in 2007 to provide for parties to have access to the Queensland Industrial Relations Commission (QIRC) by agreement, to conciliate and/or arbitrate matters in dispute and to provide greater flexibilities in the structure of the QIRC to respond to changing workloads as a result of the introduction of Work Choices. This includes parties to Preserved State Collective Agreements or Notional Agreements Preserving State Awards. GOCs are encouraged to utilise these avenues as a means of resolving issues at the State level. Wherever possible, GOCs should genuinely attempt to resolve issues through the provisions of the IR Act.

If a matter cannot be resolved as a result of utilising the QIRC functions, such processes will satisfy the requirements of the *Workplace Relations Act 1996* regarding alternative dispute resolution, should matters subsequently be referred to the Australian Industrial Relations Commission by way of dispute.

GOCs are advised to develop a Dispute Resolving Policy that provides a consistent and clear approach for the parties to deal with disputes early on. The Disputes Resolving Policy may list the nominated person(s) agreed with the union(s) to assist the parties in resolving disputes and a range of functions and conditions agreed between the parties to determine on a case by case basis the best way to deal with particular disputes.

This is not a process to deal with industrial action.

See attachments: Guidelines for Establishing a Disputes Resolving Policy for use in seeking the assistance of the Queensland Industrial Relations Commission under section 273A of the IR Act.

GUIDELINES: ESTABLISHING A DISPUTE RESOLVING POLICY

The GOC and Union/s shall have regard to the following principles in establishing a disputes resolving policy.

STEP 1 RESOLUTION AT THE WORKPLACE LEVEL

Involves genuine attempt to resolve the issue using consultative arrangements with employees and union delegates and if necessary, with union officers.

If there is no resolution at the work place level, proceed to next level (Step 2):

STEP 2 ALTERNATIVE DISPUTE RESOLUTION PROCESS [INCLUDING QIRC ASSISTANCE]

Who The disputes policy shall list the nominated person (s) agreed between the parties to assist in resolving disputes.

Person/s may include a Queensland Industrial Relations Commission (QIRC) member/s in relation to utilising section 273A under the *Industrial Relations Act 1999* or, alternatively establish a panel of agreed persons (eg industry expert, AIRC/QIRC representative and union representative)

How The parties may determine the appropriate approach to each dispute on a case-by-case basis and must agree in writing how the dispute is to be resolved. If the parties agree to seek the QIRC's assistance, the parties must submit a referral agreement to the QIRC as to how the dispute is to be resolved by the QIRC (refer to section 273A (1)(b) under the *Industrial Relations Act 1999*).

What General Provisions

Provisions covered in the disputes resolving policy must be agreed between the parties in advance of handling any particular dispute. Such provisions can include:

- (i) Commitment from parties to follow agreed process.
- (ii) Determine appropriate timeframes to deal the dispute.
- (iii) The allocation of any costs associated with a dispute process will be as agreed between the parties on a case-by-case basis or if no agreement can be reached, each party shall meet its own costs.
- (iv) Work as directed unless the employee has a reasonable concern about an imminent risk to their health or safety.
- (v) At any time industrial action is threatened or taken during the process, either party may directly proceed to AIRC for assistance.

Any time industrial action is threatened or taken, the GOC must inform Department of Employment and Industrial Relations as soon as possible.

Functions of QIRC

The following provisions are consistent with the functions available under section 273A (4) of the *Industrial Relations Act 1999*.

- (a) conciliating;
- (b) arbitrating;
- (c) granting a remedy or other relief; and/or
- (d) deciding any other issue or question.

Furthermore, a decision by the QIRC in performing the dispute resolution functions does not bind the parties unless the referral agreement provides for the decision to bind the parties.

Disputes Resolving Policy - Checklist

The following checklist could also be used as a basis of a referral agreement under section 273A(1)(b) of the Industrial Relations Act 1999.

1. Request the informal assistance of [INSERT Commissioner] to resolve a dispute between [INSERT parties involved].
2. Advise the dispute is in relation to [INSERT subject matter, brief background and timeframe the dispute has existed].
3. Indicate the [INSERT union or other party to the dispute] has been notified and agrees to the Commissioner's assistance to resolve this dispute and the parties request that the Commissioner be requested [INSERT terms of disputes process eg
 - to conciliate the matter
 - to conciliate the matter and if the dispute remains unresolved, arbitrate the matter
 - to arbitrate the matter
 - granting a remedy or other relief
 - deciding any other issue or question arising in the dispute.
4. State that in its role as [INSERT conciliator / arbitrator] the Commissioner is requested [INSERT any of the following relevant term]s:
 - to observe the confidentiality of the matters in dispute
 - to identify and define the matters in dispute
 - to develop a procedure that aims to resolve the dispute quickly, fairly and cost-effectively
 - to suggest resolution techniques for individual issues aimed at narrowing the matters in dispute
 - to act as the facilitator of direct negotiations between the parties
 - to make suggestions for resolution (Conciliation process)
 - express opinions about a reasonable resolution (Conciliation process)
 - that if the matter is unresolved it may within seven days of terminating the process, provide a written report to the parties expressing the opinion of what would be a reasonable resolution of the dispute (Conciliation).
 - to determine the matter (s) in dispute by selecting one only of the final round of offers on the basis of which offer the Commissioner believes provides the most reasonable basis on which to resolve the matter in dispute (Arbitration)
 - not to amend or otherwise qualify the offer it selects (Arbitration)
 - to notify the parties in writing as to the offer it considers to provide the most reasonable basis of settlement as soon as practicable after receiving the final round of offers from the parties (Arbitration)

- to make a recommendation which the parties accept as a binding resolution of the dispute. The recommendation can be based on the information provided in conciliation and additional information provided by the parties. The parties agree that the Commission may issue directions for the purposes of obtaining further information. (Informal Determination)
 - to make a formal determination and that the parties agree to abide by the determination. The parties will have the opportunity to be heard formally on the matter(s) in dispute and the Commissioner will only regard material including witness evidence, submission and will disregard admissions, concession, offers or claims made in mediation. The Commissioner may also make and issue directions in relation to the process leading to is determination and the parties will abide by those directions. (Formal Determination)
5. Address procedural matters including [INSERT details about]:
 - how the parties will present its position
 - confidentiality arrangements
 - representation
 - timing, location and duration of the process
 - if a telephone conference is required
 - how the process will be recorded
 - any other particulars about the Commissioner's role in relation to establishing procedures.
 6. Advise that in the event that the requested Commissioner is not available, the parties request [INSERT Commissioner] to assist the parties.

Attachment 3

Sponsorship, Advertising, Corporate Entertainment, Donations and Other Arrangements

TABLE 1: SPONSORSHIP, ADVERTISING, CORPORATE ENTERTAINMENT, DONATIONS AND OTHER ACTIVITIES FOR ACTIVITIES - DETAILS OF INDIVIDUAL EXPENDITURE ITEMS

ACTIVITY	DESCRIPTION / BENEFIT	2009-2010 BUDGET \$	2009-2010 EST. ACTUALS \$	2010-2011 BUDGET \$	QUARTER 2010-2011 \$				2010-2011 PER HEAD BUDGET \$
					SEPT	DEC	MAR	JUN	
Sponsorship									
Townsville Enterprise Limited	To increase the Port's profile within the industry and promote trade.	\$110,000	\$106,391	\$50,000	\$50,000	Nil	Nil	Nil	
MITEZ Annual Membership	To support the diversification of new industries, expansion of new markets and promotion of existing investment opportunities in the region.	\$10,000	\$10,000	\$10,000	Nil	\$10,000	Nil	Nil	
Year of the Seafarer	To commemorate the year of the seafarer.	Nil	Nil	\$5,000	Nil	\$5,000	Nil	Nil	
James Cook University Scholarships	To promote employment within the north Queensland region and the Corporation as a potential employer.	\$6,000	\$6,000	\$5,000	Nil	Nil	\$3,000	Nil	
Xstrata Mount Isa Mining Expo	Promotion and marketing of the Port of Townsville (sponsorship of event).	Nil	Nil	\$10,000	Nil	Nil	\$10,000	Nil	
Total over \$5,000		\$126,000	\$122,391	\$80,000	\$50,000	\$15,000	\$13,000	Nil	
Other (total) below \$5,000		\$10,250	\$8,850	\$11,150	\$8,150	\$3,000	Nil	Nil	
Total Sponsorship		\$136,250	\$131,241	\$91,150	\$58,150	\$18,000	\$13,000	Nil	
Advertising									
Mining the Isa Conference	To improve prospective client/customer relationships and explore potential business development opportunities.	\$9,000	\$9,000	Nil	Nil	Nil	Nil	Nil	
Xstrata Mount Isa Mining Expo	Promotion and marketing of the Port of Townsville (media promotional material).	\$5,000	\$5,000	\$15,000	Nil	Nil	\$15,000	Nil	
Annual Report	Statutory compliance and promotion of Port of Townsville and year in review.	\$15,000	\$15,000	\$10,000	Nil	Nil	Nil	\$10,000	
Total over \$5,000		\$29,000	\$29,000	\$25,000	Nil	Nil	\$15,000	\$10,000	
Other (total) below \$5,000		\$61,000	\$61,000	\$35,600	\$8,150	\$8,150	\$11,150	\$8,150	
Total Advertising		\$90,000	\$90,000	\$60,600	\$5,650	\$5,650	\$32,650	\$15,650	

ACTIVITY	DESCRIPTION / BENEFIT	2009-2010 BUDGET \$	2009-2010 EST. ACTUALS \$	2010-2011 BUDGET \$	QUARTER 2010-2011 \$				2010-2011 PER HEAD BUDGET \$
					SEPT	DEC	MAR	JUN	
Corporate Entertainment									
RePort Card Function	Stakeholder information / education session. Opportunity for the Corporation to deliver in person the previous year trade results, annual report and future project plans.	\$5,000	\$5,000	\$5,000	Nil	\$5,000	Nil	Nil	\$41.65
Chairman's Christmas Cocktail Function	Opportunity for the Corporation's Chairman to provide a review of the year and future plans at the Port, and thank Port customers and stakeholders for their support throughout the year.	\$5,000	\$5,000	\$5,000	Nil	\$5,000	Nil	Nil	\$100.00
Employee Christmas Party	Year in review, recognition / appreciation of employee efforts, employee morale and increase team building.	\$15,000	\$16,489	\$15,000	Nil	\$15,000	Nil	Nil	\$130.45
Total over \$5,000		\$20,000	\$26,489	\$25,000	Nil	\$25,000	Nil	Nil	
Other (total) below \$5,000		\$25,300	\$25,300	\$27,600	\$5,950	\$5,350	\$5,450		
Total Corporate Entertainment		\$45,300	\$51,789	\$52,600	\$30,950	\$5,350	\$5,450		
Donations									
Annual Charity Golf Day	To enhance corporate citizenship and networking opportunities with proceeds of event to go to a charity.	Nil	Nil	\$10,000	\$10,000	Nil	Nil	Nil	
Australian Volunteer Coastguard	To assist the Australian Volunteer Coastguard with the purchase of a new local maritime rescue vessel.	\$25,000	\$25,000	\$25,000	Nil	\$25,000	Nil	Nil	
Red Shield Appeal	To support the Salvation Army's social and community services.	Nil	Nil	\$5,000	Nil	Nil	\$5,000	Nil	
Maritime Museum	To support community endeavours and promote the Port's historical significance to the area.	\$57,000	\$57,000	\$57,000	\$14,250	\$14,250	\$14,250	\$14,250	
Total over \$5,000		\$82,000	\$82,000	\$97,000	\$39,250	\$19,250	\$14,250		
Other (total) below \$5,000		\$11,000	\$11,000	\$63,000	\$15,500	\$15,500	\$16,000		
Total Donations		\$93,000	\$93,000	\$160,000	\$54,750	\$34,750	\$30,250		

Attachment 4

TABLE 2: CORPORATE ENTERTAINMENT - DETAILS OF TOTAL BUDGETED EXPENDITURE UNDER \$5,000

ACTIVITY	2009-2010 BUDGET \$	2009-2010 EST. ACTUALS \$	2010-2011 NO. OF ACTIVITIES	2010-2011 BUDGET \$	QUARTER 2010-2011 \$			
					SEPT	DEC	MAR	JUN
Corporate Entertainment Total								
Employee Functions	\$500	\$500	3	\$4,700	Nil	\$2,600	Nil	\$2,100
Business Development	\$15,000	\$15,000	117	\$19,900	\$9,600	\$3,100	\$4,100	\$3,100
Stakeholder and Community Engagement	\$9,800	\$9,800	6	\$3,000	\$1,250	\$250	\$1,250	\$250
Total Under \$5,000	\$25,300	\$25,300		\$27,600	\$10,850	\$5,950	\$5,350	\$5,450

WACC CALCULATIONS

WACC CALCULATION			
Cost of Equity Inputs			
Risk Free rate (10 year Bond %)	Rf		5.58%
Asset Beta	Ba		0.700
Debt Beta (Vanilla)	Bd (Vanilla)	= (Debt Margin / MRP)/2	0.26
Equity Beta (Vanilla)	Be (Vanilla)	=Ba x [1+(1-(t x (1-y) x (D%/E%)))-Bd x ((1-(t x (1-y) x (D%/E%)))]	0.90
Equity Beta (Post and Pre)	Be	= Ba x [1 + ((D% / E%) x (1 - t))]	1.03
Market Risk Premium (%)	MRP		6.00%
Cost of Debt Inputs			
Project Leverage	D% / [D% + E%]		40.0%
Debt Margin Over Risk Free	Margin%		3.16%
Other Inputs / Calculations			
Corporate Tax Rate (long term)	t		30.0%
Imputation Credit Utilisation Rate	y		-
Inflation Rate			2.50%
Weighted Average Calculations			
Vanilla WACC (used for Regulated Return)		EY - T + Ty	10.10%
All tax and franking included in cash flows			
Post-tax nominal WACC		EY (1-t)	9.49%
All tax included in cash flows franking included in formula			
Pre-tax nominal WACC		EY	13.56%
Tax and franking included in formula			
Post-tax real WACC		EY (1-t)	6.82%
Tax and franking included in formula			
Pre-tax real WACC		EY	10.79%
Tax and franking included in formula			
Note: Pre-tax nominal WACC is calculated using the market transformation method	EY	EBIT	
	t	corporate tax rate	
Note: Vanilla WACC is calculated using the approach applied in the QCA - Gladstone Area Water Board	y	imputation credits	
March 2005 Final Report	T	t (EBIT - interest expense)	

Attachment 5

Corporate Governance Guidelines for Government Owned Corporations

Provide details of recommendations not adopted and the reasons why they have not been adopted.

Not Applicable

Attachment 6

Government Policies and Guidelines

- Biannual Reporting: Guidelines for the Preparation of Interim Reports (2009);
- Code of Practice for Government Owned Corporations' Financial Arrangements (2009);
- Community Service Obligations – A Policy Framework (1999);
- Corporate Entertainment and Hospitality Guidelines (2008);
- Corporate Governance Guidelines for Government Owned Corporations (2009);
- Cost of Capital Principles – Government Owned Corporations (2006);
- Government Owned Corporations Air Travel Policy (2009);
- Government Owned Corporations Bargaining Guidelines (2010);
- Government Owned Corporations Governance Arrangements for Chief and Senior Executives (2009);
- Government Owned Corporations Guidelines for the Preparation of Statements of Corporate Intent and Corporation Plans (2010);
- Government Owned Corporations Release of Information Arrangements (2009);
- Government Owned Corporation Subsidiaries – Key Shareholder Requirements for Constitutions (2006);
- Government Owned Corporations Wages Policy (2010);
- Guidance for Chief Executive Officers – Agreement Making and Industrial Relations in Government Owned Corporations (2010);
- Guidelines for the Development of Employment and Industrial Relations Plans in Government Owned Corporations (2009);
- Guidelines for the Export of Services by Government Owned Corporations (2001);
- Investment Guidelines for Government Owned Corporations (2009);
- Local Industry Policy: A Fair Go for Local Industry (2008);
- Minimum Disclosure Requirements for Directors and Chief and Senior Executives of Government Owned Corporations (2009);
- Minimum Employment, Industrial Relations and Job Security Principles for Government Owned Corporation Employees (2009);
- Purchasing Carbon Offsets for Queensland Government Air Travel (2008);
- QFleet ClimateSmart Policy (2008);
- Queensland Code of Practice for the Building and Construction Industry (2009);
- Sport and Recreation Sponsorship Policy (2009);
- State Procurement Policy (2008);
- Guidelines for the Issue of Harbour Towage Licences (2002);
- Queensland Port Government Owned Corporations – Local Government General Rates Equivalent Regime: Guidelines for Assessment, Collection & Payment (2000); and
- Transport Portfolio Code of Practice for Closed Circuit Television Systems (2007).

Additional Matters

- In its planning and development processes, the Corporation has taken into account the Townsville-Thuringowa Integrated Regional Transport Plan.
- The Corporation ensures that the spirit and intent of the Government Land Disposal Policies – Government Asset Management System (GAMS) are followed in its land dealings.
- The Corporation will seek the prior approval of shareholding Ministers before submitting any projects for declaration as a 'significant project' under the *State Development and Public Works Organisation Act 1971* (Qld).
- In line with the recommendations of the Review of Current Port Competition and Regulation in Queensland, the Corporation will ensure that there is not an exploitation of monopoly power in its efforts to earn a commercial rate of return.

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