

Annual Report

Port Authority of New South Wales
2018/19



Overview

This Annual Report contains audited Financial Statements. If you experience difficulty accessing this content please contact David Kenny, General Manager, Corporate Planning and Reporting.

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Port Authority of New South Wales thanks all employees whose images of our working ports and waterways have been used to illustrate this report.

Letter of submission

27 September 2019

The Hon. Dominic Perrottet MP
Treasurer
52 Martin Place
SYDNEY NSW 2000

The Hon. Damien Tudehope MLC
Minister for Finance and Small Business
52 Martin Place
SYDNEY NSW 2000

Dear Mr Perrottet and Mr Tudehope,

REPORT ON OPERATIONS FOR THE YEAR ENDING 30 JUNE 2019

We are pleased to submit Port Authority of New South Wales' annual report detailing performance, operations and financial results for the year ending 30 June 2019.

The report has been prepared in accordance with the *Annual Reports (Statutory Bodies) Act 1984*, and the applicable provisions of the *Public Finance and Audit Act 1983* and the *State Owned Corporations Act 1989*, and is submitted for presentation to Parliament.

Yours sincerely,



Mr Robert Dunn
Chair



Mr Grant Gilfillan
Chief Executive Officer and Director

1 Overview

Port Authority of New South Wales (Port Authority) is a state owned corporation that manages the navigation, security and operational safety needs of commercial shipping in Sydney Harbour, Port Botany, Port Kembla and the ports of Newcastle, Eden and Yamba.

Port Authority's statutory objectives and functions are derived from the provisions of the *State Owned Corporations Act 1989* (NSW), *Ports and Maritime Administration Act 1995* (NSW) and the Port Safety Operating Licence issued under section 12(2) of the *Ports and Maritime Administration Act 1995*. (See Section 19.3 for more information.)

We operate to keep our ports safe for shipping and secure for everyone, and to protect port environments.

We work to provide our customers with a professional service that consistently aims to add value and takes their business needs into full consideration.

The primary role and responsibilities of Port Authority and associated business activities include:

- **safe navigation** of shipping movements within each port
- **survey** of harbour/port approaches, channels and berthing boxes
- **pilotage** (marine pilot safely navigating a ship in and out of a port)
- **port security**
- **safety** of port operations
- **emergency** response including the clean-up of spills in the marine environment
- **dangerous goods administration**, as contained in Part 11 of the repealed Dangerous Goods Regulation 1999, and preserved by the Work Health and Safety Regulation 2011

- management of:
 - **cruise facilities** and terminal services
 - common user berth facilities
 - **retail/commercial** properties
- governance of Hunter Coal Export Framework.

Port Authority is responsible for all commercial shipping functions in the ports of Sydney (Port Jackson and Botany Bay), Newcastle, Port Kembla, Eden and Yamba.

Port Authority has the role of Harbour Master in all commercial ports in NSW. Each Harbour Master is appointed under section 85 of the *Marine Safety Act 1998* (NSW). The general function of a Harbour Master is outlined in section 87 of the *Marine Safety Act* and can be summarised as having 'powers to direct and control the movement, entry and exit of vessels within port areas'. Port Authority is also the lead agency for responses to maritime incidents in coastal waters stretching from Fingal Head, Port Stephens in the north, to Gerroa, south of Port Kembla.

Port Authority owns and manages key NSW assets including common user berths at Glebe Island and White Bay in Sydney Harbour. Port Authority also provides land on long-term lease adjacent to berths at Glebe Island.

Port Authority owns and manages Sydney Harbour cruise facilities at the Overseas Passenger Terminal at Circular Quay and White Bay Cruise Terminal at Rozelle.

2 Highlights



2.1 Our people

Work, Health and Safety

Port Authority has recorded our lowest injury rates and best safety performance since the amalgamation of marine services in the Sydney, Newcastle and Port Kembla Port businesses in 2014.

The ongoing challenge to continually improve operational safety, the value of incident review and a better understanding and application of preventative and mitigating controls in risk management is supporting the safety improvement that has occurred. The leading indicators we measure include near miss reporting, safety conversations, audit inspections and WHS Committee meetings.

The preparedness of employees to challenge the way we have done things in the past has resulted in new ideas and the initiation of safer design, safer controls and safer outcomes for both employees and the public interface. We continually review protocols, particularly in regards to marine and pilot operations, to promote standardisation across all our ports.

Leadership and coaching

A key aspect of Port Authority's organisational goals is leadership and the coaching of employees to develop skills in leading others. Port Authority's Coaching for Success program supports these goals, with managers and employees engaging quarterly.

Port Authority continues to invest in an annual program of managerial leadership training for senior managers and key roles within the organisation.

Improving diversity and inclusion

Port Authority has focused on developing initiatives and ideas to increase and support diversity throughout the organisation and our industry.

Port Authority's Newcastle Harbour Master represents the organisation on the International Association of Ports & Harbours Women's Forum and was acknowledged for her commitment to promoting women in the maritime industry on an international scale, receiving an award at the annual Australian Shipping and Maritime Industry Awards.

Port Authority supports diversity and cultural awareness through a series of events and activities each year, such as Lunar New Year celebrations, Harmony Day and NAIDOC Week.

Launch of cadet program

In September 2018, Port Authority launched a cadet program for seafarers starting their careers in the maritime industry.

The Sponsored Deck Cadet Program is helping participants gain the 18-months of 'at-sea' experience required to obtain the Australian Maritime Safety Authority (AMSA) Watchkeeping Certificate. This is the first step towards attaining professional seafarer qualifications.

Port Authority has partnered with a number of shipping companies to offer cadets placements on various merchant ships, backed with the support of a Port Authority mentor.



Cadetship program: Matias (cadet) in Antarctica with the RSV Aurora Australis as part of Port Authority's cadetship program



Majestic Princess sails into Sydney Harbour on her maiden call, September 2018

2.2 Total vessel visits (cruise and trade)

During 2018/19, a total of 6040 commercial vessels visited the six ports in NSW administered by Port Authority. This total includes both trade vessels and cruise ships. The figure is down from 6225 in 2017/18 (a three per cent reduction).

The reduction is due to the reduced number of domestic cruise ship visits to Sydney Harbour in 2018/19, down to 323 (compared to 352 in 2017/18). This was a result of repositioning within the cruise industry to achieve greater growth in future years, and a reduction in trade vessel visits to Eden and Yamba to 127, (compared to 155 in 2017/18) as a result of the completion of the bridge work related to the local Pacific Highway upgrade.

Full occupation at the Overseas Passenger Terminal during the summer peak of the cruise season is restricting growth opportunities for the mega ship cruise sector. (See Section 10.6 for details).

2.3 Cruise

Cruise season is defined as 1 October to 30 April. 'Peak cruise season' is defined as 1 December to 30 March.

Sydney provides two world-class cruise facilities – the Overseas Passenger Terminal at Circular Quay and White Bay Cruise Terminal at Rozelle. These continue to accommodate some of the world's largest and newest cruise ships, some of which carry up to 5000 passengers plus crew.

The reporting year 2018/19 recorded the first year of negative growth for Sydney cruise activity in more than a decade, with 323 cruise ship visits, down from 352 in 2017/18 (an eight per cent reduction).

The reduction in ship visits in 2018/19 was also reflected in passenger numbers, with 1.4 million passenger exchanges (including both debarked and embarked passengers) in Sydney, compared to almost 1.6 million in 2017/18.



The AIDAaura berthed at White Bay Cruise terminal on her maiden call, December 2018

Port Authority anticipates that the next two years will be an unusual interim period where the larger cruise lines are adjusting and repositioning their product to changing industry conditions in preparation for future growth.

There was some interstate relocation or sale of smaller, domestic cruise ships during the first half of 2019, with delays occurring before their replacement with newer or refurbished larger ships in 2020 and 2021. This has resulted in a temporary decline in visits to White Bay Cruise Terminal and White Bay berth 4 in 2018/19 and this will continue into 2019/20.

During the financial year, 214 cruise ships visited the Overseas Passenger Terminal, compared to 219 in 2017/18. A total of 95 cruise ships visited White Bay Cruise Terminal and White Bay berth 4 in 2018/19, compared to 121 in 2017/18 (a 21 per cent reduction).

In the longer term, cruise activity is expected to return to previously forecast levels with the arrival of new and replacement ships (P&O's *Pacific Adventurer* in October 2020,

Regal Princess in December 2020 and *Royal Princess* in late 2021). This is in line with continuing strength in passenger demand and growth projections by the cruise industry.

The largest of the cruise ships to visit Sydney, the *Ovation of the Seas*, carries 4905 passengers and visited the Overseas Passenger Terminal a total of 17 times throughout the cruise season.

Six cruise ships made their maiden visits to Sydney. These included the *Majestic Princess* in September 2018, the *AIDAaura* and *Viking Orion* in December, and the *Silver Muse* in January 2019, followed by the *Le Laperouse* in February and the *MSC Magnifica* in March.

Regional ports – cruise ship visits in 2018/19 season

- Newcastle – 15
- Port Kembla – 1
- Eden – 15

Cruise ship visits to the regional ports continued to grow, with a total of 31 visits in 2018/19, up from 28 visits in 2017/18.

Newcastle welcomed 15 cruise ships, up from 11 in 2017/18. These were day visits affording passengers the opportunity to undertake excursions to the Hunter Valley, Port Stephens or other local attractions. No home porting, involving passenger exchanges, is currently conducted in Newcastle.

Eden welcomed 15 cruise ships during the cruise season, the same number as for 2017/18. These included four maiden voyages by: the *Caledonian Sky* in October 2018, the *Silver Muse* and *Amadea* in February and the *Seabourn Encore* in March 2019.

Port Kembla received one cruise ship visit, the *Explorer of the Seas*, in February 2019, playing host to more than 3000 passengers.

Cruise capacity strategic business case

The NSW Government has committed to investigating solutions to the constraints being experienced by the cruise industry in accessing cruise terminal berths in Sydney.

Resolving cruise capacity issues in Sydney has repeatedly been identified as a priority for the industry and government, including through the State Infrastructure Strategy 2018–2038, Cruise Development Plan (CDP) and Visitor Economy Industry Action Plan.

During 2018/19, Port Authority, in conjunction with NSW Treasury, delivered on Action 4 of the CDP and developed a strategic business case, which tested the feasibility of a new passenger cruise terminal at two potential sites in Yarra Bay and Molineux Point.

Following NSW Government consideration, the project is anticipated to progress to a detailed business case to investigate cruise capacity, industry demand and assess two potential sites at Yarra Bay and Molineux Point near Port Botany.

Comprehensive community and stakeholder consultation will also take place.



Explorer of the Seas visits Port Kembla, February 2019

Eden Breakwater Wharf Extension

Jointly funded by the Australian Government, the NSW Government and Bega Valley Shire Council, the \$44 million Eden Breakwater Wharf Extension project is an important multi-government initiative to drive economic growth in the region.

The wharf extension was completed during 2018/19, with some additional supplementary works requested by Port Authority. These works include the installation of a heavy-lift zone to allow crane operations for a mobile crane up to 300 tonnes. Other works completed include renewing the pavement on the existing breakwater wharf.

The breakwater berth will be commissioned ahead of the commencement of the 2019/20 cruise season. (See Section 13.3 for details.)

2.4 Trade

Total trade vessel visits were down from 5845 to 5686 – a reduction of 2.7 per cent in 2018/19 compared to the previous year.

Container vessel visits increased, with the introduction of a new Asian service, which began in March 2019. Over the past few years, container vessel size has continued to grow. This is due to larger ships being deployed in key trades overseas, and then being subsequently deployed into the Australian market. In early 2019, Port Botany welcomed two 9500 TEU (twenty-foot equivalent unit) vessels for the first time. Later in 2019, a new combined service will replace existing 6500 TEU vessels with larger 9500 TEU vessels on a consortia that caters for both South East Asia and Europe.



Berthing Dolphin just delivered from China and unloaded onto existing breakwater wharf

The number of visits of bulk liquid carrier vessels to Port Botany was down marginally, with a change in vessel profile.

In Newcastle, coal volumes increased this reporting year, which has driven the increase in vessel calls. However, export grain volumes were down considerably due to the current drought conditions being experienced in the key growing regions of NSW.

Port Kembla vessel visits were down by five per cent due to a reduction in designated car carrier vessels. In 2017/18, one mine in the Illawarra had a significant outage which reduced volume through the port. However, this volume has returned and coal vessel calls increased by over 37 per cent compared to the previous year.

Grain exports in Port Kembla were also down considerably compared to last year due to the drought conditions being suffered in the key growing locations in NSW. The outlook for the next grain season is also expected to be down.

2.5 The Bays Precinct

Detailed planning and delivery processes for the Bays Precinct will be ongoing for a number of years. Even so, Port Authority has sufficient clarity on the NSW Government's strategic objectives to plan and deliver port and working harbour outcomes through a period of major infrastructure delivery, before ultimately integrating these outcomes into the future urban renewal.

The WestConnex project has licenced an area of land on Glebe Island to stage construction works for the critical M4-M5 Link, which involves constructing twin tunnels between the new M4 Western Motorway at Haberfield and the new M5 South-West Motorway at St Peters, and the Rozelle Interchange and Iron Cove Link.

Other major infrastructure projects, including the Western Harbour Tunnel and Sydney Metro West, also plan to licence land from Port Authority in The Bays Precinct for project delivery. The land will be used for construction staging, truck marshalling and handling dredged material. The main locations include areas of White Bay (berths 1, 2 and 3), the White Bay Power Station, and Glebe Island berths 3 to 6. (See Section 10.7.)

2.6 Projects

Port Authority manages and develops port facilities and services to cater for the existing and future commercial shipping needs of the State of NSW.

Key projects for 2018/19 are described below.

Multi-user facility at Glebe Island

Following a period of extensive community consultation, Port Authority prepared a Review of Environmental Factors and a Response to Submissions (RtS) report on a multi-user facility to receive sand and aggregates by sea. The RtS report will be released soon. (See Section 10.7 for details.)

New Seaport Passenger Boarding Bridges – Overseas Passenger Terminal

A key element of the existing infrastructure at the Overseas Passenger Terminal is the gangway, which facilitates the safe and timely movement of passengers between the ship and the terminal.

Two new, technologically advanced Seaport Passenger Boarding Bridges (SPBBs) were constructed in Spain during 2018/19 to replace old technology at the Overseas Passenger Terminal.



Carrier ship delivers new gangways to the Overseas Passenger Terminal, July 2019

The SPBBs have been custom-built to better support visits from cruise ships, including Quantum-class vessels that can carry over 5000 passengers. Together, the bridges will move over 1200 people every 30 minutes, improving the terminal's operational efficiency, increasing capacity and allowing for quicker and easier embarkation and debarkation for passengers.

These gangways will be operational in August 2019, in time for the commencement of the 2019/20 cruise season. (See Section 10.9 for details.)

Upgraded northern access – Overseas Passenger Terminal

Port Authority partnered with Property NSW to fund an upgrade of Campbell's Cove public domain, including lowering and widening the foreshore promenade to deliver enhanced public access to The Rocks and improved accessibility to trucks providing cruise ships at Overseas Passenger Terminal.

The work undertaken on Port Authority land involved lowering the existing roundabout at the northern end of Circular Quay West Road, and repaving the entire area to enhance the appearance of the precinct.

The project was completed in time for the 2018/19 cruise season, facilitating a faster turnaround of large ships carrying in excess of 3000 passengers. (See Section 10.9 for details.)

2.7 The year ahead – projects

Over the coming 12 months, work will progress on the projects described below.

Glebe Island berth 8 wharf renewal

Glebe Island berth 8 is situated on the western shore of the Glebe Island Peninsula. The berth is currently utilised by commercial vessels importing bulk cement product for use in Sydney's concrete supply chain.

Repairs are now required to the 100-year-old wharf to renew the working load capacity of the deck. The works will involve replacement of deteriorated timber piles and components with new piles and structural elements, restoring strength to the wharf and preserving its function for years to come.

Aids to Navigation upgrade works

Port Authority is responsible for over 120 Aids to Navigation (AtoNs), which help support the safe navigation of commercial ships and recreational boats in our ports and harbours.

AtoNs include lighthouses, floating buoys, marker piles and land-based towers and marker boards, most of which include a navigation light.



to provide a visual indicator for safe navigation channel limits, and a warning for obstacles to navigation, such as a headland or shallow water. AtoNs require regular maintenance to ensure they remain functional at all times despite harsh conditions. The proposed upgrade works will include rejuvenation of paint systems, replacement of piles and structural components and upgrade of lights to the newest technology, ensuring our AtoNs remain a guiding light in the harbour.

Macquarie Pier revitalisation works

As well as being a prominent and iconic local attraction in Newcastle, Macquarie Pier is also an access route for the signal station and lighthouse at the top of Nobby's Headland (maintained by Australian Maritime Safety Authority (AMSA)), and the breakwater (maintained by Port of Newcastle).

Port Authority is planning to undertake revitalisation works to the pier, generally involving upgrade of the pathway to increase the amenity of the iconic location, and create a seamless link to the adjacent six-kilometre Bathers Way walk.

Welcome Centre and Precinct Activation, Eden

To fully realise the value of the Port of Eden as a critical maritime hub for the economy and the surrounding community, three infrastructure projects are planned by the NSW Government to revitalise Eden Harbour. The program would establish a clear plan for government investment and enable private sector investment.

The program will bring together the delivery of the Safe Harbour Project in Snug Cove, a Cruise Welcome Centre and the Eden Harbourside activation project.

If approved, Port Authority will lead the delivery of the new Welcome Centre for the Port of Eden, to be located in an existing building adjacent to the Eden Cruise Wharf.

The facility will provide facilities for cruise customers, opportunities for local employment and a new home for port administration and operations. It is planned to have the Welcome Centre operational in time for the start of the 2020/21 cruise season.



Vessel Traffic Services installed new hardware and software to monitor and coordinate the safe movement of ships

Vessel Traffic Services upgrade

Port Authority's Vessel Traffic Services (VTS) installed new hardware and software to monitor and coordinate the safe movement of large commercial ships across Sydney (Port Jackson) and Botany Bay.

VTS operators in Botany use PC-based software to combine a series of cameras, radars, radios and automatic identification system (AIS), installed at several locations across Sydney Harbour (Port Jackson) and Botany Bay to monitor and coordinate the safe movement of large commercial ships.

This allows the VTS operators to have clear visibility and playback of all vessel movements, allowing them to provide fast and accurate information to support decision making by commercial shipping. (See Section 10.4 for details.)

Sustainability

Port Authority will focus on the development of a sustainability strategy. This will outline Port Authority's sustainability vision and provide a suitable framework to assess and target specific sustainability initiatives, with a focus on the proactive achievement of tangible social and environmental benefits.

3 Summary review of operations

3.1 Financial performance

In 2018/19, Port Authority exceeded its financial targets and can report earnings before interest, taxes, depreciation and amortisation (EBITDA) of \$43.2 million – up \$3.6 million on the previous year. This is predominantly driven by: revenue from the increase in total gross tonnage of container vessels at Port Botany; additional rental income at Glebe Island associated with the staging of major infrastructure works; and a full year of leased tenancies at the Overseas Passenger Terminal.

3.2 Marine operations

Marine Operations continued its high standard of operations in 2018/19, promoting the safe and efficient movement of commercial vessels operating through our ports.

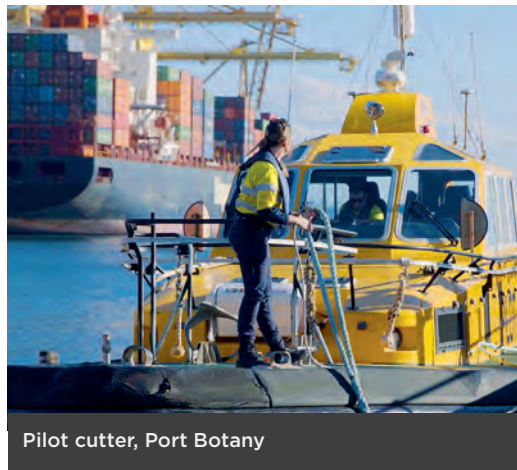
Sydney Harbour and Botany Bay

During the reporting year, Marine Operations in Sydney Harbour and Botany Bay:

- completed 4282 pilot movements (for movements into, out of, and within the ports requiring a pilot on board) – an average of 12 per day
- provided 935 ship escorts in Sydney Harbour and 2063 in Botany Bay
- issued 1229 bulk dangerous goods transfer checks
- undertook 555 audits of work permits
- issued 4868 bunker permit notifications
- responded to 206 reports of pollution or fire, boom operations or vessels needing assistance or towage
- conducted five fire-tug water displays
- completed multiple daily navigation, security and environmental patrols in both ports.

Marine Operations carried out a number of process improvements this year, including:

- bedding down a new rostering system called Emp Live
- integrating the port officers into the Computerised Maintenance Management System (CMMS) that has been used in asset management for some time to allow Marine Operations to complete more preventative maintenance on its vessels
- investing heavily in the move to the Port Marine Management System (PMMS) by ensuring all procedures, forms and checklists are up-to-date in the Marine Operating Procedures (MOP) section.



Pilot cutter, Port Botany

Looking forward to 2019/20, Marine Operations will focus on the major task of relocating its emergency response base in Glebe to a smaller footprint in White Bay. It will be improving its competency assessment processes and continuing a heavy focus on training staff. Furthermore, the team will be looking to build even stronger relationships with other agencies and stakeholders around the port.

Newcastle Harbour

During the reporting year, Marine Operations in Newcastle Harbour:

- completed 4619 pilot movements (for movements into, out of, and within the ports requiring a pilot on board) - an average of 12.6 per day
- issued 307 bulk dangerous goods transfer checks
- undertook 493 audits of work permits
- issued 338 bunker permit notifications
- responded to 10 calls reporting pollution
- carried out navigation and environmental patrols.

Port Kembla

During the reporting year, Marine Operations in Port Kembla:

- completed 1647 pilot movements (for movements into, out of, and within the ports requiring a pilot on board) - an average of five per day
- undertook annual hydrographic surveys for all of its port channels and berthing boxes
- issued 81 dangerous goods transfer checks and completed 53 audits
- undertook 116 audits of work permits
- issued 88 bunker permit notifications and audited 81 vessels
- carried out navigation, security and environmental patrols.

Port of Eden

Shipping numbers declined at the Port of Eden in 2018/19. There were a total of 89 ship visits, down from 101 visits in 2017/18.

The port has a dedicated Harbour Master and pilotage service and is also responsible for:

- Port Safety Operating Licence (PSOL) functions
- emergency response and security
- management of Snug Cove and the Royal Australian Navy's (RAN) multi-purpose berth.

Port of Yamba

In 2018/19, there were 38 ship visits to Port of Yamba. Shipping numbers were down (from 54 visits in 2017/18) as a result of the completion of the bridge work related to the local Pacific Highway upgrade. (Additional ship movements in 2017/18 were related to the barges and cranes utilised in construction works on the Pacific Highway upgrade that is now complete.)

While the port has no regular trade, ships call to Goodwood Island for layup or repairs at the shipyard. The port has a dedicated pilotage service and is also responsible for PSOL functions, and emergency response and security.

4 Port highlights

Total vessel visits (trade vessel and cruise ship visits), all ports, 2018/19

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2018-19	TOTAL 2017-18
Port Botany/Kurnell	133	135	127	143	141	140	147	131	144	151	134	134	1,660	1,678
Sydney Harbour/Gove Cove*	68	76	87	112	123	133	102	103	110	82	71	63	1,130	1,256
Newcastle	210	197	181	207	170	213	208	180	199	191	168	188	2,312	2,283
Port Kembla	59	72	71	64	64	67	63	64	73	64	67	68	796	838
Eden/Yamba	9	8	7	10	11	14	12	18	21	11	14	7	142	170
TOTAL	479	488	473	536	509	567	532	496	547	499	454	460	6,040	6,225

Note: Includes visits at both Port Authority's berths and privately owned terminals.

*Includes commercial and service provider vessels (such as bunker vessels ICS *Reliance*).

During 2018/19, a total of 6040 commercial vessels visited the six ports in NSW administered by Port Authority. This total includes both trade vessels and cruise ships and is down by three per cent on the same period last year.

This downturn is predominantly due to: fewer domestic cruise ship visits to Sydney Harbour; a reduction in ship visits to Yamba due to the completion of the recent local Pacific Highway upgrade; a reduction in bulk ships exporting wheat in Newcastle and Port Kembla due to the drought; and a reduction in car carrier vessels in Port Kembla due to reduced demand for imported cars in NSW over the past 12 months.

Trade vessel visits, all ports, 2018/19

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2018-19	TOTAL 2017-18
Port Botany/Kurnell	133	135	127	143	141	140	147	131	144	151	134	134	1,660	1,678
Sydney Harbour/Gove Cove*	54	65	71	85	90	85	59	61	66	58	61	52	807	904
Newcastle	210	197	181	205	170	212	205	175	197	189	168	188	2,297	2,272
Port Kembla	59	72	71	64	64	67	63	63	73	64	67	68	795	836
Eden/Yamba	9	8	7	9	10	12	9	14	18	10	14	7	127	155
TOTAL	465	477	457	506	475	516	483	444	498	472	444	449	5,686	5,845

Note: Includes visits at both Port Authority's berths and privately owned terminals.

* Includes commercial and service provider vessels (such as bunker vessels ICS *Reliance*).

Trade vessel visits were down 2.7 per cent in 2018/19 compared to the previous year; however container visits increased, with the introduction of a new Asian service, which began in March 2019. The number of visits of bulk liquid carrier vessels to Port Botany was down marginally, with a change in vessel profile.

In Newcastle, coal volumes increased this reporting year, which has driven the increase in vessel calls. However, export grain volumes were down considerably due to the current drought conditions being experienced in the key growing regions of NSW.

Port Kembla vessel calls were down by five per cent due to a reduction in designated car carrier vessels.

Cruise ship visits, all ports, 2018/19

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2018- 19	TOTAL 2017- 18
Sydney Overseas Passenger Terminal	10	8	13	21	26	26	26	22	27	17	8	10	214	219
Sydney White Bay*	2	2	3	6	7	21	15	14	15	7	2	1	95	121
Sydney other	2	1	0	0	0	1	2	6	2	0	0	0	14	12
Newcastle Harbour	0	0	0	2	0	1	3	5	2	2	0	0	15	11
Port Kembla	0	0	0	0	0	0	0	1	0	0	0	0	1	2
Eden	0	0	0	1	1	2	3	4	3	1	0	0	15	15
Total	14	11	16	30	34	51	49	52	49	27	10	11	354	380

*Includes visits at both White Bay Cruise Terminal and White Bay 4.

In 2018/19 there was a downturn in cruise vessel visits in NSW of 6.8 per cent, compared to the same period last year. This was as a result of the sale and/or relocation of ships previously home-porting at White Bay Cruise Terminal – removing them from the Sydney market in early 2019. This resulted in significant cancellations at White Bay Cruise Terminal. Larger, replacement ships will come into service in Sydney in October 2020 and late 2021.



Pilot cutter and container ship in Port Botany

5 Chair's report



The financial year 2018/19 marked my first as Chair of Port Authority of New South Wales, and it gives me great pleasure to report on a successful year marked by solid financial growth and a continued focus on maintaining our strong safety record.

Port Authority's financial performance for the reporting period was favourable compared to the key targets set in our 2018/19 Statement of Corporate Intent. Earnings before interest, taxes, depreciation, and amortisation (EBITDA) for the year were \$43.2 million, compared with a budget of \$36.2 million.

The main drivers of the positive result were: revenue from navigation services charges being above target due to increased total gross tonnage of container vessels at Port Botany; additional rental income at Glebe Island associated with the staging of major infrastructure works and targeted cost reduction initiatives.

As always, safety remains a strong focus for Port Authority. We are proud to report that the total number of incidents and hazards reported reduced by 45 per cent compared to the previous year. While we had two Lost Time Injuries and four Medical Treatment Injuries, we aim for zero. In addition, workplace inspections increased 32 per cent from the previous year, reflecting our ongoing commitment to creating a culture of safety.

In addition to strong financial growth and a strong safety record, key highlights for 2018/19 include the following:

The Bays Precinct

The port precinct at Glebe Island and White Bay is a critical asset for Sydney Harbour and for NSW. It currently provides port capacity and critical marine supply-chain

capability for essential construction materials for Sydney's infrastructure growth. Amongst other uses, it also provides staging areas for major transport projects, including Sydney Metro City & South West, WestConnex, Western Harbour Tunnel and Sydney Metro West.

A focus for Port Authority during the reporting year was the progression of a multi-user facility at Glebe Island to meet increasing demand for sand supply for concrete for Sydney's construction industry, as local sand sources are depleted. Port Authority has prepared a Response to Submissions report, which is expected to be released soon.

Addressing cruise capacity

Cruise is the fastest growing tourism sector in Australia, generating \$2.75 billion for the NSW economy and supporting almost 10,000 jobs.

The number of larger cruise ships berthing in Sydney Harbour has increased significantly in recent years, as has the trend toward larger ship sizes. The NSW Government has worked to investigate options to accommodate this demand using existing infrastructure.

During the peak cruise season, which runs from December to March each year, the Overseas Passenger Terminal is nearing capacity. This means Sydney is missing cruise ship calls, as the cruise lines seeking to deploy large ships to Sydney cannot obtain berthing slots at the Overseas Passenger Terminal over the summer months.

Without investment in additional infrastructure, Sydney will not be able to service this demand and address capacity constraints. The cruise capacity strategic business case is a key step in helping to ensure Sydney can capitalise on its iconic harbour status, and the growing demand for cruising. The arrival of two new custom-built gangways to the Overseas Passenger Terminal in July 2019 marked a key commitment to supporting cruise infrastructure, making disembarking and embarking much more efficient.

Governance and management

Over the last 12 months, the composition of the Board has changed following my appointment to Chair on 1 August 2018 and that of Matthew Irwin as a Director on 13 February 2019. Patricia Forsythe resigned on 21 February 2019, following her appointment as Australia's High Commissioner to New Zealand. We are currently going through a recruitment process to fill the vacancy left by Patricia. Patricia sat on the Port Authority Board for four years and we are grateful for the invaluable contribution she has made and wish her all the best in her new challenge.

In May 2019, Port Authority Chief Executive Officer Grant Gilfillan advised the Board that he would not be renewing his tenure beyond September this year. Grant has been with the business for 12 years and has overseen significant

changes during his time. In particular, Grant led the Port Botany Expansion project and the Port Botany Landside Improvement Strategy and steered us through the long-term leasing of Port Botany, Port Kembla and Newcastle, and the subsequent amalgamation of the three port corporations. In this, Grant has led us to re-position Port Authority as a strong, profitable organisation delivering reliable and professional services to its customers. We thank Grant for his strong leadership and commitment as he transitions from the organisation.

A recruitment process to select a new Chief Executive Officer and Director for the organisation is underway and an appointment will be made in due course.

Focus for 2019/20

Our immediate focus is advancing the strategic projects, continuing to deliver excellence in customer service and continuously improving our safety culture. Beyond our strategic projects a focus area will be ensuring we continue to apply sustainability to our decision making on planning, operations and expenditure that supports our stakeholders into the future.



Robert Dunn

Chair

Port Authority of New South Wales

30 September 2019

6 Chief Executive Officer's report



Port Authority of New South Wales works to keep our ports safe, secure and open to the world. In a country where 99 per cent of imports and exports arrive and leave by sea, our work is critical to the protection of our economic gateways to the world.

New South Wales is home to some of the most economically significant ports in Australia. Around 212 million tonnes of cargo pass through NSW's ports each year, representing over \$100 billion in trade. During 2018/19, a total of 6040 commercial vessels – both trade and cruise ships – visited our ports, compared to 6225 in 2017/18.

To ensure the safe arrival of these commercial vessels, Port Authority's marine pilots and cutter vessel crews perform over 10,500 pilot movements each year, delivering the goods we all depend on and bringing over a million cruise passengers to our shores.

In 2018/19, pilotage and navigation services charges accounted for the majority of Port Authority's total trade revenue; these services increased during the reporting period. The key driver to this increase is larger container ships calling into Port Botany. Over the past few years container vessel sizes have continued to grow. In early 2019, Port Botany welcomed two 9500 TEU vessels for the first time. Later in 2019, a new combined service will replace existing 6500 TEU vessels with larger 9500 TEU vessels on a consortia that caters for both South East Asia and Europe.

For the first time in more than a decade, cruise recorded its first year of negative growth, with the number of cruise ship visits to Sydney Harbour decreasing from 352 in 2017/18 to 323 visits in 2018/19.

This is the result of a decline in calls to White Bay Cruise Terminal and White Bay berth 4 (declining from 121 visits in 2017/18 to 95 in 2018/19) and translates to a reduction in total passenger numbers by over 10 per cent on the previous financial year, to 1.4 million passengers. This reduction

is only temporary as some cruise lines have either sold or repositioned smaller home-port ships for replacement with larger ships in future years. Cruise activity is expected to return to previously forecast levels within two to three years with the arrival of replacement ships.

Despite this fluctuation, work to address cruise capacity constraints in Sydney continues. Throughout the year, Port Authority worked with NSW Treasury to develop a strategic business case to test the feasibility of a new passenger cruise terminal at two potential sites: Yarra Bay and Molineux Point. This action resulted from the NSW Government's Cruise Development Plan, which was released in July 2018.

Port Authority continues to invest in our cruise infrastructure to ensure Sydney remains the leading cruise destination in Australia. Most significantly, this has included the delivery of two new giant gangways to the Overseas Passenger Terminal in July 2019. The custom-built walkways are designed to better support visits from larger cruise ships, some of which carry over 5000 passengers. These new passenger bridges will move over 1200 people every 30 minutes, speeding up embarking and disembarking. Following a period of testing and commissioning, the new gangways will be operational in time for the 2019/20 cruise season.

Outside Sydney, cruise continues to grow steadily. Newcastle Harbour welcomed 15 cruise ships, including four maiden voyages; Port Kembla one ship; and Eden 15 ships – a total of 31 in 2018/19, up on 28 the year before. With the opening of Eden Breakwater Wharf Extension and the arrival of the first ship marked for 15 September 2019, we are expecting Eden to experience further growth.

Each year, our ports and harbours become busier and one of our primary concerns is ensuring the safety of all who use them. Our Marine Operations teams responded to more than 3000 incidents across our ports in 2018/19, from oil spills and pollution, to firefighting, emergency towage and vessel assists.

To support young, aspiring seafarers achieve marine qualifications and support quality entrants to the maritime industry, we were proud to launch a new cadet program in September 2018. The Sponsored Deck Cadet Program consists of a two-year placement to help aspiring young seafarers gain 18-months of 'at-sea' experience to qualify for the Australian Maritime Safety Authority Watchkeeping Certificate.

Port Authority partnered with a number of shipping companies to offer two cadets placements on various merchant ships, backed by the support of a Port Authority mentor. Already one of our cadets has gone on to gain permanent employment with a cruise line.

As I leave this organisation after 12 years as Chief Executive Officer, I would like to recognise and thank employees of Port Authority who work 24/7 to keep our working ports and harbours safe and secure. I am both honoured and inspired to have led such a dedicated and motivated workforce. I would also like to acknowledge the steadfast guidance of the Board during my tenure and the Chair Robert Dunn for his support over the last year as I have worked towards stepping down. I will look with great interest on the activity of Port Authority and wish the organisation the best in future years.



Grant Gilfillan

Chief Executive Officer and Director
Port Authority of New South Wales

30 September 2019

7 Board of Directors



Left to right: Gerard Sutton (AO), Zorana Bull, Grant Gilfillan (Chief Executive Officer), Penny Bingham-Hall, Robert Dunn (Chair), Matthew Irwin.

Over the past 12 months, the composition of the Board has changed following the appointment of Robert Dunn as Chair on 1 August 2018 and the resignation of Patricia Forsythe on 21 February 2019. Matthew Irwin has filled one vacancy and a recruitment process is underway to fill the remaining position.

ROBERT DUNN

B.A. (Hons) Macquarie University, GAICD

Chair

Member, Audit and Risk Committee

Member, Remuneration and Human Resources Committee

Chair, Nominations Committee

With the amalgamation of Sydney, Newcastle and Port Kembla port corporations in July 2014, Robert Dunn became a Director of Port Authority of New South Wales. He had previously been a Director of Sydney Ports Corporation from 2012.

Robert was appointed Chair of the Board from 1 August 2018.

Until April 2018, Robert was the Chief Executive Officer of Opportunity International Australia, a not-for-profit organisation that provides people living in poverty with the opportunity to transform their lives through microfinance and community development programs. He currently holds the position of global Executive Director of Opportunity International. He is also a director of Opportunity International Australia's Indian subsidiary, Dia Vikas Capital and is Deputy Chair of BaptistCare NSW and ACT.

Robert is a member of the Chartered Accountants Australia and New Zealand.

Robert is a former Finance Director of Patrick Corporation, a position he held for 14 years.

GRANT GILFILLAN

B.A.Sc., University of South Australia,
MAICD

Chief Executive Officer**Director**

With the amalgamation of Sydney, Newcastle and Port Kembla port corporations in July 2014, Grant Gilfillan became Chief Executive Officer and a Director of Port Authority of New South Wales. He had previously been Chief Executive Officer of Sydney Ports Corporation (from 2008) and Newcastle Port Corporation (from 2013).

Before joining Sydney Ports Corporation in 2008, Grant worked in Africa, the Middle East and Europe (Romania) as a Senior Vice President, Managing Director and General Manager for DP World. Prior to this he served as Director of Operations for P&O Ports, Australia and New Zealand and as Managing Director of CSX World Terminals in Australia.

Prior to that Grant was a mining engineer and mine manager in the NSW Hunter Valley and the north-west of Western Australia.

Grant served as President of the International Association of Ports and Harbours (IAPH) from April 2013 to June 2015.

Grant was appointed as the Chair of the Australian Cruise Association in September 2017 and Chair of Ports Australia in October 2018 and is currently serving as a Director on the Board of Lyttelton Port Company in Christchurch, New Zealand.

ZORANA BULL

A (Hons) Oxford, MA (Eng. Econ.
& Mgmt) University of Oxford, FAICD

Director**Member, Audit and Risk Committee****Member, Remuneration and Human Resources Committee****Member, Nominations Committee**

Zorana Bull was appointed as a Director of Port Authority of New South Wales in March 2016.

Zorana is a Non-Executive Director of AirRoad Pty Ltd, Guide Dogs NSW/ACT and Healthshare NSW. She is also the Managing Director of strategy and management consulting firm Altura Partners Pty Ltd and an Executive Director of engineering consulting firm In Total Control (Aust.) Pty Ltd.

She was previously a Partner with international consulting firm PA Consulting Group, with postings in Europe and Asia-Pacific, and Chief Operating Officer of the Australian business. During this time, she specialised in strategy development, restructuring and performance turnaround.

Prior board appointments have included Moorebank Intermodal Company Ltd and Australian Centre for Eye Health.

PENNY BINGHAM-HALL

B.A. (Ind. Des) University of Technology Sydney, FAICD, SF (Fin.)

Director

Chair, Remuneration and Human Resources Committee

Member, Audit and Risk Committee

Member, Nominations Committee

With the amalgamation of Sydney, Newcastle and Port Kembla port corporations in July 2014, Penny Bingham-Hall became a Director of Port Authority of New South Wales. She had previously been a Director of Sydney Ports Corporation from 2012.

Penny is also a Director of BlueScope Steel, Dexus Funds Management Limited (responsible entity for the Dexus Property Group), Macquarie Specialised Asset Management, Fortescue Metals Group Ltd, Taronga Conservation Society Australia and Crescent Foundation. She is a member of Chief Executive Women.

Penny spent more than 20 years in a variety of executive roles with Leighton Holdings (now CIMIC Group) prior to retiring from the company at the end of 2009. She has previously been a director of Australia Post and held positions with industry and community organisations including Chair of Advocacy Services Australia, Deputy Chair of the Tourism and Transport Forum, and a Director of Infrastructure Partnerships Australia and the Global Foundation.

MATTHEW IRWIN

B Ag Ec (Hons I) University of New England, M Comm (Finance) University of New South Wales, GAICD

Director

Chair, Audit and Risk Committee

Member, Nominations Committee

Matthew was appointed as a Director of Port Authority of New South Wales in February 2019.

Matthew has spent over 20 years involved in infrastructure, utilities and major project delivery. Prior to joining the Board, Matthew held the position of Chief Financial Officer at TransGrid, the NSW electricity transmission business, up to 2018. Matthew has held senior executive and leadership positions with Transfield Services (now Broadspectrum), Leighton Group in Australia and Asia, and Deutsche Bank in Sydney, Johannesburg and London.

Matthew is a Director of Expressway Spares and is Chair of University of New England Smart Regional Incubator Advisory Committee. Prior Board appointments include Transfield Services Infrastructure Fund, Macarthur Water and Yan Yean Water.

GERARD SUTTON AO

B.E. (Hons) University of New South Wales, M.Eng.Sc. University of New South Wales, PhD Catholic University of America

Director**Member, Remuneration and Human Resources Committee****Member, Nominations Committee**

With the amalgamation of Sydney, Newcastle and Port Kembla port corporations in July 2014, Professor Gerard Sutton became a Director of Port Authority of New South Wales. He had previously been a Director of Port Kembla Port Corporation from 2012.

Gerard is a former Vice-Chancellor of the University of Wollongong and a former Chair of Universities Australia.

Gerard is currently the Chair of the AARNet Board (Australian universities' telecommunications company), a Director of Think Pty Ltd and Illawarra Shoalhaven Local Health District Board, and a member of University of Sunshine Coast Council. Gerard was previously a director of the Board of Regional Development Australia Illawarra and a member of Illawarra TAFE Institute Advisory Council.

**THE HONOURABLE
PATRICIA FORSYTHE**

BA (Hons) Oxford, MA (Eng. Econ. & Mgmt) University of Oxford, FAICD

Director**Member, Audit and Risk Committee****Member, Nominations Committee**

Patricia Forsythe was a Director of Port Authority of New South Wales from February 2015 to February 2019.

During her time on the Port Authority Board, Patricia was the Executive Director of the Sydney Business Chamber from 2006. She represented the Chamber on a number of NSW Government committees. She also represented the Chamber on the City of Sydney Retail Advisory Panel and the Sydney Airport Planning Coordination Forum.

In addition to her role at the Sydney Business Chamber, Patricia served on a number of boards in the government and not-for-profit sectors: Business Events Sydney; Destination NSW; Council of Macquarie University; NSW International Education Advisory Board (Chair); and Cricket NSW.

Prior board appointments included the Hunter Development Corporation and Hunter Medical Research Institute. She was also previously a member of the Advisory Board of the University of Technology Sydney (UTS) Business School; a director of the Board of Studies, Teaching and Educational Standards NSW; and an Honorary Associate of the Graduate School of Government at Sydney University.

Patricia served as a Member of the NSW Legislative Council from 1991 to 2006. From 1995 to 2005 she served on the Opposition frontbench, in a number of shadow portfolios.

Ms Forsythe resigned from Port Authority's Board of Directors effective 21 February 2019.

One Director's position remains to be filled at the time of reporting.

8 Executive team



Grant Gilfillan

B.A.Sc. University of South Australia, MAIDC

Chief Executive Officer and Director

(See Board biography on page 27)



Emma Fensom

MBA (AGSM), B.Bus. Newcastle University, GAICD

Chief Operating Officer Newcastle and Yamba

- Marine operations
- Pilotage
- Regional ports and administration



Lawrence Ho

B.Ec. (Accounting) University of Sydney, FCPA, MBA (Macquarie Graduate School of Management), MAICD

Chief Financial Officer and Chief Risk Officer

- Corporate planning and reporting
- Company secretary
- Corporate services



Philip Holliday

B.Sc. (Hons) University of Teesside, GAICD

Chief Operating Officer and Harbour Master, Sydney

- Marine operations
- Pilotage
- Planning
- Survey services
- Cruise



Ralph Keats

Executive General Manager,
Human Resources and Work Health and Safety

- Work, health and safety strategy
- Human resources
- Industrial relations strategy



Brad Milner

B.Eng. University of Technology, Sydney

Executive General Manager, Commercial,
Technical and Legal

- Property and commercial
- Projects and sustainability
- Asset management
- Legal counsel



Garry Voutos

Executive General Manager,
Information Technology

- IT strategy and operations
- Cyber security



Edward Martin

B. Marketing & Public Relations (University of Notre Dame),
M. International Business & Law (University of Sydney), FCCPA

Executive General Manager
Communications and External Relations

- Internal and external communications

Edward Martin was appointed on 27 May 2019

Also on our Executive team during the year were:

Mr Kell Dillon, Chief Operating Officer Port Kembla and Eden, and Harbour Master Port Kembla resigned effective 16 November 2018.

Mr Tony Cousins, Executive General Manager Strategy and Innovation resigned effective 1 February 2019.

9 Vision, objectives and values

Our vision

We are internationally recognised leaders in the provision of efficient, integrated and innovative port marine services.

Our purpose

To provide safe, efficient, sustainable, world-class port and marine services whilst retaining and optimising our port assets to deliver the financial and strategic goals of the NSW Government.

Our objectives

- A reputation as the best-managed and best-governed state owned corporation in New South Wales.
- A robust and sustainable port business.
- A culture which strives for excellence.

Our values

- We will be honest, open, caring and accountable.
- We will act with courage and integrity.
- We will strive for excellence in all that we do.



Marine operations meeting at Moores Wharf

10 Sydney Harbour and Port Botany



10.1 Port Botany

Port Botany is a deep-water seaport located in Botany Bay, Sydney. It is Australia's largest container port and specialises in trade in manufactured products and bulk liquid imports, including petroleum and natural gas.

10.2 Sydney Harbour

Sydney Harbour is Australia's cruise gateway and one of the world's most beautiful ports of call. Sydney Harbour is the only port in Australia with two dedicated cruise passenger terminals – the Overseas Passenger Terminal at Circular Quay and White Bay Cruise Terminal, west of the Harbour Bridge at Rozelle.

Sydney Harbour receives imported refined oil at Viva Energy Australia's private facilities at Gore Cove and imports cement, gypsum, salt, sugar and refined oil products and exports tallow through common user berths at Glebe Island and White Bay.

Importantly, Sydney Harbour serves as a working port for a wide variety of maritime functions and services, and in this capacity is visited by a large number of vessels that do not trade major commodities. The trade vessel visits in the next section include bunkering and vessel refuelling operations, marine construction, infrastructure and special events staging, naval and special purpose shipping, and various other working harbour activities.



Port Authority's Ted Noffs at Port Botany

10.3 Trade vessel visits

The table below presents a monthly breakdown of figures and totals for 2018/19 across Port Botany and Sydney Harbour. Last year's figures are provided for comparison.

Trade vessel visits to Sydney Harbour and Port Botany, 2018/19

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2017/18	2018/19
Port Botany/ Kurnell	133	135	127	143	141	140	147	131	144	151	134	134	1,660	1,678
Sydney Harbour/ Gore Cove*	54	65	71	85	90	85	59	61	66	58	61	52	807	904
TOTAL	187	200	198	228	231	225	206	192	210	209	195	186	2,467	2,582

Note: Includes visits at both Port Authority's berths and privately owned terminals.

* Includes commercial and service provider vessels (such as bunker vessels ICS *Reliance*).

Total vessel visits to Port Botany were down marginally. There was a decrease in visits by smaller, bulk liquids vessels that previously called only to Kurnell. Larger bulk liquids vessels are now calling and discharging cargo from the one voyage at both the Bulk Liquids berth and at Kurnell.

Container ship visits to Port Botany increased with new services that commenced in March 2019.

Sydney Harbour saw trade vessel visits reduce by 97 (or 11 per cent) when compared to the previous year. This relates primarily to changes in the bunkering services and to reduced activity by small vessels working on construction projects or other vessels' repairs. Vessel visits by cement and gypsum carriers have also declined compared to 2017/18, which was a record year for building construction in Sydney.

10.4 Marine Operations

Under the guidance and direction of the Chief Operating Officer Sydney, Port Kembla, Eden and Harbour Master – Sydney, Marine Operations continues to provide services to the maritime community in Port Botany and Sydney Harbour and meet the division's obligations as mandated by the Port Safety Operating Licence (PSOL).

These services and obligations include:

- channel and berth box depths – including the promulgation of information regarding depths in different areas of the port
- dangerous goods (DG) – notifications regarding DG, bunkering (refuelling vessels) and hot work (any work that could result in fire or any works in a combustible environment)
- navigation aids – maintenance of navigation aids
- emergency response – to incidents including:
 - pollution
 - fire
 - ship assists
- pilotage services and exemptions from pilotage – including the administration, approval and issuance of certificates of local knowledge
- port security – including regular on-water security patrols and patrols on land encompassing Port Authority's landside assets
- port communications – through Sydney Vessel Traffic Services (VTS).

During the reporting year, Marine Operations in Sydney Harbour and Botany Bay:

- completed 4282 pilot movements (for movements into, out of, and within the ports requiring a pilot on board) – an average of 12 per day

- provided 935 ship escorts in Sydney and 2063 in Port Botany
- issued 1229 bulk dangerous goods transfer checks
- undertook 555 audits of work permits
- issued 4868 bunker permit notifications
- responded to 206 reports of pollution or fire, boom operations or vessels needing assistance or towage
- conducted five fire-tug water displays
- carried out multiple daily navigation, security and environmental patrols.

Vessel Traffic Services – Sydney Harbour and Port Botany

Sydney VTS provides a high level of service and facilitates the safe operation and movement of vessels in the port of Sydney and Botany. It maintains this function utilising state-of-the-art navigational equipment, with all operators trained to the highest standards in accordance with the International Associations of Lighthouse Authorities (IALA) standards.

Sydney VTS adopted new technologies throughout 2018/19, incorporating a state-of-the-art navigational package (STYRIS) from Airbus France. This new system will enable Sydney VTS to further expand and give greater flexibility to interface with future innovations as they become available.

During the period of 2018/19, Sydney VTS:

- facilitated the safe and efficient transit of 4282 vessels within Sydney and Port Botany
- coordinated a response to 46 emergencies within Sydney and Port Botany
- coordinated the response of 16 medical emergencies within Sydney and Port Botany
- introduced a duty manager's workshop

- implemented a Marine Operations Training secondment program, which will further develop the Marine Operations staff, while giving greater support to rostering capabilities.

External contract surveys

Over the reporting year 2018/19, the hydrographic survey team completed 55 surveys as required under its PSOL in Port Jackson, Port Botany, Port Kembla, Port of Yamba, and Port of Eden, and 22 contract hydrographic surveys for a number of government and non-government agencies.

This included work for: Viva Energy; Royal Haskoning DHV; Caltex Australia; NSW Ports; Clarence Valley Council; Waterway Constructions; Cardno and Northern Beaches Council.

The final post-construction survey for the Eden Breakwater Wharf Extension was completed in the Port of Eden in April 2019. Survey information was sent to the Hydrographic Office for update into electronic charting products in preparation for the next cruise season.

Port Safety Operating Licence, Bays and Tributaries program

The hydrographic survey team carried on its campaign to aid safe navigation by continuing to survey all the bays and tributaries within all its port waters on the coast of NSW. The team also began its surveys of the offshore port limits for Sydney and Botany.

All data collected was sent to the Hydrographic Office to assist in the development of charts for mariners.

The survey team installed new weather and ocean monitoring (met-ocean) equipment in both Eden and Yamba to assist pilotage in both ports. This equipment includes tide gauges, wave riders, current meters and wind anemometers, which are essential for managing effective port operations and feed into under-keel clearance systems.



Survey team on Sydney Harbour

The year ahead

In 2019/20, the survey team will be involved in a world-first trial with the Australian Hydrographic Office to produce bathymetric electronic chart overlays. These products will enable the port pilots and ships to have access to the same higher-accuracy chart information when entering our NSW ports. It is hoped that seabed data will be available in an official Hydrographic Office product within two weeks of the survey.

The team will continue to install and maintain the Port Authority met-ocean equipment in Sydney Harbour, Botany Bay and Eden. The team will look to further support Newcastle, Kembla and Yamba over the next 12 months.

Port governance survey work will also continue, with an emphasis on updating hydrographic surveys of port approaches within all the port limits. Hydrographic surveys of minor ports such as Trial Bay, Coffs Harbour and Batemans Bay will be completed in preparation for new planned visits from cruise vessels.

Port safety surveys are also scheduled in Sydney Harbour, Port Botany, Port Kembla, Port of Eden and Port of Yamba.

10.5 Emergency response

Operations

Port Authority's emergency response teams are available 24/7 to respond to any incident in the ports of Sydney and Botany and to coastal limits. Every year, Port Authority's highly trained emergency response teams respond to hundreds of reports of marine pollution, and undertake thousands of safety audits of vessels transferring bulk oil, gas and chemicals.

The teams have a number of assets to support at fires, pollution, booming and ship assists.

Some of the incidents that were responded to in 2018/19 include:

- 93 booming operations
- 109 pollution incidents
- 10 firefighting operations
- 52 emergency towage and vessel assists.

The 2018/19 financial year saw Marine Operations teams in Port Jackson and Port Botany respond to numerous spills and fires, including vessel fires at Birkenhead Point and Rose Bay and small-scale pollution events in Brotherson Dock and up the Parramatta River.

As well as managing or combating these incidents in its own jurisdiction, 2018/19 also saw pollution responders lending their expertise in a multi-agency response to the MV *Solomon Trader* incident in the Solomon Islands. Details of these events are provided below.

***Solomon Trader*, February 2019**

On 5 February 2019, the bulk carrier *Solomon Trader* grounded on a reef off Rennell Island, Solomon Islands, causing a large-scale oil spill. Port Authority was called upon to support with National Response Team personnel, and Marine Operations sent one employee as part of the response effort.

Rose Bay fire, February 2019

On 1 February 2019, Port Authority crew attended to a recreational vessel fire in Rose Bay to support Fire & Rescue NSW in fighting the fire and avoiding further vessels catching alight.

Vopak oil spill, 26 May 2019

Port Authority attended to a spill of jet fuel from Vopak terminals at the Bulk Liquids berth. Although the fuel was spilt on the landside, the Port Authority team was called upon to attend the site, give advice on the recovery process and consider the potential marine impacts from the spill seeping through the land into the water.

Marine pollution

Port Authority's highly trained emergency response team responds to more than 200 reports of marine pollution each year and provides personnel to both the State and National oil response teams.

Exercises

Port Authority held a number of emergency exercises with stakeholders to test preparedness and response to incidents.

As a requirement of the PSOL, these training exercises are designed to support multi-agency responses and increase collaboration between agencies. Marine Operations has continued to maintain strong relationships with other agencies, including Fire and Rescue NSW, where it continues to familiarise their crews with Marine Operations vessels, and to carry out inter-agency drills.

Exercises in which Port Authority employees participated during 2018/19 are described as follows.

Viva simulated jet fuel release, July 2018

Sydney-based crew participated in a desktop and equipment deployment exercise in Gore Bay, with Viva simulating a release of jet fuel from a failed marine loading arm. The crew deployed boom between Manns Point and Berry Island as an exclusion measure and containment from the rest of Sydney Harbour.

Simulated Caltex oil spill, October 2018

Botany-based crew simulated a spill from a ship at Caltex and deployment of boom to protect Quibray Bay and Bonna Point.

In November 2018, Port Authority and Viva ran a desktop exercise to manage a loss of containment from a Viva storage tank where there was potential for pollution to run into port waters.

Operations Bell Buoy, May 2019

Port Authority participated with the Royal Australian Navy's Maritime Trade Organisation (MTO) in this venture. As well as playing host to a detachment called the Shipping Coordination Team at Brotherson House, Sydney VTS played a key role in feeding critical information about fictitious activities playing out in Botany Bay. MTO praised Port Authority for the valuable role it played in the simulation and for the openness to build stronger relationships.

Viva simulated oil spill and fire, June 2019

Sydney-based crew ran multi-party exercise at Viva to simulate both a spill in Gore Bay and a fire aboard a ship. Boom deployment was exercised by both Viva and Port Authority; Roads and Maritime Services (RMS) was involved in establishing an exclusion zone; Fire and Rescue NSW and NSW Police attended to observe. Engage Marine was brought in to drill the use of their tug for spraying water on the ship fire.

External training

Port Authority staff continued to undertake external training with other government agencies including RMS, Fire and Rescue NSW, Environment Protection Authority (EPA) and the Office of Environment and Heritage (OEH). This is essential for keeping the required skills up to date and correct.



The Port Botany team in training to clean up oil spills with our boom equipment

Port Authority staff attended a number of courses, many of which were competency based.

Port Authority staff are part of both the National Response Team (NRT) and the State Response Team, along with members of other government agencies. These highly skilled personnel are available to be called upon to respond to and assist with various maritime incidents, both in NSW and nationally around Australia. Marine Operations' representation on these teams would not be possible without the training and exercises that occur each year.

Exercise Torres, September 2018

Members of the NRT participated in a multi-agency and multi-jurisdictional exercise called Exercise Torres 2018, which simulated an oil spill in the Torres Strait and Kaiwalagal Region.

Tasmanian workshop, April 2019

Another NRT exercise was run in Tasmania. This year, the workshop focused on the planning section of incident management, including situational awareness, risk assessment and Incident Action Plan development.

Ongoing education

In addition to these examples, staff have participated with ongoing education by attending AMSA training courses, the Maritime Industry Australian Limited conference and Ports Australia Working Groups, and by completing training in the use of forklifts, manual handling, International Maritime Dangerous Goods code, and emergency life support apparatus (ELSA) masks.

Port Authority regularly supports other agencies with their training. One example is providing the tug to the Australian Border Force team so that they can practice boarding vessels at speed.

10.6 Cruise in Sydney Harbour



Cruise ship visits to Sydney Harbour, 2018/19

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2018-19	TOTAL 2017-18
Sydney Overseas Passenger Terminal	10	8	13	21	26	26	26	22	27	17	8	10	214	219
Sydney White Bay*	2	2	3	6	7	21	15	14	15	7	2	1	95	121
Sydney other	2	1	0	0	0	1	2	6	2	0	0	0	14	12
TOTAL	14	11	161	27	33	48	43	42	44	24	10	11	323	352

* White Bay includes both White Bay Cruise Terminal and White Bay berth 4.

Total passenger exchange in Sydney Harbour split by passenger terminal, 2018/19

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2018-19	TOTAL 2017-18
Sydney Overseas Passenger Terminal	44,492	38,302	61,975	99,314	147,357	145,982	153,957	125,965	147,907	90,303	37,519	42,616	1,135,689	1,169,589
Sydney White Bay*	5,804	8,940	10,272	19,725	17,699	58,867	51,962	39,912	47,963	28,129	8,941	4,459	302,673	430,247
TOTAL	50,296	47,242	72,247	119,039	165,056	204,849	205,919	165,877	195,870	118,432	46,460	47,075	1,438,362	1,599,836

Note: Includes both debarked and embarked passengers.

* Sydney White Bay includes both White Bay Terminal and White Bay berth 4.

Total passenger exchange in Sydney Harbour, 2014/15 to 2018/19

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL
2014/15	25,774	40,483	63,197	114,266	126,190	170,577	173,713	142,626	148,440	76,572	20,529	48,791	1,151,158
2015/16	38,213	22,260	62,467	111,746	141,263	170,459	189,889	172,696	149,117	126,771	63,192	61,250	1,309,323
2016/17	57,288	45,103	64,157	103,593	186,488	180,831	246,518	202,301	193,176	137,351	61,684	54,512	1,533,002
2017/18	53,951	56,737	52,568	120,080	199,017	228,229	227,212	216,204	229,689	121,580	37,962	56,607	1,599,836
2018/19	50,296	47,242	72,247	119,039	165,056	204,849	205,919	165,877	195,870	118,432	46,460	47,075	1,438,362

Note: Includes both debarked and embarked passengers.

Summary and statistics

- In 2018/19, Sydney Harbour hosted 323 cruise ship visits (down from 352 in 2017/18).
- There were six maiden visits this season (down from seven in 2017/18).
- Over 1.4 million passengers passed through our terminals (down from 1.6 million in 2017/18).

Reduction in cruise ship visits and passenger numbers

The financial year 2018/19 recorded the first year of negative growth for Sydney cruise activity in more than a decade, with the number of cruise ship visits decreasing from 352 in 2017/18 to 323 visits in 2018/19 (an eight per cent reduction).

The reduction in ship visits in 2018/19 was also reflected in passenger numbers, with over 1.4 million passenger exchanges (includes both debarked and embarked passengers) in Sydney in 2018/19 compared to almost 1.6 million in 2017/18.

Port Authority anticipates the next two years will be an unusual interim period where the larger cruise lines are adjusting and repositioning their product to changing industry conditions in preparation for future growth.

Changes to domestic deployment cycles during 2018/19, including the sale and redeployment of some smaller, homeport ships to interstate and overseas locations, have resulted in a significant reduction in visits at White Bay Cruise Terminal. Replacement ships will re-enter the Sydney market in October 2020 and late 2021.

Cruise lines are also replacing some of their 'standard' size cruise ships calling at the Overseas Passenger Terminal with larger ships carrying up to 5000 passengers.

During the year, 214 cruise ship visited the Overseas Passenger Terminal compared to 219 in 2017/18. In comparison, 95 cruise ships visited White Bay Cruise Terminal in 2018/19 compared to 121 in 2017/18.

In the longer term, cruise activity is expected to return to previously forecast levels with the arrival of replacement ships in October 2020 and late 2021 in line with continuing strength in passenger demand and growth projections by the cruise industry.

The largest of the cruise ships to visit Sydney, the *Ovation of the Seas*, carries 4905 passengers and visited the Overseas Passenger Terminal 17 times throughout the cruise season.



Sydney welcomes the *Queen Elizabeth*, February 2019

Season highlights

Maiden visits to Sydney Harbour

During the 2018/19 cruise season, Sydney Harbour hosted six cruise ships on their maiden visits.

In September 2018, the *Majestic Princess* arrived with over 3300 passengers. The ship required additional custom-designed fenders due to its unique shape. In December, the *AIDAaura* and the *Viking Orion* sailed through the headlands. January saw the *Silver Muse* berth at White Bay Cruise Terminal, followed by the *Le Laperouse* at the Overseas Passenger Terminal in February and the *MSC Magnifica*, similarly at the Overseas Passenger Terminal in March.

Two royal arrivals

Sydney welcomed two royal arrivals in February as the prestigious cruise ships *Queen Elizabeth* and *Queen Victoria* sailed into the Overseas Passenger Terminal at Circular Quay.

Queen Elizabeth was the first of Cunard Line's vessels to visit Sydney this cruise season, arriving on 20 February following a 38-day voyage from her home port of Southampton, United Kingdom.

On 28 February, *Queen Victoria* also made her 2019 Sydney debut, stopping at the Overseas Passenger Terminal on a 112-day, round-trip world voyage.

Operational efficiencies

Cruise booking system - ongoing

Following the successful launch of the cruise booking system (CBS) in November 2017, on-going refinements have been made. These include:

- automatic alerts for cruise operators, which provide a live view of availability
- the ability to make 'confidential' bookings, whereby industry can link a media announcement of ship arrivals while protecting their bookings dates.

The most recent booking window allowed for cruise ship slots until 30 June 2022, providing for more accurate forecasting. The booking window for the 2022/23 cruise season will be opened during the 2019/20 season, allowing for even greater foresight and accurate berth utilisation data.

Cruise capacity strategic business case

The NSW Government has committed to investigating solutions to the constraints being experienced by the cruise industry in accessing terminal berths in Sydney. The need to resolve cruise capacity issues in Sydney has repeatedly been identified as a priority for the industry and government, including through the State Infrastructure Strategy 2018–2038, NSW Cruise Development Plan (CDP) and Visitor Economy Industry Action Plan 2030.

During 2018, Port Authority, in conjunction with NSW Treasury, delivered on Action 4 of the CDP, and developed a strategic business case which tested the feasibility of a new passenger cruise terminal at two sites – Yarra Bay and Molineux Point.

Following NSW Government consideration, the project is anticipated to progress to a detailed business case to investigate cruise capacity, industry demand and assess two potential sites at Yarra Bay and Molineux Point near Port Botany.

Comprehensive community and stakeholder consultation will also take place.

Regional port development

Action 9 of the Cruise Development Plan, released in July 2018, calls for the NSW Government to support the growth of the cruise industry in key NSW regions and potential emerging destinations through:

- education and training programs to build the tourism industry capability to cater for cruise calls
- supporting locally run ambassador programs
- working with local government to explore wayfinding at port facilities.

In response, Port Authority is leading the NSW Regional Port Development project. All regional NSW ports have now been scoped for their viability as cruise destinations, with a report to be presented to Port Authority Harbour Master and Chief Operating Officer (COO) in July 2019.

Working alongside Destination NSW, Port Authority is developing cruise collateral, detailing maritime information and shoreside tourism offerings for all regional ports across NSW. This information, along with accompanying Harbour Master's instructions and passage plans for each port, as well as experience development programs (run by Destination NSW), will provide invaluable information to cruise lines looking for new ports to include in Australian itineraries, and therefore drive visitation to these NSW ports. This cruise collateral will be presented to the cruise industry in September 2019.

The model of Port Authority and Destination NSW working together to build cruise visitation into regional ports is unprecedented. These initiatives are led by state tourism offices in all other Australian states. It provides the best outcome for ports and cruise lines alike through the marriage of maritime and tourism expertise.

Growth in regional NSW ports can be seen with initial visits in 2018/19 to Trial Bay (South West Rocks), which received a maiden call from expedition vessel *Caledonian Sky*, on 24 October. Two days later the ship made a maiden call at Bateman's Bay on the NSW South Coast.

Bateman's Bay also received visits from *Seabourn Sojourn* in December 2018 and *Seabourn Encore* in February 2019.

Overseas Passenger Terminal precinct construction

Over the 2018/19 cruise season, construction activity was closely planned to accommodate cruise operations. This was to ensure new construction and improvements could be made side-by-side with highly fluid cruise terminal activities. The work ranged from refurbishment of restaurant tenancies, roadway upgrades and wharf civil works, to a significant upgrade of the northern precinct of Campbell Store. The main Overseas Passenger Terminal roadway was the primary access/egress point for construction vehicles.

Works have largely now been completed and the precinct transformed, whilst cruise ships and their passengers have continued to enjoy their award-winning experience in and out of Sydney.

Connection Reliant Gangway removal

The face of the Overseas Passenger Terminal changed when the historic Connection Reliant (CR) Gangways, which had been facilitating passenger movement on and off ships since the 1960s, were removed in preparation for two new Seaport Passenger Boarding Bridges (SPBB) scheduled for installation in July 2019. Ongoing advances in passenger movement technology, as well as ship design, left the CR Gangways outdated and non-functional. With their removal, the larger SPBB structures will safely and efficiently transfer the ever-increasing number of passengers

to and from the terminal with ease. (For more information see Section 10.9.)

Mission to Seafarers

The Mission to Seafarers, Sydney, is committed to promoting 'the spiritual, moral and physical well-being of seafarers who come into our ports 365 days a year.'

From 29 October 2018 ongoing, working in collaboration with the Mission to Seafarers, a marquee was installed on the Overseas Passenger Terminal southern forecourt to provide additional support for cruise ship crew. The mission's office in Hickson Road, the Rocks, has long been a meeting place for seafarers. The erection of a marquee in close quarters to the ships, with transport available as required, provided crew with opportunities to share experiences, seek support services, call home or simply relax. The venture to bring the service to the ships was deemed a success due to high rate of attendance from the various cruise ships' crew.

Cruise accolades

Sydney's reputation as a world-leading cruise destination received another boost as the city was awarded a further two cruise accolades.

In the first of two cruise awards, Sydney was chosen as the Best Australian Homeport in the 2018 Cruise Critic AU Editors' Picks Awards.

Sydney also won the people's vote as the best Australian port in Cruise Passenger's Readers' Choice Awards 2018. With 10,500 votes counted, the publication cited Sydney as: 'the gateway for cruising in New South Wales and the whole of Australia'.

Sydney's cruise terminals also received a special mention for innovation at Singapore's Future Travel Experience Asia Awards 2018, for their mobile airport check-in system launched between Port Authority and Virgin Australia in September 2018.



Aerial view of Glebe Island and White Bay

10.7 The Bays Precinct

The port precinct at Glebe Island and White Bay, known as The Bays Precinct, is a critical asset for Sydney Harbour and for New South Wales. It currently provides:

- Port capacity and critical marine supply-chain capability for essential construction materials for Sydney's infrastructure growth.
- An award-winning cruise terminal, which hosted nearly 100 cruise ships and over 300,000 passengers in 2018/19.
- Operational capabilities essential for Sydney's harbour economy, which are critical functions to maintaining the strategic value of the Harbour as Sydney's greatest single physical asset. These activities include:
 - vessel refuelling and pump-out facilities for Sydney's commercial vessels, including ferries
 - space for marine contractors, which maintain Sydney's seawalls, jetties and other marine infrastructure

- staging areas for events such as the New Year Eve and Australia Day fireworks
- berthing facilities for commercial shipping and harbour service providers, such as tugs and refuelling vessels, as well as research vessels.

- Staging areas for major transport projects, including Sydney Metro City & South West, WestConnex, Western Harbour Tunnel and Sydney Metro West.

In the future, The Bays Precinct will have capacity for greater economic productivity by increasing the intensity and variety of its land uses through urban renewal.

Detailed planning and delivery processes for The Bays Precinct will be ongoing for a number of years. Even so, Port Authority has sufficient clarity on the NSW Government's strategic objectives to plan and deliver port and working harbour outcomes through a period of major infrastructure delivery before ultimately integrating these outcomes into the future urban renewal.

The WestConnex project has licensed an area of land on Glebe Island to stage construction works for the critical M4-M5 Link, which involves constructing twin tunnels between the new M4 Western Motorway at Haberfield and the new M5 South-West Motorway at St Peters, and the Rozelle Interchange and Iron Cove Link.

Other major infrastructure projects, including Western Harbour Tunnel and Sydney Metro West, will also license land from Port Authority in The Bays Precinct for project delivery. The land will be used for a range of activities including construction staging, truck marshalling and handling dredged material. The main locations include areas of White Bay (berths 1, 2 and 3), the White Bay Power Station, and Glebe Island berths 3 to 6.

Due to the timing of these major transport projects, urban renewal within Glebe Island and White Bay is not likely to proceed within the next 10 years. Port Authority will manage the existing and future demands of cruise, port supply chain and working harbour uses through an interim phase that facilitates major transport infrastructure delivery while also accommodating port uses.

While Port Authority is not anticipating any major change in the current demand profile for cruise or working harbour uses (beyond construction staging demands of the major infrastructure projects), there is significant unmet demand for port capacity to service the concrete supply chain in Sydney.

Concrete supply

Increasing demand for sand for the Sydney construction industry's requirements has been forecast across government for many years, as local sand sources are dwindling. Sand and aggregates are used as inputs to concrete production by the construction industry, and are currently sourced from quarries in the Central Coast, Newcastle and surrounds, and Bass Point on the NSW South Coast, and transported to Sydney mainly by road (a small proportion is transported via rail).

Following extensive market engagement, Port Authority has identified two projects to service the concrete supply chain.

These projects are:

- a multi-user facility (MUF) to allow sand, aggregates and cement to be imported by sea
- the potential for two concrete batching plants, one of which would support a relocation of the Hanson batching plant from Blackwattle Bay.

Multi-user facility to support the sea-based concrete supply chain

In order to reduce truck movements and diversify sand sources, Port Authority plans to build a bulk materials facility to receive, store and distribute sand and aggregates at Glebe Island berths 1 and 2. This would provide a low cost, low impact and sustainable entry point for construction materials. Importing of materials by sea brings significant environmental and social benefits by reducing congestion, air pollution and road maintenance costs arising from truck movements on roads – a single vessel can replace between 1100–1500 truck movements.

The proposed MUF was assessed using a Review of Environmental Factors (REF) and consent conditions were imposed by Port Authority under its Part 5 powers granted by the *Environmental Planning and Assessment Act 1979* (NSW).

As part of its assessment, Port Authority reviewed over 300 submissions lodged during the voluntary public exhibition period, which ran through February 2018. Key issues raised in submissions include concerns about the noise, air quality, traffic impacts and visual amenity of the proposal, and how these potential impacts will be managed or mitigated.

Port Authority has prepared a Response to Submissions (RtS) report and made the Part 5 Determination, which will be released soon. Further stakeholder engagement will be undertaken once the RtS report is released.

At the same time, Port Authority is continuing to engage with potential future tenants for the MUF and, as part of the market testing process, Port Authority released an Expression of Interest (EOI) in December 2018. A key objective of the EOI was to ascertain the level of demand from participants in the concrete supply chain. Port Authority has evaluated the responses and proponents will be asked to respond to a Request for Proposals (RFP).

Concrete batching on Glebe Island

Infrastructure NSW's (formerly UrbanGrowth NSW Development Corporation) redevelopment of the Sydney Fish Market and surrounding Bays East precinct means that Hanson Construction Materials (Hanson) will be required to vacate its site at Blackwattle Bay. Hanson has proposed relocating its vessel berthing and

aggregate unloading facility, and its adjacent concrete batching plant from Blackwattle Bay to Glebe Island. Hanson proposes using a marine supply chain from its Bass Point quarry into Glebe Island. The proposed facility would have the capacity to manage up to one million tonnes of aggregates per annum, delivered by ship.

Hanson is in the process of obtaining planning approval under Part 4 of the *Environmental Planning and Assessment Act, 1979*, for their proposed concrete batching plant adjacent to Glebe Island berth 1. Hanson prepared an Environmental Impact Statement, which was placed on public display from 11 April to 15 May 2018, and has also prepared a RtS report, which will be released later in 2019.

The EOI that sought interest from the market in potential tenancies in the MUF also sought interest from the market in obtaining a tenancy on land at Glebe Island for a potential second concrete batching plant adjacent to the MUF. Port Authority has evaluated the responses and it is proposed that proponents will be asked to respond to a RFP in due course.

The concrete batching plant on Glebe Island will play a critical role in supporting the immediate and ongoing concrete batching needs of the central business district (CBD) and surrounding areas, as well as the major infrastructure projects in The Bays Precinct. It will also enable the redirection of raw materials to a more sustainable marine-based supply chain, taking a significant number of trucks off the road and reducing congestion.

10.8 Security

Port Authority is committed to the security of its waterways, assets and infrastructure and the employees and public within these spaces:

- the waterways and shipping channels of Sydney Harbour, Port Botany, Newcastle Harbour, Port Kembla, Port of Eden and the Port of Yamba
- two world-class cruise terminals – the Overseas Passenger Terminal and White Bay Cruise Terminal
- White Bay and Glebe Island wharfs, used for dry bulk and import/export operations
- Port Botany boat ramp
- Maritime Industry service providers that operate within the waterways.

New developments

In 2018/19, Port Authority implemented a number of developments to access contemporary risk information provided by federal and state agencies, and improve security response and capability. These included the following:

- Two operational exercises were held with NSW Police and the Australian Border Force at the Overseas Passenger Terminal and White Bay Cruise Terminal to enhance security and crime prevention, in particular addressing armed active offenders and trending 'lone wolf' attacks.
- Port Authority representatives attended stages 2 and 3 of the Crowded Places Forum, with the Chief Operating Officer attending the CEO Crowded Places Forum hosted by the Assistant Commissioner and the NSW Police Counter Terrorism and Special Tactics Command. The forum covered topics such as Improvised Explosive Device, Active Armed Offender, Hostile Vehicle and Deterrent Communications.

- Port Authority continued to build a strong port-wide security network, hosting the scheduled Port Security Committee meetings.
- Port Authority representatives attended the second sitting of the Crimes At Sea Committee. The committee was led and hosted by the NSW Marine area command, with its meetings held twice a year. The committee will discuss the ongoing development and implementation of processes and procedures in relation to investigations of crimes at sea.
- An updated security deployment plan was introduced for the cruise terminals to ensure security integrity is maintained, meets operational expectations and is not cost-prohibitive towards industry.
- A customer service-training module for the contracted security company was introduced, establishing a strong customer service focus and ensuring ongoing excellence.

Port Authority is continually monitoring facilities, undergoing security exercises and drills, and proactively developing contemporary security mitigation to evaluate and respond to the latest world events and trends.

Port Authority maintains a strong working relationship with the Australian Government regulator from the newly formed Department of Home Affairs, and has welcomed and was compliant with the external audits and inspections as part of the Department's Maritime Compliance Plan.

The Department of Home Affairs will give the Maritime Industry an increased risk context, and intelligence products to assist Port Authority to mitigate the continually evolving global security environment.

The year ahead

A number of initiatives were identified for 2019/20, to assist Port Authority to provide robust, efficient and risk-based security outcomes for employees, passengers and customers. Some of these include:

- the revision of all Maritime Security plans to update the current risk context and port development, inclusive of the new wharf extension at Eden
- the update of the access control system at all Port Authority facilities and terminals in the Sydney region
- updates to the CCTV program at the Overseas Passenger Terminal and White Bay Cruise Terminal
- continuing to build a strong port-wide security network at the two scheduled Port Security Committee meetings.

10.9 Capital projects

Seaport Passenger Boarding Bridges - Overseas Passenger Terminal

Two giant gangways – technologically advanced Seaport Passenger Boarding Bridges (SPBBs) – are scheduled for arrival at the Overseas Passenger Terminal in July 2019 and will be put into service for the 2019/20 cruise season.

The SPBBs were custom-built to better support visits from cruise ships including Quantum-class vessels that can carry over 5000 passengers. Together, the bridges will move over 1200 people every 30 minutes, improving the terminal's operational efficiency, increasing capacity and allowing for quicker and easier embarkation and disembarkation for passengers.



Carrier ship delivers new gangways to the Overseas Passenger Terminal, July 2019



The upgraded northern access to the Overseas Passenger Terminal at Campbells Cove

The SPBBs were designed and manufactured over a period of 15 months in Spain, and will arrive fully assembled on the cargo vessel *Helvetia* (AG) in mid-July 2019. They will be installed directly onto the wharf via the ship's cranes in an impressive precision dual lift.

Prior to the arrival of the SPBBs, enabling works have been completed, including the installation of gangway support rails along the length of the wharf, upgrade of power supply, modification to wharf furniture and removal of two redundant connection reliant gangways.

Upgraded northern access – Overseas Passenger Terminal

Port Authority partnered with Property NSW to fund an upgrade of Campbells Cove public domain, including lowering and widening the foreshore promenade to deliver enhanced public access to The Rocks and to cruise ships at the Overseas Passenger Terminal, Circular Quay.

The work undertaken on Port Authority land involved lowering the existing roundabout at the northern end of Circular Quay West Road, and repaving the entire area to enhance the appearance of the precinct.

The lowered roundabout created a new route for providing trucks to access the northern part of the Overseas Passenger Terminal wharf to provide cruise ships with necessary supplies. The additional access point for trucks improved the overall efficiency in servicing cruise ships.

The project was completed in time for the 2018/19 cruise season, facilitating a faster turnaround of large ships carrying in excess of 3000 passengers.

Vessel Traffic Services upgrade

Port Authority's VTS hardware received a significant upgrade in the first half of 2019. VTS operators in Botany use PC-based software to combine a series of cameras, radars, radios and automatic identification systems (AIS), installed at several locations across Sydney Harbour (Port Jackson) and Botany Bay. These monitor and coordinate the safe movement of large commercial ships. The upgrade targeted the main Airbus (previously Signalis) integrated radar system, which was last updated in 2010.

The Airbus system integrates six radars, AIS data, weather and shipping databases into one package that is utilised in two control centres and six workstations. The hardware and software allow the VTS operators to have clear visibility of all vessel movements across both Sydney and Botany, allowing them to provide information to support fast

and accurate decisions by commercial shipping. In the event of incidents on the harbour, the system is able to provide detailed scenario playback to fully support investigations as required.

As part of the upgrade, significant improvements have been realised on the network architecture, including full redundancy to reduce any risk of system down-time.

The year ahead

Port Authority is focusing on projects to facilitate the continued performance of critical port infrastructure, including:

- refurbishment of Glebe Island 8 wharf (see Section 2.7)
- upgrade to Aids to Navigation (see Section 2.7)
- replacement of capital plant within the Overseas Passenger Terminal and White Bay Cruise Terminal, including air-conditioning equipment, fire services and lifts.

10.10 Community engagement and sponsorship

Port Authority is proud to be an active member of the communities where we operate. We value our relationship with our various community groups and continually look for ways to work with and understand them better.

For details of community engagement and sponsorship at different ports, please refer to the following sections:

- Sydney and Port Botany (section below)
- Newcastle Harbour (Section 11.4)
- Port Kembla, (Section 12.4)
- Port of Eden (Section 13.5).

Community meetings

During the reporting year, Port Authority representatives continued to:

- Convene quarterly Glebe Island and White Bay Community Liaison Group meetings. These meetings are attended by community representatives, port tenants and City of Sydney and Inner West Councils.
- Attend quarterly Port Botany Community Consultative Committee meetings, which are convened by NSW Ports. Although no longer the landowner of Port Botany, Port Authority continues to attend to provide information on matters relating to nearby community assets that remain under its management, including the Port Botany Boat Ramp, Penrhyn Estuary and Foreshore Beach.

- Attend bi-monthly White Bay Cruise Terminal agency and community meetings. These are attended by representatives from the community, Inner West Council, NSW Environment Protection Authority, NSW Department of Health, and NSW Department of Planning, Industry and Environment. The group meets to discuss impacts from cruise ships berthed at White Bay Cruise Terminal.

Glebe Island / White Bay Community Liaison Group

The Glebe Island / White Bay Community Liaison Group (CLG) is a forum for the local community and other stakeholders to participate in and communicate about the activities at the port.

The aim of the CLG is to inform the local community about port activities at Glebe Island and White Bay. The group also aims to provide Port Authority and port industry stakeholders with the opportunity to discuss activities at the port and obtain community feedback on any initiatives being considered. Port Authority has appointed an external Chair to facilitate the meetings.

The 11 community representatives from the Balmain/Rozelle and Pyrmont communities appointed to the CLG are detailed on the [Port Authority website](#).

Community complaints and enquiries

During 2018/19, Port Authority received 182 complaints — down from 263 in 2017/18 and 216 in 2016/17.

Most complaints related to noise and ship emissions from vessels at White Bay Cruise Terminal and Glebe Island in Sydney. All complaints are registered in a central database.

Service NSW continued to manage the Port Authority complaints and enquiry line on a 24-hour basis to ensure complaints are managed in real time where possible.

Port Authority's enquiry contact details are:

P: 02 9296 4962

E: enquiries@portauthoritynsw.com.au

During the year, proactive management of potential issues included:

- contacting each ship and ships' agent ahead of their arrival into White Bay to remind them of their responsibilities
- briefing onsite security and duty cruise terminal managers about reporting and managing noise, and in particular non-safety related public announcements and music
- ensuring Service NSW is adequately briefed about the complaint reporting process ahead of a ships' arrival.

Community notifications

Members of the community can sign up to a community notifications email to receive information about changes to shipping movements and significant marine incidents, such as an oil spill.

During the reporting year, 15 community notifications were issued and published on the [Port Authority website](#).

Community events

Community venues

Port Authority has several iconic locations available for events, activation and filming hire on non-ship days. These include the Overseas Passenger Terminal precinct at Circular Quay West and White Bay Cruise Terminal at Rozelle, and several other hardstand locations on the Sydney Harbour foreshore.

The Overseas Passenger Terminal is Sydney's premier location for events and activations, offering hirers direct views of the Sydney Opera House and harbour from each of its four indoor event spaces. Major public events dominated the first quarter of 2019 at the Overseas Passenger Terminal.

White Bay Cruise Terminal offers views of the Sydney skyline, with the versatility to host all types of events, such as cocktail parties, corporate conferences, gala dinners, exhibitions, fashion shows, festivals, charity events, community events, public parades, outdoor cinemas and live sites.

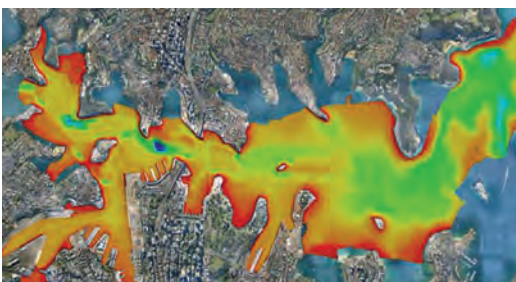
Australia Day



Firefighting tug *Shirley Smith* dresses up for Australia Day 2019 on Sydney Harbour

Port Authority and the Overseas Passenger Terminal were again central to Australia Day celebrations on 26 January 2019. This year the theme of Australia Day was 'Everyone, every story', continuing a series of successful strategies to engage multicultural and Indigenous communities and people with access considerations. With so much of the program focused on and around Sydney Harbour throughout the day and into the evening, Port Authority's support is a key factor to the program's ongoing success.

Port Authority provides a 24-hour emergency response for marine incidents in both Sydney Harbour and Botany Bay. With so many ships taking part in Australia Day, Port Authority's crews were on standby to assist vessels in trouble or respond to reports of pollution. Port Authority's Vessel Traffic Service (VTS) team monitored the shipping channels to provide navigational and safety information to the hundreds of vessels on the water.



Sydney Harbour's major shipping channels mapped by the hydrographic survey team

The Australia Day Council created a highly engaging video featuring the Harbour Master's insights into the activities that take place on Sydney Harbour. The video clearly demonstrates Port Authority's support of both the city of Sydney and the State, whilst participating in an increasing number of major events taking place around Sydney Harbour. The video is featured on the [Port Authority website](#) and received more than 13,000 viewings on social media by the end of the reporting year.

Harbour activities included the Ferrython, Salute to Australia, In the Sky Flyover, Tug and Yacht Ballet, the Australia Day Parade, Tall Ships Race and viewing, Cruise Ship Access and Australia Day Live. Australia Day drew strong attendance with an estimated 450,000 people visiting the Sydney central business district to enjoy the event. The hot weather was a factor this year, although 330,000 people tapped their Opal at Circular Quay over the course of the day.

Australia Day 2019 reinforced commitment to strengthening the program through the inclusion of rich and meaningful Aboriginal content. The program was widely recognised by key Aboriginal groups as respectful, appropriate and educational.

Sydney Lunar New Year

For the third successive year, Port Authority participated in Sydney's Lunar New Year 2019. The Golden Snake was suspended from the Overseas Passenger Terminal's entrance portico and the southern forecourt hosted the Spiral Pigs. The event continues to grow in popularity with many nightly live activations in neighbouring First Fleet Park and the Opera House forecourt drawing large crowds.



The forecourt of the Overseas Passenger Terminal during Vivid Sydney 2019

© Bespoke Boulevard

Vivid Sydney 2010

Port Authority played a major role in Vivid 2019, again facilitating the build of the Darling Harbour activation at White Bay berth 3. The Overseas Passenger Terminal precinct hosted major installations in the entrance portico and on the Port Authority roadway. For the third consecutive year, Port Authority managed a food truck precinct in the southern forecourt and curated its own lighting activation for the Arrivals Hall. This kinetic display of coloured orbs proved to be a crowd favourite, drawing more than 200,000 visitors to the Overseas Passenger Terminal over the course of Vivid. The terminal also provided a welcome respite area for families.

On the opening weekend, the wharf of the Overseas Passenger Terminal hosted the Sydney Heritage Fleet's *James Craig*; and MilkSugar, a dessert festival that received more than six million hits on social media.

Vinnies CEO Sleepout

In June 2019, Port Authority hosted the 2019 Vinnies CEO Sleepout at White Bay Cruise Terminal for the second year running. Both Philip Holliday, Chief Operating Officer (COO) Sydney, Port Kembla and Eden, and Harbour Master, Sydney; and Brad Milner, Executive General Manager, Commercial Technical and Legal; participated in raising more than \$23,000 for the homeless. Nearly 400 CEOs took part in the event for 2019, raising more than \$2.1 million in Sydney alone.



Port Authority hosted the 2019 Vinnies CEO sleep out at White Bay Cruise Terminal

© Visionair Media

National Indigenous Art Fair

Port Authority hosted the second National Indigenous Art Fair (Blak Markets) at the Overseas Passenger Terminal on 29 and 30 June 2019. This event



heralded the start of NAIDOC (National Aboriginal and Islanders Day Observance Committee) week. Aboriginal and Torres Strait Islander artists brought their artworks, sculptures, textiles and accessories, such as hand-made jewellery, to Sydney to exhibit, sell and host workshops demonstrating their unique arts and cultural practices. In the spirit of the 2019 National NAIDOC theme, 'Voice Treaty Truth!' the two-day event featured a variety line-up of live contemporary and traditional music and dance performances.

More than 10,000 people attended the Art Fair over the weekend. A total of 30 remote communities took the opportunity to show their work to Sydneysiders, with many of the centres virtually selling out of their art and traditional works. Sales from the Fair of \$610,000 go to Indigenous communities to drive better health and education outcomes.

As part of Port Authority's involvement with the Blak Markets, Karleen Green, a locally based traditional weaver, hosted a traditional weaving workshop at the Sydney office in July 2019 for NAIDOC week. All Port Authority staff in Sydney were invited. The workshop proved to be very popular, with more than 26 staff

participating. Karleen taught the staff traditional weaving techniques and their work finished off a woven sculpture of the Sydney Harbour Bridge - the centrepiece of the Art Fair's weaving circles. The Harbour Bridge sculpture has been gifted to Port Authority and will now be placed in the Overseas Passenger Terminal alongside the Opera House in Customs Hall. (See Section 15 for more information on Sustainability.)

Saving our Oceans

Over the course of winter, the Overseas Passenger Terminal hosted the Sea Shepherd's flagship *Steve Irwin* on her way to campaign in northern Australia. The trip was part of a campaign to save the Great Barrier Reef. The Overseas Passenger Terminal also saw a visit by *Rainbow Warrior* on her way to the Great Australian Bight to draw attention to oil drilling licences that may have significant impacts on one of the world's last pristine wildernesses. These visits were a signal of Port Authority's ongoing commitment to sustainability and the protection of Australia's unique ocean environment.

Other notable events

The National Australian Antiques Fair moved to Sydney's White Bay Cruise Terminal from Melbourne for the first time in many years. More than 3000 people visited the Fair over the course of four days. Additionally, Sydney Dance Company hosted their major fundraising event - Dance Noir - at White Bay Cruise Terminal, transforming the stage into a dance floor. In November, White Bay hosted a leg of the National Criterium bike racing series.



Centrum's children's playground provided entertainment at the southern forecourt, Overseas Passenger Terminal

© MJ Fusion Studio

Major brands

Besides a large program of public events, Port Authority continues to draw major brands for events at its venues – including Red Bull, the NRL for the annual Dally M Awards, Uber, Ford, Fenty Makeup by Rihanna, Jeans West, Tiffany, Savills, Smiths and the Conservatorium of Music.

The popularity of the southern forecourt of the overseas Passenger Terminal continues to grow, hosting a live site for the opening ceremony of the Invictus Games, a Koala Museum (a possible vision of the future with continued destruction of koala habitat), a Mary Poppins double-decker bus, and a Centrum children's playground.

New Year's Event 2018

New Year's Eve 2018 drew more than 1.5 million people to Sydney's foreshore. The southern forecourt and the roadway of the Overseas Passenger Terminal

proved to be exceptionally popular for members of the general public to view the fireworks display. Port Authority's tenants within the Overseas Passenger Terminal held their own ticketed-events – all of which sold out.

Mission to Seafarers

Mission to Seafarers is committed to promoting 'the spiritual, moral and physical wellbeing of seafarers who arrive in our ports on every day of the year'. There are more than 250 centres around the world, and more than 20 of those are in Australia. Wherever there is a major port, Mission to Seafarers will have a presence there.

Port Authority assists the Sydney Mission by providing parking at Moore's Wharf for the bus that offers a free transfer service for seafarers from Port Botany into the city and paying for Wi-Fi on the bus to enable seafarers to keep in touch with family and friends whilst ashore.

11 Newcastle Harbour



Vessel enters Newcastle Harbour to load coal

Newcastle is 162 kilometres north of Sydney and is the economic and trade centre for the Hunter region and for much of the north and north-west of NSW. The harbour provides a significant gateway to the resource-rich Hunter Valley.

Newcastle Harbour is Australia's oldest export port and one of the country's largest tonnage throughput ports. Coal exports represent more than 90 per cent of total tonnage, which includes other bulk cargoes such as grains, vegetable oils, alumina fertilizer and ore concentrates.

11.1 Overview

The Chief Operating Officer manages the following functions in Newcastle Harbour:

- pilotage services and the Harbour Master, including publishing information about depths in different areas of the port
- Vessel Traffic Information Centre (VTIC)
- Port Safety Operating Licence (PSOL) functions including:
 - incident reporting
 - emergency response
 - notifications for dangerous goods, bunkering (refuelling vessels) and hot works (any works that could result in a fire or works in a combustible environment)
- roles and responsibilities under the Hunter Coal Export Framework arrangements
- inductions for access to Port Authority sites in Newcastle Harbour
- participation in the Hunter Valley Coal Chain Coordination
- approval and administration of local knowledge certificates
- management of Nobby's Headland
- maintenance of Macquarie Pier
- asset management.

11.2 Marine Operations

Marine Operations maintained its high standard of service delivery during 2018/19, promoting the safe and efficient movement of commercial vessels operating on Newcastle Harbour.

During the reporting year, Marine Operations in Newcastle Harbour:

- completed 4619 pilot movements for movements into, out of, and within the ports requiring a pilot on board) – an average of 12.6 per day
- actioned 307 bulk dangerous goods transfer checks
- undertook 493 audits of work permits
- actioned 338 bunker permit notifications
- responded to 10 calls reporting pollution

- carried out navigation and environmental patrols.

All marine operations activities focused on maintaining a safe and environmentally sustainable port with a timely and effective response to water-based incidents and emergencies.



11.3 Summary review of operations

Trade vessel visits to Newcastle, 2018/19

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2018-19	TOTAL 2017-18
Newcastle	210	197	181	205	170	212	205	175	197	189	168	188	2,297	2,272

In 2018/19, there were 2297 trade vessel visits to Newcastle Harbour, a 1.1 per cent increase on trade vessel visits when compared to 2017/18. This increase can be directly attributed to coal vessel visits, which increased by five per cent compared to the previous financial year. However, grain shipments were down considerably, due to the current drought conditions affecting grain exports from the east coast of NSW.

A total of 4619 pilotage movements (inward, outward and harbour removals) were performed – 3526 of these by helicopter and 1093 by cutter.

Cruise ship visits to Newcastle, 2018/19

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2018-19	TOTAL 2017-18
Newcastle	0	0	0	2	0	1	3	5	2	2	0	0	15	11

Port of Newcastle owns cruise infrastructure and manages cruise activity in Newcastle Harbour.

A total of 15 cruise ships called in to Newcastle Harbour in 2018/19, up from 11 in the previous year.

Vessel Traffic Information Centre

The Vessel Traffic Information Centre (VTIC) has operated within Newcastle Harbour since 2002.

The VTIC provides a high level of service that facilitates the safe operation and the efficiency of movements within the port limits. The VTIC monitors for potential or developing situations that can affect port user safety, the environment or port movements and operations.

During 2018/19 the VTIC:

- facilitated safe and efficient transit of 4669 vessel movements
- provided Search and Rescue (SAR) watch for 3526 helicopter movements
- coordinated the response to 10 pollution reports
- proactively cleared anchoring in preparation for forecast weather events.

The VTIC is the interconnecting interface of the whole operation within Newcastle Harbour. It is a conduit for communication, not only within the organisation but also to and from other port stakeholders and visitors, as well as for the community in general.

Emergency response

Port Authority's emergency response team includes highly trained employees and a variety of response equipment and vessels equipped to respond to incidents. During the 2018/19 reporting year, Marine Operations responded to a number of maritime incidents, including 10 reports of suspected pollution.

On-the-job training, real-life response and a number of external training courses assisted in keeping the skills and knowledge of the emergency response team up-to-date and ready to respond to and combat maritime

incidents. This and cross training with other agencies on a regular basis is paramount to enabling Port Authority to meet its obligations.

Exercises and training

During the reporting year, Port Authority participated in a number of exercises, to test response plans and meet its obligations under the PSOL. Training of employees was ongoing through the reporting year.

Exercises in which Newcastle Port Authority employees participated during 2018/19 are described below.

State Response Team workshop, September 2018

Four attendees from Port Authority participated in the State Response Team workshop held in Kiama.

The workshop was conducted by Roads and Maritime Services. The team received updates on State arrangements, the National Plan functional areas, and the Australasian Inter-Service Incident Management System, and its implications for the Oil Spill Response Incident Control System, the present incident response structure.

Ongoing training continues, with field training and familiarisation with other response agencies (law enforcement and emergency service providers) to support multi-agency incident management.

National Response Team Training, Burnie, Tasmania, April 2019

The exercise focused on a response to an incident in Burnie Harbour and the resulting oil spill and port of refuge issues. 'Port of refuge' is a situation where a vessel has to be diverted to a port because of an emergency which makes it unsafe to sail further.

Newcastle Oil Spill Exercise, December 2018

Port Authority personnel conducted an oil-spill equipment familiarisation and desktop discussion.

Port Authority employees also conducted training on the deployment of various booms at the berth.

Development and projects

Projects conducted by Port Authority over the reporting year included:

- completion of the inbound tanker project, opening port access to Large Range 1 (LR1), Large Range 2 (LR2) and Medium Range (MR) tankers
- preliminary surveys on Macquarie Pier revitalisation
- Nobby's Headland rock fall mitigation work completed in September 2018
- two new outboard engines for one of the two launch vessels
- scoping options for Goodwood Island Wharf refurbishment
- a range of minor capital projects.

In January 2019, Port Authority contracted the manufacture of a pilot launch to replace the *Brian Cecil*. Delivery of the pilot launch is expected in December 2019.

Shipping incident *MV Aquadiva*

On 16 November 2018, the Australia Transport Safety Bureau (ATSB) released its report on the near grounding of the dry bulk ship *MV Aquadiva* in Newcastle Harbour on 12 February 2017.

Following the incident, Port Authority reported the incident to the Australian Transport Safety Bureau (ATSB) and conducted its own internal investigation.

Port Authority has commenced and continues to implement learnings from both the internal and ATSB investigations. Most significantly, the two overall lessons learnt as a result of the near grounding are:

- the need to transition from a VTIC to a Vessel Traffic Service (VTS)
- the importance of making decisions and change consistent with a highly reliable port resource management system.

Port Authority has commenced work to transition from a VTIC to a VTS and makes continual improvements to its port resource management systems.



Pilot vessel *Brian Cecil* underway on Newcastle Harbour



Newcastle Harbour

11.4 Community engagement and sponsorship

Port Authority is proud to be an active member of communities where we operate. We value our relationship with our various community groups and continually look for ways to work with and understand them better.

Community support

Port Authority has a long history of supporting community groups, especially locally, and this has continued throughout 2018/19.

This includes support for:

- Newcastle Coal Infrastructure Group (NCIG) Charity Ball
- Hunter Business Awards
- Australasian Marine Pilots Institute Limited (AMPI) Conference
- Buy a Bale
- World Biggest Morning Tea
- Alzheimer's Australia
- Westpac Rescue.

Community liaison

In addition to providing support for local community groups, Port Authority participates in community liaison groups including:

- Port User group, for port stakeholders
- Port of Newcastle Community Liaison group, for community members and community associations
- Newcastle Port Welfare Committee.

These groups are chaired and coordinated by Port of Newcastle (the private operator of the port). They are designed to provide a forum for information exchange and discussion on port operations and activities. Representatives are chosen because they live or work near the port and have existing communication links with the local community.

Community events

Port Authority also helps to facilitate local events and provides access to Macquarie Pier for Million Paws Walk, Glow Walk, Cupids Undie Run, Newcastle Running Festival, Sparke Helmore Triathlon, and New Run.

Port Authority continues its involvement in the Port Welfare Committee. This group was formed to provide an overarching management of all of the local groups providing support to seafarers. The goal of this group is to eliminate the duplication of services and provide the best welfare option available.

11.5 The year ahead

Port Authority will continue to work towards achieving accreditation from the Australian Maritime Safety Authority to operate the current VTIC as a licenced Vessel Traffic Service.

This will involve the following actions:

- Pilot portable units (PPU) will be fully and effectively integrated into modern pilotage technique.
- Electronic Master Pilot exchange will be developed and implemented.
- Pilot transfer safety review will be undertaken.
- Pilot station information technology and displays will be upgraded.

12 Port Kembla



Located 90 kilometres south of Sydney, Port Kembla serves the needs of regional industries such as coal (export) and steel (import of raw materials and export of steel products). It is the principal grain export port for producers in southern and south-western NSW and is the largest car importation terminal in Australia.

12.1 Overview

The Harbour Master manages the following functions in Port Kembla:

- safety outcomes for the day-to-day operations of the port
- Port Safety Operating Licence (PSOL) functions including:
 - pilotage services (pilots, cutters and crew)
 - hydrographic services for providing up to date depths in the harbour and approaches
 - Vessel Traffic Information Centre (VTIC)
 - reporting of incidents
 - emergency response to incidents
 - notifications for dangerous goods, bunkering (refuelling vessels)
 - auditing of hot work (any works that could result in a fire or works in a combustible environment) carried out in the port
 - inductions for access to Port Authority sites in Port Kembla
 - providing and maintaining port security
 - maintenance of navigation aids
 - asset maintenance and management.

12.2 Marine Operations

During the reporting period, Marine Operations:

- completed 1647 pilot movements (for movements into, out of, and within the ports requiring a pilot on board) – an average of five per day
- undertook hydrographic surveys for all of the port channels and berthing boxes
- issued 81 and audited 53 dangerous goods cargo permits
- undertook 116 audits of work permits
- issued 88 bunker permit notifications and audited 81 vessels
- carried out navigation and security patrols

- actioned and monitored a wide range of miscellaneous marine activities, including towage services, line handling operations and commercial diving activities to facilitate maintenance of the port infrastructure
- responded to reports of pollution that required deployment of personnel and equipment.



12.3 Summary review of operations

Trade vessel visits to Port Kembla, 2018/19

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2018-19	TOTAL 2017-18
Port Kembla	59	72	71	64	64	67	63	63	73	64	67	68	795	836

In 2018/19, total vessel visits were down approximately five per cent compared to the same period last year, due to a reduction in pure car and truck carrier vessels. In addition, there were no grain exports due to the current drought conditions in the key growing regions of NSW. Coal performed far better this financial year, with greater throughput, compared to the previous year.

Cruise ship visits to Port Kembla, 2018/19

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2018-19	TOTAL 2017-18
Port Kembla	0	0	0	0	0	0	0	1	0	0	0	0	1	2

During the year, Port Kembla welcomed one cruise ship – *Explorer of the Seas* in February 2019. The visits continue to attract significant local attention and was well received.

Vessel Traffic Information Centre

All Port Kembla VTIC employees are trained to international standards and continue to provide a high-quality service for port and shipping management in Port Kembla.

Port Authority continued upgrades to the performance of 'cPORTS' – Port Kembla's up-to-the-minute commercial shipping and port management system. The continuing upgrades to cPORTS incrementally improve the efficiency of port operations, shipping safety, dangerous goods management and other marine activities, using its interactive permit management system.

Port Kembla recruited another VTIC officer to assist in managing peak workloads and augment staffing levels as required, thereby ensuring a seamless 24/7 operation was maintained at all times.

As stipulated in the PSOL, the VTIC will transition to AMSA recognised Vessel Traffic Services (VTS). This significant development will improve the safety outcomes for vessel visits to the harbour.

Exercises and training

Port Kembla is an active member of the local, regional and State emergency response committees, and undertakes regular exercises with other government agencies and port stakeholders.

In addition, employees undergo training throughout the year to ensure proficiency with the variety of equipment stored in Port Kembla and full operational knowledge of deployment and operation.

Port Kembla has purchased two sets of oil spill containment boom and reel, complete with a self-contained hydraulic power pack. This purchase renewed

old equipment that had been used for the Iron Chieftain fire in the port. This new kit fortifies the commitment by Port Authority to continue its excellent level of emergency response services.

MV Iron Chieftain fire, June 2018

A real-time port emergency was declared when a major fire occurred on board the vessel *MV Iron Chieftain*, which was berthed alongside BlueScope's berth 113.

Subsequent work carried out on the vessel in 2018/19, resulted in \$500,000 being paid to Port Authority for 'at-cost works completed' for the duration of this emergency and the vessel's stay in port. The *Iron Chieftain* departed the port on 27 March 2019, destined for a scrapyard in Turkey.



Vessel *MV Iron Chieftain* on fire at Port Kembla, June 2018

As a result of the extended stay of the *Iron Chieftain* in the port (fire on 18 June 2018, port departure on 27 March 2019), several emergency tasks were enacted by the team. These spanned oil pollution booming, deadship in port, securing of a deadship during heavy winds, movement of vessel from one berth in the port to another (berths 113 to 101), and towage from the port to her scrapyard.

The activity surrounding this vessel provided an opportunity for all members of Port Authority, port operators and ancillary service providers to exercise and train on a wide range of emergency scenarios.

12.4 Community engagement and sponsorship

Port Authority is proud to be an active member of communities where we operate. We value our relationship with our various community groups and continually look for ways to work with and understand them better.

Community liaisons

Port Authority has a long involvement in the Port Kembla and greater Wollongong public and business community and is a proud major sponsor of Mission to Seafarers Port Kembla, Port Kembla Surf Club and Port Kembla Golf Club.

The Harbour Master is the current Chair of the Port Kembla Port User Council and is also a member of the Illawarra Business Chamber. Port Authority is a proactive user of local services, where possible, to support its operations.

12.5 The year ahead

Port Authority will continue with upgrades of the CCTV camera and peripheral equipment around Port Kembla Inner and Outer Harbours, allowing even better coverage and identification of vessels, people and operations around the port. These initiatives will ensure Port Kembla remains at the forefront in providing high-class, efficient and safe services to port stakeholders, shipping and the Illawarra community.

Work has started on implementing a purpose-built safety Port Marine Management System (PMMS), which replaces the old and dated ISO quality management framework. The new PMMS provides optimum risk-mitigation and port-specific operation management tools.

VTIC to VTS migration will continue through the coming year with new procedures, training and certification progressing as per the assigned milestones.

Continuing upgrades to the infrastructure of the Port Kembla coal terminal are expected to increase exports throughout the next financial year.

The Liquid Natural Gas (LNG) import terminal – a floating regasification storage unit envisaged by the private sector company AIE – has completed its feasibility studies and development approvals. Finalisation of the funding model is now in progress. This is expected to be completed in the fourth quarter of 2019. If approved, construction of the berth is expected to commence soon afterwards, with imports slated for 2021.

13 Port of Eden



Eden is situated on the far south coast of NSW – midway between Sydney and Melbourne. Its harbour, Twofold Bay, is a deep natural harbour.

Port of Eden services the needs of both regional industries – including forestry exports and fishing – and the Royal Australian Navy (RAN), and is an established cruise ship destination.

13.1 Overview

Port Authority in Port of Eden is managed by the Harbour Master. The Harbour Master reports to the Chief Operating Officer, Sydney, Port Kembla and Port of Eden. In Eden, Port Authority is responsible for the following functions:

- Harbour Master and 24-hour pilotage services

- management of Snug Cove and the RAN's multi-purpose berth
- Port Safety Operating Licence functions, including dangerous goods management, surveys and the maintenance of navigation aids
- emergency response and security for the designated Maritime Security Zones within the port.

There are five commercial wharves in the Eden port precinct and Port Authority also owns and manages an eight-hectare cargo storage facility on the south side of Twofold Bay, adjacent to the RAN multi-purpose berth.

13.2 Summary review of operations

Total vessel visits (trade and cruise) to Port of Eden, 2018/19

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2018-19	TOTAL 2017-18
Eden	6	5	5	9	9	8	6	10	12	6	8	5	89	101

Note: Includes visits at both Port Authority's berths and privately owned terminals.

The total number of vessel visits to Eden during 2018/19 was 89, of which 65 were chargeable. There were 95 piloted movements during the year.

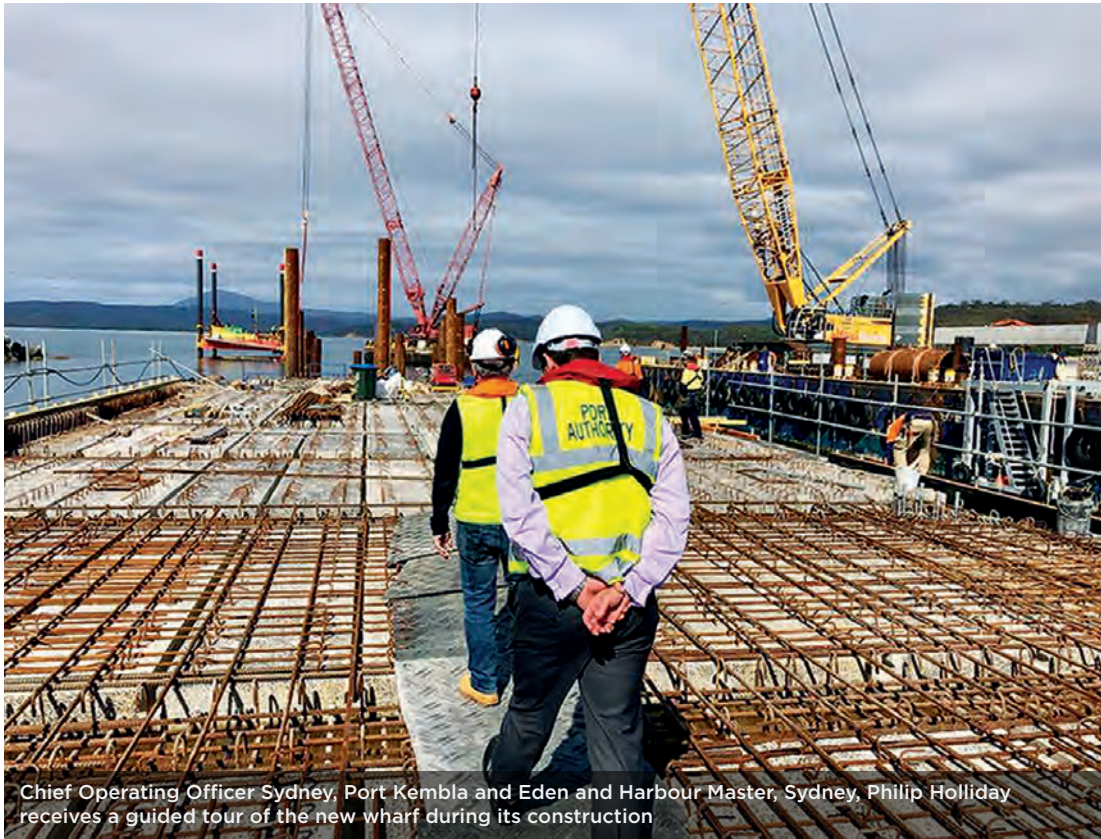
The largest users to the port during the reporting year were the dry bulk cargo ships (25), closely followed by the RAN (24), which is a non-chargeable user, and cruise ships (15).

Cruise ship visits to Port of Eden, 2018/19

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2018-19	TOTAL 2017-18
Eden	0	0	0	1	1	2	3	4	3	1	0	0	15	15

In 2018/19, 15 cruise ships visited, the same number as in 2017/18. There were four maiden voyages to Eden, including *Caledonian Sky* (27 October 2018), *Silver Muse* (3 February 2019), *Amadea* (24 February) and *Seabourn Encore* (26 March).





Chief Operating Officer Sydney, Port Kembla and Eden and Harbour Master, Sydney, Philip Holliday receives a guided tour of the new wharf during its construction

13.3 Port development

Jointly funded by the Australian Government, the NSW Government and Bega Valley Shire Council, the \$44 million Eden Breakwater Wharf Extension project is an import multi-government initiative to drive economic growth in the region.

The extension to the Snug Cove breakwater wharf will enable the berthing of cruise ships up to 325 metres in length.

Construction of the extension has been managed by the Department of Primary Industry - Lands (Department of Lands), and the operation of the new wharf will be managed by Port Authority.

Stage 2 construction works were completed in May 2019 and included:

- extending the existing wharf by 110 metres
- installing three mooring dolphins and two breasting dolphins
- installing three onshore mooring bollards on the existing wharf
- upgrading existing services such as lighting, power, potable water and emergency fire-fighting water
- installing navigation aids.

A total of 126 steel piles were driven into the seabed to create the foundations for the new wharf extension and dolphins. Piling rigs and other equipment were set up on barges and the existing breakwater wharf.

During construction, the port remained open and Port Authority managed shipping and transport movements around the ongoing works. The wharf extension is expected to be open for business in August 2019 after some minor works on the existing wharf are completed. These works include the installation of a heavy-lift zone to allow crane operations for a mobile crane up to 300 tonnes and renewing the pavement on the existing breakwater wharf.

The new Breakwater Wharf Extension will allow cruise ships to berth in Snug Cove, instead of having to anchor in the harbour and ferry passengers to and from shore by tender. This will make Eden an even more attractive cruise destination and is expected to significantly boost the local economy and open up the entire region to the cruise industry, driving economic growth across the Sapphire Coast and creating more than 80 jobs in tourism, hospitality and stevedoring

13.4 Other highlights

As part of the Memorandum of Understanding with Bega Valley Council, a member of the Eden team supported the CEO's visit to the Seatrade Cruise Global conference in Miami Beach, representing the Port of Eden to the world's cruise lines. The conference was an important opportunity to provide details and insight into the new Breakwater Wharf Extension and attract additional visits to the facility, which will be ready for the 2019/20 cruise season.

13.5 Community engagement and sponsorship

Port Authority is proud to be an active member of communities where we operate. We value our relationship with our various community groups and continually look for ways to work with and understand them better.

Community support

Port Authority sponsors local organisations such as Eden Men's and Women's Golf Clubs and Eden Killer Whales Soccer Club.

Community events

Port Authority is the major sponsor of the Eden Whale Festival held in November every year, a celebration of the migration of humpback and other whales along the NSW Sapphire Coast. The festival is an important local community event that attracts tourists from NSW, Victoria and the ACT.

13.6 The year ahead

In 2019/20, there are 22 scheduled cruise ship visits, including first visits from *Explorer Dream*, *Seven Seas Navigator*, *Pacific Aria* and *Celebrity Solstice*.

Celebrity Solstice, at 317 metres in length, will take the title of being the largest ship to visit Port of Eden.

14 Port of Yamba

Located at the mouth of the Clarence River in northern New South Wales, Yamba serves the whole Northern Rivers and New England regions and is the home port of the State's second largest fishing fleet. It handles a range of imports and exports.



A Port of Authority survey vessel in Yamba

14.1 Overview

Australia's eastern-most seaport, Port of Yamba has been under the responsibility of the Newcastle Harbour Master since 1 October 2015. Port Authority in Newcastle maintains stewardship of Port of Yamba.

Port Authority owns Goodwood Island Wharf, which can accommodate vessels up to 120 metres in length, plus a small tug wharf, a pontoon and a large shed.

14.2 Pilotage and navigation services

Operating on a continuous 24/7 basis, the port has a dedicated pilotage service.

The Yamba operation is also responsible for Port Safety Operating Licence functions including incident reporting, emergency response, permit notifications for dangerous goods, bunkering (refuelling vessels) and licensing for hot works (any works that could result in a fire or works in a combustible environment).

14.3 Summary review of operations

Trade vessel visits to Port of Yamba, 2018/19

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2018-19	TOTAL 2017-18
Yamba	3	3	2	0	1	4	3	4	6	4	6	2	38	54

The total number of vessel visits to Yamba during 2018/19 was 38 (down from 54 in 2017/18). Of these, 31 were chargeable.

Last year, there were a number of vessel calls associated with delivering materials by barge for the local Pacific Highway upgrade. The completion of this project has resulted in a reduction in ship visits.

The majority of these vessel visits were for ship repair at Harwood Island.

Yamba Oil Spill Exercise, November 2018

Port Authority employees conducted an oil spill equipment familiarisation exercise with staff from Yamba and Newcastle, and local port stakeholders and emergency response organisations.

14.4 Port development

There were no specific development activities in 2018/19.

15 Sustainability

15.1 Introduction

Port Authority views sustainability as a fundamental corporate responsibility and aims to integrate sustainable practices into all of its business decisions and activities. Sustainability is central to Port Authority's commitment to provide for future trade and growth of our ports whilst minimising risks to the environment, employees and the community.

Port Authority also believes that our environmental management role extends beyond our own operations to advocating environmentally sustainable development and operations within the ports.

We support shipping, port developers and operators in adopting sustainable business approaches and promote innovation in design and operation.

15.2 Management of port impacts

Significant infrastructure, such as the Glebe Island and White Bay port precinct and the Overseas Passenger Terminal, provide substantial benefits to the State. However, these benefits can be accompanied by issues, such as noise or air emissions, that may affect those living and working nearby. In 2018/19, Port Authority continued its focus on managing and mitigating these issues.

Noise

Noise issues for Port Authority have largely focused on White Bay Cruise Terminal in Rozelle, and more specifically, on the cruise ships berthing at this facility. Since White Bay Cruise Terminal opened in April 2013, monitoring has found that noise from cruise ships

at berth sometimes exceeds the relevant project approval noise limits. Port Authority has allocated \$5.3 million to fund a Noise Mitigation Strategy to address noise issues at White Bay Cruise Terminal.

The Noise Mitigation Strategy, including the Noise Restriction Policy, commenced formally on 1 October 2018, following endorsement by the Consent Authority as the appropriate outcome of previously measured ship noise non-compliances.

The three elements of the Strategy include:

1. Noise Attenuation Program

Noise attenuation comprises physical treatments to homes to a defined area of residences where noise modelling indicates that average noise levels reach or exceed 55 decibels at night (attenuation eligibility trigger). The program is designed to reduce the levels of noise experienced at residences in areas affected by cruise ships at White Bay Cruise Terminal.

As of June 2019:

- Over 40 property owners have attended meetings to discuss the treatment with the works coordinator (the Project Manager appointed on behalf of Port Authority) and 40 properties have been inspected.

- Following the inspections, scopes of works have been prepared and over 25 offer deeds based on these scopes have been issued to owners.
- Once the deeds are executed between owners and Port Authority, construction is able to commence.

The construction contract for the builder for the Noise Attenuation Program will be awarded in early July 2019. The physical installation of windows and architectural treatments will commence soon thereafter.

Completion of construction for the first set of properties is anticipated by the second quarter of 2020.

2. Noise Restriction Policy

A new policy restricts on-deck music and public announcements (not related to safety) from cruise ships, and includes restrictions for ships that continue to cause exceedances of the attenuation eligibility trigger at residences.

Port Authority monitors compliance and enforces the Noise Restriction Policy. Since the commencement of the policy on 1 October 2018 to end June 2019, two rebates of \$11,000 were withheld by Port Authority for breaches that relate to controllable noise (public announcements or music on-deck).

In addition, six warnings have been issued for controllable noise, and one warning has been issued for engine noise.

3. Noise monitoring

Continuous real-time logging is used to monitor noise levels and guide ongoing noise management.

Monitoring reports are produced and monthly summaries have been published on the [Port Authority website](#).

Air quality

Port Authority continued 24/7 air quality monitoring in the residential area adjacent to White Bay Cruise Terminal, Rozelle. The monitored parameters include sulphur dioxide (SO₂), particulate matter less than 2.5 micrometres in diameter (PM_{2.5}), wind speed and wind direction. The data is available in real-time and monthly reports are also produced and published on the [Port Authority website](#).

Port Authority supports the continued ship exhaust emission benefits achieved from the introduction of a Direction by the Australian Maritime Safety Authority (AMSA) in December 2016 for a two-year period, and extended in December 2018. This requires cruise vessels in Sydney Harbour to use fuel with a sulphur content not exceeding 0.1 mass per cent concentration, or an alternative measure that achieves an equivalent outcome (such as the use of an approved exhaust gas cleaning system), applying from one hour after the vessel arrives at berth until one hour before the vessel's departure.

Port Authority notes that AMSA commenced publishing compliance data in May 2018 in relation to the Direction for ship visits from 6 January 2017, and that 100 per cent compliance has been observed since the Direction has been in place.

The International Maritime Organisation (IMO), a United Nations specialised agency, confirmed that the date for the implementation of a global sulphur cap of 0.5 mass per cent concentration would be 1 January 2020, bringing a significant reduction from the current 3.5 global mass per cent concentration cap.

15.3 Penrhyn Estuary

In early 2012, Port Authority began a five-year, \$3 million environmental program to monitor Penrhyn Estuary and evaluate the success of the environmental enhancement works that were carried out as part of the Port Botany Expansion project. The primary objectives of the enhancement works are to:

- expand the existing shorebird habitat to attract increasing numbers of migratory birds
- create a seagrass habitat
- expand the area of salt marsh habitat
- provide controlled public access in order to minimise disturbance within the estuary.

Monitoring of migratory shorebird numbers and species continued through to November 2018. In accordance with the approved monitoring plan for the estuary, monitoring of the other ecological components (seagrass, sea-bed sediment-dwelling invertebrates, water quality and saltmarsh) was completed previously. Port Authority will consider any future monitoring requirements for these factors and/

or management actions based on the evaluation of the end-of-project reporting, which is expected in July 2019.

Port Authority continues to investigate opportunities to reduce or eliminate disturbances to shore birds in Penrhyn Estuary. Predator control activities, focusing mainly on foxes, continued throughout the year as well as ongoing management of weed and mangrove invasion.

Seagrass along Foreshore Beach had declined substantially prior to the construction of the Port Botany Expansion. However, the five years of monitoring from 2012 indicated that seagrass was not able to re-establish along Foreshore Beach and was being smothered by sand movement and beach erosion caused by wave action. A decision was made to design and install three groynes at Foreshore Beach, partly to address this problem. The groynes were installed in 2017.

In 2018/19, Port Authority undertook the second of three years of additional seagrass monitoring along Foreshore Beach, primarily to evaluate the success of the Foreshore Beach groynes in improving the habitat for seagrass.



Seagrass monitoring at Foreshore Beach, May 2019



There are encouraging signs that the groynes at Foreshore Beach have promoted the growth of seagrass

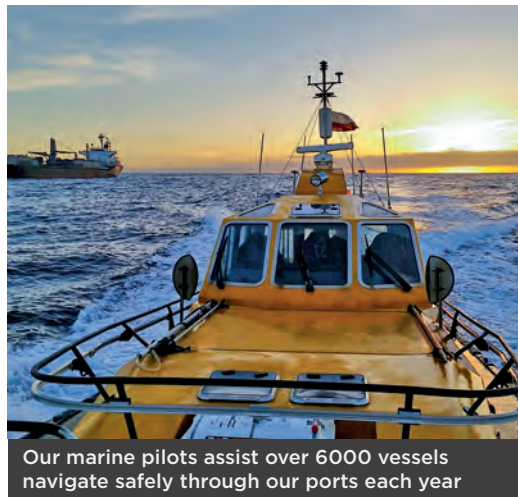
In the last seagrass survey under the Penrhyn Estuary environmental monitoring program, there had been encouraging signs that the groynes had addressed the ongoing issue of sediment mobilisation that contributed to the declines, given new, high density patches of *Zostera muelleri subsp. capricorni* (*Zostera*) had colonised the south-eastern parts of the Foreshore Beach site.

Results of the first additional seagrass survey, undertaken in May 2018, were encouraging in that key indicators show a general improvement in seagrass cover since the 2017 survey. This included a doubling of the shoot density of both *Halophila* and *Zostera*, with the healthy and dense *Zostera* patch in the south-eastern part of the site more than tripling in size since the 2017 survey.

Preliminary results of the second additional seagrass survey, undertaken in May 2019, indicate that the *Zostera* patch had almost doubled in size again since the 2018 survey.

15.4 Vehicle and marine fleet

Port Authority has a fleet of 34 vehicles and 32 vessels or floating plant in use across the six port locations.



Our marine pilots assist over 6000 vessels navigate safely through our ports each year

15.5 Energy and waste

In 2018/19, in accordance with the NSW Government's Resource Efficiency Policy, Port Authority:

- used on-line workflows and approvals to reduce paper usage in offices
- continued recycling programs for waste paper, employee-generated recyclables (such as glass, plastic and metal) and toner cartridges
- purchased low-waste products and products with recycled content, including most office paper, which is Australian Forestry Standard 100 per cent recycled and certified carbon neutral under the National Carbon Offset Standard Carbon Neutral Program.

In addition, Port Authority's contractors are required to minimise waste generated by construction projects and maintenance activities and identify areas where re-use of materials and recycling can be undertaken.

Port Authority also participated in Earth Hour in March 2019, ensuring that all non-essential lights at its facilities in Sydney, Newcastle, Port Kembla, Eden and Yamba were turned off, and promoted participation amongst our tenants.

15.6 Indigenous sponsorship

In July 2018, Port Authority hosted a two-day National Indigenous Art Fair with First Hand Solutions and Blak Markets at the Overseas Passenger Terminal to herald the commencement of NAIDOC week. More than 15,000 people attended the Fair, where 25 artists from 22 remote Aboriginal art centres across Australia sold their art alongside 40 NSW stallholders and businesses. The Art Fair adopted the NAIDOC Week theme 'Because of her we can' and included two days of female music and dance performances, art workshops and a communal weaving circle featuring weaving and fibre artists from around Australia.

For more information see Section 10.10.

15.7 Environmental penalties

There were no environmental penalties issued against Port Authority during the year.

15.8 The year ahead

Port Authority will focus on the development of a sustainability strategy, which will outline Port Authority's sustainability vision and provide a suitable framework to assess and target specific sustainability initiatives, with a focus on the proactive achievement of real and tangible social and environmental benefits.

16 Heritage

16.1 Overview

Port Authority is committed to preserving its port heritage and maritime history. All projects and significant port maintenance works are assessed for potential heritage impacts and existing heritage assets are inspected and maintained.

Under the *Heritage Act 1977* (NSW), Port Authority is required to identify, list and protect heritage items on a Section 170 Heritage and Conservation Register. At present, the Port Authority Heritage Register contains around 50 items, including items assessed as having State and local heritage significance. All Port Authority's heritage items are listed on the State Heritage Inventory, available on the [NSW Office of Environment and Heritage \(OEH\) website](#).

Port Authority actively inspects and maintains its heritage assets. The Sydney and Botany Bay assets have been integrated into the Computerised Maintenance Management System (CMMS), allowing for improved inspections, preventative maintenance and record keeping. Port Authority continues to update its heritage register and ensure that available information is accurate.

In addition, any possible heritage items of port and maritime significance that are identified during the year or through development assessment processes are investigated for potential inclusion on the register

16.2 The year ahead

The year 2019/20 will focus on continuing to work with the OEH to consolidate Port Authority heritage items in Newcastle Harbour into one register with the heritage items in Sydney.

17 Communication highlights

17.1 Overview

New safety campaign for recreational boaters

A new safety campaign was launched in December 2018, aimed at educating recreational boaters about the importance of keeping safe in Sydney's Harbour. The campaign, 'Look Out, Ships About', was developed by Port Authority, in consultation with Roads and Maritime Services.

With the number of recreational boaters increasing every year, it was becoming more important to take further measures to ensure the safety of everyone on the harbour. The campaign – consisting of a video, dedicated web page, and safety pack containing a flyer, Harbour Master instructions and a sticker – provided a timely reminder that cruise and cargo ships do not always have a clear line of sight of recreational boats.

The packs were distributed in Sydney Harbour and Port Botany, and important information shared at yacht club briefing sessions and on social media channels.



Corporate brochure

Port Authority released a corporate brochure to assist in communicating to stakeholders who we are and what we do. It also highlights key facts and figures

that advocate for the vital importance of our working ports. A new corporate video is currently in development and will be launched by the end of 2019.



A new corporate brochure highlights core functions and the importance of ports

Social media

Port Authority launched an Instagram account @portauthorityNSW in October 2018, to increase public understanding of Port Authority's work. The page features photography of activities across the ports of New South Wales.

Since its launch, the account has organically gained 1501 followers as of 30 June 2019.

Port Authority's LinkedIn account gained 1268 followers during 2018/19 to reach a total follower base of 4269 – an increase of 30 per cent. During this time, 55 news updates were posted.

The increase in social media activity over 2018/19 has allowed Port Authority to better engage with community, to showcase its roles and responsibilities and to advocate for the value of the working port.

Port Authority website

In the reporting year 2018/19, there were 339,183 visits to portauthoritynsw.com.au, resulting in 1.8 million page views.

During 2018/19, 49 per cent of user sessions were via desktop computers, 38 per cent via mobile devices, and 13 per cent via tablet devices.

In the reporting year 2018/19, 41 news and feature stories were published to the website.

The website's vessel movement pages also underwent a major improvement to increase readability and ease of use for users seeking information about vessel arrivals and departures.

Stakeholder newsletter: *Port Matters*

This financial year, Port Authority published four issues of its quarterly stakeholder newsletter *Port Matters*.

Each edition of *Port Matters* contains a mix of news, features and video content that educates, informs and increases awareness of the role and responsibilities of Port Authority.

Each issue leads with a main feature, video and related stories that focus on a key aspect of Port Authority's work. The features for 2018/19 were:

- **Spring 2018:** Sydney's lighthouse – a guiding light for 160 years
- **Summer 2018:** Look Out, Ships About – safety campaign for recreational boaters
- **Autumn 2019:** A guide to the working ports of New South Wales
- **Winter 2019:** Hydrographic surveying – mapping the mysteries of the seafloor.

Port Matters gained 353 subscribers during 2018/19 to reach a total subscriber base of 1086 – an increase of 33 per cent. Subscribers are a mix of customers, community, industry and government stakeholders.

The average readership rate for *Port Matters* is 50 per cent, compared to a benchmark average of 24 per cent for the government sector. Subscribe to *Port Matters* at portauthoritynsw.com.au/newsletter.

Sponsorship

Port Authority has had a long involvement with supporting business and events with common goals. This year we sponsored a number of community and industry events including the Surf Life Saving NSW Awards of Excellence event and the Australian Shipping and Maritime Industry Awards, run by *Daily Cargo News*.

By sponsoring the Surf Life Saving NSW Awards 2018, we supported our common goal with them – to keep those who use the waters safe from harm – while recognising the immeasurable contributions the lifesavers make to our communities, and the achievements of these everyday heroes.

Sponsoring the Australian Shipping and Maritime Industry Awards was an opportunity to show our dedication to diversity. Our sponsored Gender Diversity Award was proudly won by Port of Townsville, with commendations going to 1-Stop Connections and DP World Australia.

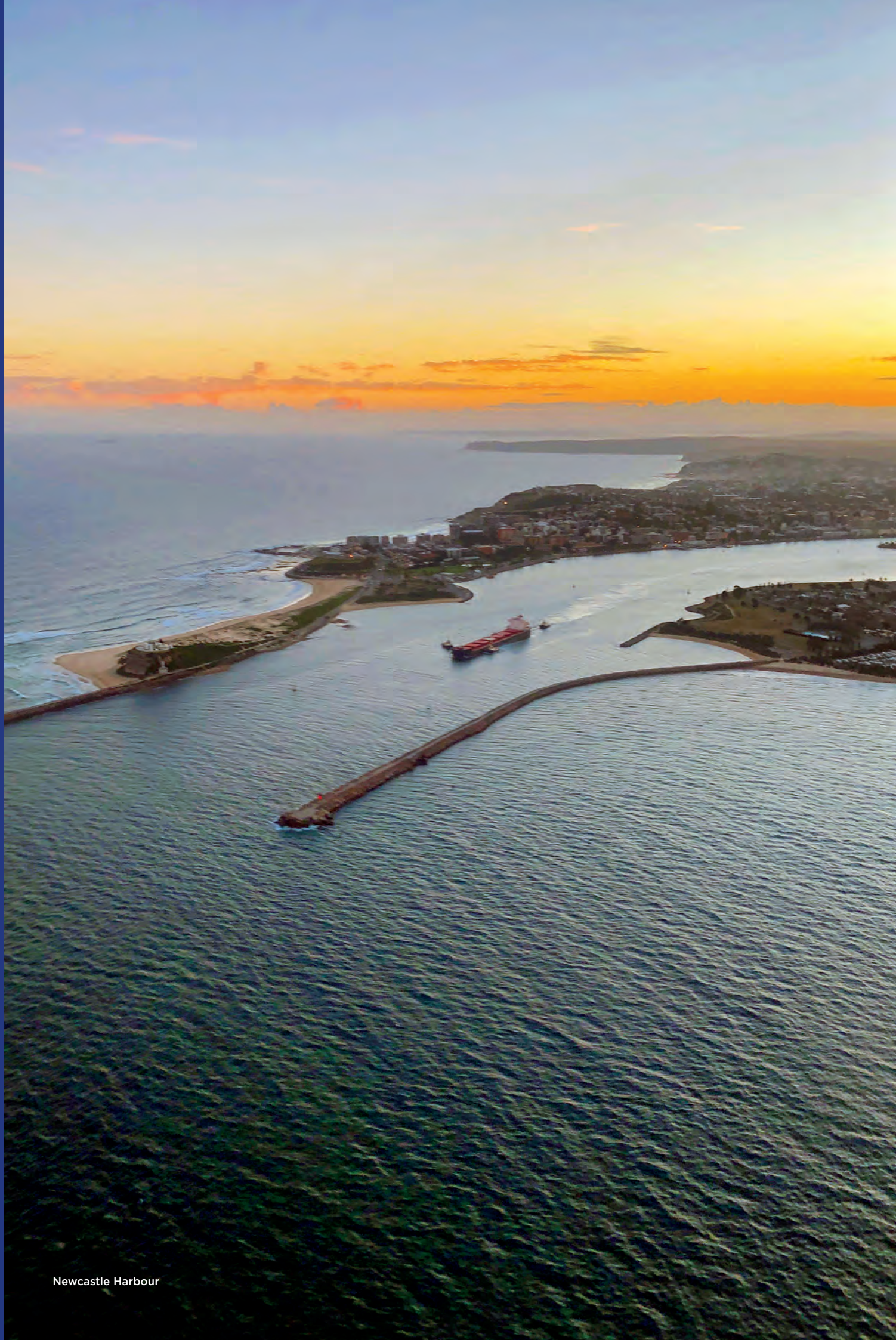
17.2 The year ahead

Community and stakeholder engagement

Port Authority will work to identify further engagement opportunities with communities, key stakeholders and relevant industries working in and around our ports.

Safety campaign

The safety campaign – Look Out, Ships About – will be further promoted through social media and at key maritime events, including the Sydney Boat Show, and at yacht club briefings. The campaign will also be expanded to other ports.



Newcastle Harbour

18 Financial statements

Newcastle Port Corporation

(Trading as Port Authority of New South Wales)

Financial statements

For the year ended 30 June 2019

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Director's declaration

For the year ended 30 June 2019

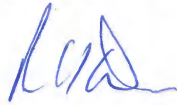
Newcastle Port Corporation (Trading as Port Authority of New South Wales)

DIRECTORS' DECLARATION For the year ended 30 June 2019

In the opinion of the Directors of Newcastle Port Corporation (trading as Port Authority of New South Wales):

1. Pursuant to section 41C of the *Public Finance and Audit Act 1983*, the accompanying financial statements and notes:
 - (a) exhibit a true and fair view of the financial position of Newcastle Port Corporation at 30 June 2019 and of its performance, as represented by the results of its operations and its cash flows for the year ended on that date.
 - (b) comply with applicable Australian Accounting Standards and Australian Accounting Interpretations, other mandatory and statutory reporting requirements including the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015* and the *State Owned Corporations Act 1989*.
2. There are reasonable grounds to believe that Newcastle Port Corporation will be able to pay its debts as and when they become due and payable; and
3. We are not aware of any circumstances at the date of this declaration that would render any particulars included in the financial statements to be misleading or inaccurate.

Signed in accordance with a resolution of the Directors.



Chairman
Robert Dunn
Date: 10 September 2019



Chief Executive Officer and Director
Grant Gilfillan
Date: 10 September 2019

Independent auditor's report

For the year ended 30 June 2019



INDEPENDENT AUDITOR'S REPORT

Newcastle Port Corporation (trading as Port Authority of New South Wales)

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Newcastle Port Corporation (trading as Port Authority of New South Wales) (the Corporation), which comprise the Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015
- comply with International Financial Reporting Standards as disclosed in Note 2.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Corporation in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Other Information

The Authority's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The directors of the Authority are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Directors' Declaration.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

Director's Responsibilities for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Corporation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where the Corporation will be dissolved by an Act of Parliament or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

Independent auditor's report *continued*

My opinion does not provide assurance:

- that the Corporation carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements



Caroline Karakatsanis
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

11 September 2019
SYDNEY

Statement of comprehensive income

For the year ended 30 June 2019

	Note	2019 \$000	2018 \$000
<u>Continuing operations</u>			
Revenue			
Revenue from port management	3	155,013	149,855
Other revenue	3	21,081	19,016
Total revenue		176,094	168,871
Expenses			
Employee related expenses	4	72,328	68,864
Depreciation and amortisation expenses	4	22,620	23,499
Other expenses	4	54,015	53,757
Finance costs	4	4,017	46
Total expenses		152,980	146,166
Net gain on sale of property, plant and equipment		46	82
Other gains (losses)	5	35	(179)
Profit before income tax equivalent expense		23,195	22,608
Income tax equivalent expense	6	(5,175)	(5,064)
Net profit for the year		18,020	17,544
Other comprehensive income / (expense)			
<i>Items that will not be reclassified to profit or loss:</i>			
Superannuation actuarial (losses) gains	16(b)	(11,982)	35,623
Income tax equivalent benefit (expense) on post employment benefit actuarial (losses) gains	16(b)	3,595	(10,687)
Fair value revaluation gain on property, plant and equipment	16(a)	1,884	13,910
Income tax equivalent expense on revaluation of property, plant and equipment	16(a)	(565)	(4,173)
Other comprehensive income for the year, net of income tax equivalent expense		(7,068)	34,673
Total comprehensive income for the year		10,952	52,217

The accompanying notes form a part of the financial statements.

Statement of financial position

As at 30 June 2019

	Note	2019 \$000	2018 \$000
ASSETS			
Current assets			
Cash and cash equivalents	7	17,015	51,308
Trade and other receivables	8	14,685	13,468
Total current assets		31,700	64,776
Non-current assets			
Receivables	8	97,992	91,087
Property, plant and equipment	9(a)	441,617	448,353
Investment property	10	7,700	7,700
Intangible assets	11	1,353	1,487
Deferred tax equivalent assets	6	14,209	10,745
Total non-current assets		562,871	559,372
TOTAL ASSETS		594,571	624,148
LIABILITIES			
Current liabilities			
Trade and other payables	12	19,184	16,931
Income tax equivalent payable	6	2,111	2,045
Dividend payable	15	9,000	200,000
Provisions	13	20,085	18,820
Total current liabilities		50,380	237,796
Non-current liabilities			
Other liabilities	12	2,068	2,276
Interest bearing liabilities	14	144,177	-
Deferred tax equivalent liabilities	6	53,092	54,481
Provisions	13	2,808	2,551
Post-employment benefits	17	20,038	6,988
Total non-current liabilities		222,183	66,296
TOTAL LIABILITIES		272,563	304,092
NET ASSETS		322,008	320,056
EQUITY			
Contributed equity	16	165,768	165,768
Reserves	16	60,089	58,770
Retained earnings	16	96,151	95,518
TOTAL EQUITY		322,008	320,056

The accompanying notes form a part of the financial statements.

Statement of changes in equity

For the year ended 30 June 2019

	Note	Contributed equity \$000	Asset revaluation reserve \$000	Retained earnings \$000	Total \$000
Balance at 1 July 2017		165,768	49,050	253,021	467,839
Net profit for the year	16(b)	-	-	17,544	17,544
Other comprehensive income	16(a)&(b)	-	9,720	24,953	34,673
Total comprehensive income for the year		-	9,720	42,497	52,217
Transaction with owners in their capacity as owners					
Dividend declared	15	-	-	(200,000)	(200,000)
Balance at 30 June 2018		165,768	58,770	95,518	320,056
Balance at 1 July 2018		165,768	58,770	95,518	320,056
Net profit for the year	16(b)	-	-	18,020	18,020
Other comprehensive income	16(a)&(b)	-	1,319	(8,387)	(7,068)
Total comprehensive income for the year		-	1,319	9,633	10,952
Transaction with owners in their capacity as owners					
Dividend declared	15	-	-	(9,000)	(9,000)
Balance at 30 June 2019		165,768	60,089	96,151	322,008

The accompanying notes form a part of the financial statements.

Statement of cash flows

For the year ended 30 June 2019

	Note	2019 \$000	2018 \$000
Cash flows received from operating activities			
Receipts from customers		183,690	178,789
Payments to suppliers and employees		(141,440)	(137,135)
Interest received		309	697
Finance costs paid		(2,390)	(5)
Income tax equivalent paid		(6,932)	(8,033)
Net cash flows received from operating activities	7(a)	33,237	34,313
Cash flows used in investing activities			
Purchase of property, plant and equipment		(12,669)	(5,352)
Proceeds from sale of property, plant and equipment		139	298
Net cash flows used in investing activities		(12,530)	(5,054)
Cash flows used in financing activities			
Proceeds from borrowings		145,000	-
Dividends paid		(200,000)	(5,171)
Net cash flows used in financing activities		(55,000)	(5,171)
Net (decrease) increase in cash and cash equivalents		(34,293)	24,088
Cash and cash equivalents at the beginning of the financial year		51,308	27,220
Cash and cash equivalents at the end of the financial year	7	17,015	51,308

The accompanying notes form a part of the financial statements.

Notes to the financial statements

For the year ended 30 June 2019

Note 1 Corporate Information

The financial statements of Newcastle Port Corporation trading as Port Authority of New South Wales (the 'Corporation') for the year ended 30 June 2019 are authorised for issue in accordance with a resolution of the Directors on 10 September 2019.

The Corporation is a state-owned corporation, incorporated by the New South Wales State Government under the *State Owned Corporations Act 1989* and is domiciled in New South Wales, Australia with its principal office at Level 4, 20 Windmill Street, Walsh Bay, NSW 2000, Australia. The Corporation assessed its status and determined that it is a 'for profit' public sector entity for financial reporting purposes.

Principal activities

The Corporation is responsible for all commercial marine functions in the ports of Sydney Harbour, Port Botany, Newcastle Harbour, Port Kembla, Port of Eden and Port of Yamba, including the statutory Harbour Master's function, the provision of pilotage and navigation services, and port safety functions as prescribed in the Port Safety Operating Licence. Port safety functions include the provision and maintenance of aids to navigation, marine pollution emergency response and administering the legislation concerning the handling, transportation and storage of dangerous goods within the ports' jurisdiction. The Corporation is also the regulator of the Hunter Coal Export Framework and a participant in the Hunter Valley Coal Chain Co-ordinator.

In Sydney Harbour, the Corporation is responsible for the management of business activities and related assets, predominantly cruise activities at its two facilities, the Overseas Passenger Terminal (OPT) at Circular Quay and the White Bay Cruise Terminal (WBCT). Other business activities include management of dry bulk facilities at Glebe Island.

Note 2 Summary of significant accounting policies

Basis of preparation

The financial statements are general purpose financial statements which have been prepared in accordance with:

- (i) Australian Accounting Standards and Australian Accounting Interpretations;
- (ii) the *Public Finance and Audit Act 1983*;
- (iii) the *Public Finance and Audit Regulation 2015*;
- (iv) the *State Owned Corporations Act 1989*; and
- (v) NSW Treasurer's Directions.

Except for cashflow information, the financial statements have been prepared on an accrual accounting basis using historical cost accounting conventions unless otherwise stated. Assets and liabilities stated at fair value include property, plant and equipment, investment property, cash and cash equivalents and defined benefits provisions.

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous year for all amounts reported in the financial statements.

Note 2 *continued*

Where necessary, comparative figures have been reclassified to conform to the changes in presentation made in the financial statements.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated.

Compliance with IFRS

The financial statements comply with Australian Accounting Standards, which include Australian Accounting Interpretations and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

New accounting standards and interpretations

New accounting standards and interpretations – issued and effective

The Corporation has adopted new and amended Australian Accounting Standards and Australian Accounting Standards Board (AASB) Interpretations as outlined below as and when they became applicable during the year.

(i) AASB 15 Revenue from Contracts with Customers

AASB 15 *Revenue from Contracts with Customers* (AASB 15) is effective for reporting periods commencing on or after 1 January 2018. It establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised when the control of goods or services is transferred to the customer at amounts that reflect the consideration to which the Corporation expects to be entitled in exchange for transferring the goods or services to the customer.

The Corporation has elected to apply the full retrospective transitional relief when first adopting AASB 15. Recognition and measurement principles of the new standards will be applied for the current year and comparative year as though AASB 15 had always applied. The impacts to balances resulting from the adoption of AASB 15 have been assessed by the Corporation and concluded no adjustment to equity under the full retrospective approach.

(ii) AASB 9 Financial Instruments

The Corporation has adopted AASB 9 *Financial Instruments* (AASB 9) from 1 July 2018. AASB 9 significantly amends other standards dealing with financial instruments such as the revised AASB 7 *Financial Instruments: Disclosures*. It proposes a new model for classifying and measuring financial assets and financial liabilities. The Corporation applied AASB 9 retrospectively but has not restated the comparative information which is reported under AASB 139 *Financial Instruments: Recognition and Measurement*.

The adoption of AASB 9 did not result in any adjustment to equity.

Classification and measurement of financial instruments

On 1 July 2018, the initial application date of AASB 9, the Corporation has assessed which business model applies to the financial assets held by the Corporation and has classified its financial instruments into the appropriate AASB 9 categories. The Corporation uses the business model whose objective is to hold financial assets in order to collect contractual cash flows.

Under AASB 9, subsequent measurement of financial assets, such as trade and other receivables, is based on assessing the contractual cash flow characteristics of the debt instrument and the Corporation's business model for managing the instrument. The assessment of the business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised

Note 2 *continued*

of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The following are the changes in the classification of the Corporation's financial assets. The changes of classification do not impact on their measurement categories or carrying amounts.

	Measurement category	
	AASB 139	AASB 9
Trade receivables	Loans and receivables, at amortised cost	Debt instrument, at amortised cost
Other receivables	Loans and receivables, at amortised cost	Debt instrument, at amortised cost
TCorpIM Funds	Fair value through profit or loss	Fair value through profit or loss

Trade and other receivables classified as "loans and receivables" under AASB 139 as at 30 June 2018 were stated at amortised cost and were held to collect contractual cash flows representing solely payments of principal and interest. At 1 July 2018, these are classified and measured as debt instruments at amortised cost.

Investments in TCorpIM Funds are managed on a fair value basis and hence were designated at fair value through profit or loss under AASB 139 as at 30 June 2018. Under AASB 9, these are now mandatorily required at transition date of 1 July 2018 and going forward to be classified and measured as fair value through profit or loss.

The Corporation has not designated any financial liabilities at fair value through profit or loss. There are no changes in the classification and measurement for the Corporation's financial liabilities.

Impairment

The adoption of AASB 9 has changed the Corporation's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss approach. AASB 9 requires the Corporation to recognise an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. The Corporation did not identify any impairment requiring recognition of an allowance under either AASB 9 or AASB 139. There is no impact to the Corporation on adopting the new impairment model.

New accounting standards and interpretations – issued but not effective

Australian Accounting Standards and Interpretations, issued by the AASB, that have recently been issued or amended but are not yet effective have not been adopted by the Corporation for the annual reporting year ended 30 June 2019. The Corporation's preliminary assessment of the impact of new standards (to the extent relevant to the Corporation) and interpretations is set out below:

(i) AASB 16 Leases

AASB 16 *Leases* (AASB 16), will be effective and applicable for reporting periods beginning on or after 1 January 2019. For lease arrangements that the Corporation is the lessee, AASB 16 will result in most leases being recognised on the statement of financial position, as the distinction between operating and financial leases is largely removed. Under AASB 16, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised at the commencement of the lease. The only exceptions are short-term and low-value leases. The implication of AASB 16 will be an increase in assets and liabilities reported on the statement of financial position. It will also increase depreciation and interest expenses and reduce operating lease rental expenses on the statement of comprehensive income.

Note 2 *continued*

Expenses recognised in the earlier years of the lease term will be higher as the interest charges will be calculated on a larger lease liability balance.

Existing finance leases are not expected to be significantly impacted from the transition to AASB 16.

For the lease arrangements that the Corporation is a lessor, the accounting for lessors under AASB 16 will not significantly change. The Corporation will however review the classification of sub-leases in which the Corporation is a lessor. Finance lease receivables will be recognised for sub-leases reclassified as finance leases.

The Corporation will adopt AASB 16 on 1 July 2019 through application of the partial retrospective approach, where only the current year is adjusted as though AASB 16 had always been applied. Comparative information will not be restated.

The preliminary impact assessment of AASB 16 will be the recognition of right of use assets of \$14.6 million and lease liabilities of \$14.6 million on 1 July 2019. The estimated impact to the statement of comprehensive income will be a reduction in rental expense of \$3.1 million, an increase in the right of use assets depreciation expense and lease interest expense of \$3.5 million, amounting to a pre-tax net increase of \$0.4 million in expenses in the first financial year ending 30 June 2020.

Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The nature of these assumptions and conditions are found in the following notes to the financial statements.

- Note 6 Income tax equivalent expense
- Note 8 Trade and other receivables
- Note 9 Property, plant and equipment
- Note 13 Provisions
- Note 17 Defined benefit superannuation schemes

Accounting policies

The accounting policies described in these financial statements are based on the requirements applicable to the Corporation. The Corporation has consistently applied the accounting policies to all reporting periods presented. Significant accounting policies that summarise the basis of recognition and measurement of material items presented in these financial statements are provided in each applicable note about those items.

Note 3 Revenue

	2019 \$000	2018 \$000
Continuing operations		
<i>Revenue from port management</i>		
Port revenue	128,652	126,759
Rental revenue	15,325	12,751
Navigation recharge	11,036	10,345
	155,013	149,855
<i>Other revenue</i>		
Interest from bank and other	353	722
Finance lease income	6,282	5,873
Land tax recoverable from tenants	231	196
Fee for Penrhyn Estuary services	1,260	1,243
Recoverable security	5,707	5,809
Other recoveries	2,777	2,642
Other revenue	4,471	2,531
	21,081	19,016
Total revenue	176,094	168,871

Recognition and measurement

Revenue is recognised when the Corporation transfers control of goods or services to a customer at an amount which the Corporation is entitled to. The performance obligations are identified based on the contracts with customers and by considering the delivery of distinct goods and services to the customers. Revenue is recognised either over time in a manner that aligns the Corporation's performance obligations; or at a point in time when the service is fully provided to the customer.

Transaction prices are determined by agreed rates without any estimation. The Corporation does not have any contracts with customers where the period between the transfer of the promised services or goods and payment from the customer exceeds one year. As a result, transaction prices have not been adjusted for the time value of money.

Port revenue

Port revenue from pilotage and navigation services, wharfage, site occupation charges, mooring fees and other services are recognised on delivery of the service to the customer.

Rental revenue

Rental revenue is accounted for on a straight-line basis over the lease term.

Navigation recharge revenue

Navigation recharge revenue is recognised in accordance with the Port Services Agreements entered into between the Corporation and NSW Ports and Port of Newcastle.

Interest revenue

Interest revenue is recognised on an accrual basis using the effective interest method.

Other revenue

Other revenue is recognised when the distinct performance obligation is satisfied.

Note 3 *continued*

(a) Revenue disaggregation

The Corporation generates its port management revenue from the provision of its port facilities and rendering of its commercial marine functions. Most of its revenue is recognised at a point in time when services are rendered to the customers. During the year, revenue recognised at a point in time amounted to \$87.6 million (2018: \$87.4 million). Key types of revenue recognised at a point in time include the majority of port revenue and recoverable security revenue. Where satisfaction of a performance obligation is completed over time, revenue is recognised in line with the progress towards complete satisfaction of the performance obligation. During the year, revenue recognised over time amounted to \$66.5 million (2018: \$62.1 million). Key types of revenue recognised over time include Penrhyn Estuary service revenue and a portion of port revenue. The duration of service completion ranges from days to weeks.

The following table summarises the revenue disaggregation.

	2019	2018
	\$000	\$000
Total revenue recognised from contracts with customers	154,134	149,525
Rental revenue	15,325	12,751
Finance lease income	6,282	5,873
Interest from bank and other	353	722
Total revenue	176,094	168,871

Note 4 Expenses

Continuing operations	Note	2019 \$000	2018 \$000
<i><u>Employee related expenses</u></i>			
Salaries and wages		53,538	51,796
Annual leave		6,467	5,593
Long service leave		2,459	1,034
Payroll tax		3,610	3,463
Retirement benefits – defined benefit		1,094	2,055
Retirement benefits – accumulation		5,160	4,923
		72,328	68,864
<i><u>Depreciation and amortisation expenses</u></i>			
Depreciation	9(d)(i)	22,195	23,144
Amortisation of intangible assets	11(a)	425	355
		22,620	23,499
<i><u>Other expenses</u></i>			
Service contractors		25,134	26,147
Indirect taxes		3,982	3,690
Utilities and communications		2,959	3,224
Insurance		3,248	3,023
Legal costs		851	678
Materials		1,714	1,438
Operating leases		2,858	2,885
Directors' remuneration	23(a)	372	435
Auditors' remuneration		237	231
Channel fees		7,121	6,658
Other operations and services		5,539	5,348
		54,015	53,757
<i><u>Finance costs</u></i>			
Finance cost on loans and borrowings		4,044	-
Unwinding of discount on provisions		(30)	36
Other finance costs		3	10
		4,017	46
Total expenses		152,980	146,166

Recognition and measurement

Retirement benefits obligations

The Corporation contributes to employee superannuation funds in addition to contributions made by employees. Such contributions are paid to nominated funds. The Corporation contributes to defined benefit plans and defined contribution plans.

Various actuarial assumptions are required to quantify the net position of the defined benefit funds. The determination of superannuation obligations is dependent on an annual actuarial assessment in accordance with the accounting policy.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income in the year in which they occur. Past service costs are recognised immediately in the statement of comprehensive income.

Note 4 *continued*

Contributions to the defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Operating lease payments

Where the Corporation is the lessee, operating lease payments are recognised as expenses in the statement of comprehensive income on a straight-line basis over the lease term.

Borrowing costs

Borrowing costs are expensed as incurred within finance costs in the statement of comprehensive income unless they relate to qualifying assets, in which case they are capitalised as part of the cost of those assets. Qualifying assets are assets that take a substantial period of time to be ready for their intended use.

Capitalisation of borrowing costs is undertaken where a direct relationship can be established between the borrowings and the relevant projects giving rise to the qualifying assets. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is net of any interest earned on those borrowings.

Note 5 Other gains (losses)

	Note	2019 \$000	2018 \$000
Other Gains (Losses)			
Net revaluation increments (decrements) – property, plant and equipment	9(d)(i)	35	(36)
Impairment of property, plant and equipment	9(d)(i)	-	(50)
Investment property revaluation losses	10	-	(93)
Total other gains (losses)		35	(179)

Recognition and measurement

Asset revaluation increments (decrements)

Asset revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement for an asset previously recognised as a loss in the statement of comprehensive income, the increment is recognised as a gain in the statement of comprehensive income.

Asset revaluation decrements are recognised immediately in the statement of comprehensive income, except that they are debited directly to the asset revaluation reserve to the extent that a credit exists in the asset revaluation reserve in respect of that asset.

Impairment losses

The Corporation assesses at each reporting date whether there is any indication that a cash generating unit, or an asset within a cash generating unit, may be impaired. If such an indication exists, the Corporation estimates the recoverable amount. An impairment loss is recognised where the carrying amount of the asset or cash-generating unit exceeds the recoverable amount. Impairment losses are recognised in the statement of comprehensive income except for assets under revaluation as the impairment loss will first be recognised through each asset's revaluation reserve prior to recognition in the statement of comprehensive income.

Note 5 *continued***Investment property revaluation gains (losses)**

Investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the statement of comprehensive income in the period of which they arise.

Note 6 **Income tax equivalent expense**

	2019	2018
	\$000	\$000
Income tax equivalent expense		
Current tax	(6,998)	(8,429)
Deferred tax	1,823	3,365
	<u>(5,175)</u>	<u>(5,064)</u>
Deferred tax		
<i>Deferred income tax equivalent expense included in income tax equivalent expense comprises:</i>		
(Decrease) / Increase in deferred tax assets	(131)	784
Decrease in deferred tax liabilities	1,954	2,581
	<u>1,823</u>	<u>3,365</u>
Deferred tax equivalent assets		
Underfunded defined benefits superannuation	6,012	2,097
Leave entitlements	6,714	6,248
Other	1,483	2,400
	<u>14,209</u>	<u>10,745</u>
Deferred tax equivalent liabilities		
<i>The balance comprises temporary differences attributable to:</i>		
Depreciation and revalued property, plant and equipment	52,677	54,224
Other	415	257
	<u>53,092</u>	<u>54,481</u>

Note 6 *continued*

	2019 \$000	2018 \$000
The difference between income tax equivalent expense provided in the financial statements and the prima facie income tax equivalent expense is reconciled as follows:		
Profit before income tax equivalent expense from continuing operations	23,195	22,608
Prima facie tax thereon at 30%	(6,959)	(6,782)
Add tax effect of items with differential accounting / tax treatment:		
Add items not deductible	(77)	(10)
Subtract items not assessable	1,885	1,762
Other non-deductible expenses in respect of initial recognition exemption assets	(24)	(34)
Total income tax equivalent expense attributable to operating profit	(5,175)	(5,064)
Amounts recognised directly in equity		
Net deferred tax (credited) debited directly to equity	(3,030)	14,860
Movement in income tax equivalent payable		
Balance at the beginning of the financial year	2,045	1,649
Current income tax equivalent	6,998	8,429
Payments	(6,932)	(8,033)
Balance at the end of the year	2,111	2,045

<u>Movement in deferred tax equivalent assets</u>				
	Opening balance \$000	Charges to income \$000	Charges to equity \$000	Closing balance \$000
Leave entitlements	6,248	466	-	6,714
Underfunded defined benefits superannuation	2,097	320	3,595	6,012
Other	2,400	(917)	-	1,483
	10,745	(131)	3,595	14,209

Note 6 *continued*

Movement in deferred tax equivalent liabilities				
	Opening balance	Charges to income	Charges to equity	Closing balance
	\$000	\$000	\$000	\$000
Depreciation, revaluation and derecognition of property, plant and equipment	54,224	(2,112)	565	52,677
Other	257	158	-	415
	<u>54,481</u>	<u>(1,954)</u>	<u>565</u>	<u>53,092</u>

Recognition and measurement***Income tax equivalent***

Income tax equivalent is required to be paid to the NSW Government in accordance with Section 20T of the *State Owned Corporations Act 1989*. The payments are equivalent to the amounts that would be payable under the normal income tax law of the Commonwealth.

Income tax equivalent expense includes both current and deferred tax. Deferred income tax is provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax amounts relating to items recognised directly in equity are recognised in equity as part of other comprehensive income.

Current tax assets and liabilities

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities based on the relevant year's taxable income. The tax rates and the tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

Deferred tax assets and liabilities

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date. Income tax equivalents relating to items recognised directly in equity are recognised in equity and not in the profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity.

GST

Revenues, expenses, assets and liabilities are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Note 6 *continued*

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from or payable to the taxation authority are classified as operating cash flows.

Commitments and accrual items that are shown in the statement of financial position are inclusive of GST where applicable.

Note 7 Cash and cash equivalents

	2019	2018
	\$000	\$000
Cash at bank	2,117	1,695
TCorpIM Cash Fund	14,898	49,613
Cash and cash equivalents	17,015	51,308

Recognition and measurement

Cash and cash equivalents in the statement of financial position comprise cash at bank and funds on deposit in the NSW Treasury Corporation's Investment Management (TCorpIM) Cash Fund. The value of the funds on deposit in the TCorpIM Cash Fund is at fair value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

TCorpIM Cash Fund

The Corporation places funds on deposit in the TCorpIM Cash Fund. These funds are represented by a number of units in the managed fund. TCorp appoints and monitors fund managers and establishes and monitors the application of appropriate investment guidelines. These funds are generally able to be redeemed with up to 24 hours prior notice. The value of the funds on deposit represents the share of the value of the underlying assets of the fund and is stated at fair value.

Note 7 *continued*

	2019	2018
	\$000	\$000
Net profit for the year	18,020	17,544
Adjustments for:		
Depreciation and amortisation expenses	22,620	23,499
Investment property revaluation loss	-	93
Amortisation of discount on borrowings	(823)	-
Net revaluation (increments) decrements – property, plant and equipment	(35)	36
Net gain on sale of property, plant and equipment	(46)	(82)
Impairment of property, plant and equipment	-	50
Write-off of property, plant and equipment	42	23
Finance lease income	(6,282)	(5,873)
	33,496	35,290
Changes in assets and liabilities applicable to operating activities		
(Increase) / Decrease in trade and other receivables	(1,841)	42
Decrease / (Increase) in deferred tax equivalent assets	131	(784)
Decrease in deferred tax equivalent liabilities	(1,954)	(2,581)
Increase in income tax equivalent payable	66	389
Increase / (Decrease) in trade and other payables	749	(621)
Increase in provisions	1,522	585
Increase in other liabilities	1,068	1,993
Net cash flows received from operating activities	33,237	34,313

Note 8 Trade and other receivables

	2019 \$000	2018 \$000
Current		
Trade receivables	7,003	6,702
Other receivables	3,175	2,548
	10,178	9,250
Prepayments	1,015	1,357
Lease incentive receivable	117	27
Accrued income	3,375	2,834
	14,685	13,468
Non-current		
Lease incentive receivable	1,478	726
Other non-current receivable	65	194
Finance lease receivable	8(b) 96,449	90,167
	97,992	91,087

Recognition and measurement

Trade and other receivables

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. The Corporation holds these receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Impairment

The Corporation recognises an allowance for expected credit loss (ECL) for all the trade and other receivables not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the Corporation expects to receive, discounted at the original effective interest rate. For trade receivables, the Corporation applies a simplified approach in calculating ECLs and recognises a loss allowance based on lifetime ECLs at each reporting date if required. The Corporation has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for current and forward-looking factors specific to the receivable. There is no allowance for ECL recognised in both financial years.

Lease incentives

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature, form or the timing of payments.

In the event that lease incentives are received or given to enter into operating leases, such incentives are recognised as a liability or asset. The aggregate benefits of incentives are recognised as a reduction of rental expense or income on a straight-line basis.

Finance leases

A finance lease effectively transfers, from the lessor to the lessee, substantially all the risks and rewards incidental to ownership of the leased asset. Amounts due under a finance lease

Note 8 *continued*

are recognised as receivables at the amount of the entity's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the entity's net investment outstanding in respect of the leases.

Costs incurred for capital dredging (harbour deepening) of channels were previously recognised as prepaid licence fees with the licensor being NSW Roads and Maritime Services.

As part of the long term leases in 2013 and 2014 as detailed below, two revised Channel User Licence Agreements with NSW Roads and Maritime Services were executed in 2013 and one was executed in 2014. The Corporation considers these agreements to represent finance leases.

(a) Ageing analysis of trade and other receivables

At each reporting date, the ageing analysis of trade and other receivables is as follows:

	Total \$000	Not due \$000	0–30 days \$000	31–60 days \$000	60+ days \$000	90+ days \$000	120+ Days \$000
2019	10,178	8,600	1,240	205	85	48	-
Expected credit losses	0%	0%	0%	0%	0%	0%	0%
2018	9,250	7,887	1,234	116	-	13	-
Expected credit losses	0%	0%	0%	0%	0%	0%	0%

The Corporation trades only with recognised creditworthy third parties. Trade customers who wish to transact on credit terms are subject to credit verification procedures which may result in obtaining bank guarantees. In addition, trade receivable balances are monitored on an ongoing basis. No impaired trade and other receivables were identified. It is expected that these other balances will be received when due.

The Corporation applies the AASB 9 simplified approach to measuring ECLs which uses a lifetime expected loss allowance for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on historical observed loss rates. The historical rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. In this year, there was no ECL identified.

The Corporation is not considered to be materially exposed to a concentration of credit risk to a single trade debtor. The largest single trade debtor included in receivables totals \$1.7 million (2018: \$1.4 million) and is 1.34% of total financial assets (2018: 0.89%).

Accounting policy for impairment of trade receivables under AASB 139

The comparative period (2018) was applied with the accounting policy for impairment of trade receivables under AASB 139. Collectability of trade receivables was reviewed on an ongoing basis. Trade receivables which were known to be uncollectible were written off. An allowance for impairment was raised when there was objective evidence that the Corporation would not

Note 8 *continued*

be able to collect all amounts due. No interest was earned on trade receivables. In the prior year, there was no impairment identified.

(b) Finance lease receivables

(i) Finance lease – Newcastle

The Corporation previously incurred costs to dredge Newcastle Port in creating a channel for ships to enter the wharf area. As part of the long term lease transaction, a Channel User Licence Deed with NSW Roads and Maritime Services was executed on 20 December 2013. The Corporation considers this agreement to represent a finance lease.

On expiry of the 98 year lease term, a dredged channel asset will revert to the Corporation. As a result, a finance lease receivable has been recognised equal to the net investment in the lease. As all lease payments were received upfront, the net investment in the lease corresponds on expiry of the 98 year lease. No further payments will be received, and a residual asset will be accreted over the 98 year term of the lease with total unearned finance income as at 30 June 2019 of \$19.9 billion. The initial value of the residual interest was recognised at \$30.2 million in May 2014. In the financial year ended 30 June 2019, the Corporation has recognised \$2.7 million (2018: \$2.6 million) finance lease income from the accretion of the finance lease receivable.

The valuation of the residual interest was carried out by external advisers as at 30 June 2014. The value was based on the information available at the inception of the lease. Management assesses for indicators of impairment of any material damage or changes to the dredged channel asset. No significant factors were identified during the year that resulted in significant changes to the valuation.

(ii) Finance lease - Botany Bay

Sydney Ports Corporation, amalgamated into Newcastle Port Corporation (trading as Port Authority of New South Wales) effective from 1 July 2014, previously incurred costs to dredge Botany Bay, thereby creating a channel for ships to enter the wharf area. As part of the long term lease transaction, a revised Channel User Licence Agreement with NSW Roads and Maritime Services was executed. The agreement represents a finance lease.

On expiry of the 99 year lease term, a dredged channel asset will revert to the Corporation. As a result, a finance lease receivable has been recognised equal to the value of its net investment in the lease. As all lease payments were received upfront, the net investment in the lease corresponds to the present value of the assets that will revert to the Corporation on expiry of the 99 year term. No further payments will be received, and a residual asset will be accreted over the 99 year term of the lease with total unearned finance income as at 30 June 2019 estimated at \$17.5 billion. The initial value of the residual interest was recognised at \$20.4 million in May 2013. In the financial year ended 30 June 2019, the Corporation has recognised \$2.1 million (2018: \$1.9 million) finance lease income from the accretion of the finance lease receivable.

(iii) Finance lease – Port Kembla

Port Kembla Port Corporation, amalgamated into Newcastle Port Corporation (trading as Port Authority of New South Wales) effective from 1 July 2014, previously incurred costs to dredge Port Kembla in creating a channel for ships to enter the wharf area. As part of the long term lease transaction, a revised Channel User Licence Agreement with NSW Roads and Maritime Services was executed. The agreement represents a finance lease.

On expiry of the 99 year lease term, a dredged channel asset will revert to the Corporation. As a result, a finance lease receivable has been recognised equal to the net investment in the lease. As all lease payments were received upfront, the net investment in the lease

Note 8 *continued*

corresponds to the present value of the assets that will revert to the Corporation on expiry of the 99 year lease term. No further payments will be received, and a residual asset will be accreted over the 99 year term of the lease with total unearned finance income as at 30 June 2019 estimated at \$13.1 billion. The initial value of the residual interest was recognised at \$15.3 million in May 2013. In the financial year ended 30 June 2019, the Corporation has recognised \$1.5 million (2018: \$1.4 million) finance lease income from the accretion of the finance lease receivable.

The valuation of the residual interest in Botany Bay and Port Kembla was carried out by external advisers as at 30 June 2013. The value was based on the information available at the inception of the lease. Management assesses for indicators of impairment of any material damage or changes to the dredged channel asset. No significant factors were identified during the year that resulted in significant changes to the valuation.

Note 9 Property, plant and equipment

(a) Carrying amounts of property, plant and equipment at fair value

At fair value	2019 \$000	2018 \$000
Land and buildings (gross carrying amount)	319,997	318,770
Accumulated depreciation	(20,738)	(16,479)
Net carrying amount	299,259	302,291
Roadways and bridges (gross carrying amount)	13,374	13,104
Accumulated depreciation	(3,484)	(2,715)
Net carrying amount	9,890	10,389
Wharves, jetties and breakwaters (gross carrying amount)	87,588	86,082
Accumulated depreciation	(37,649)	(30,168)
Net carrying amount	49,939	55,914
Plant (gross carrying amount)	112,599	110,949
Accumulated depreciation	(45,991)	(36,335)
Net carrying amount	66,608	74,614
Construction in progress		
- Land and buildings	1,811	1,080
- Roadways and bridges	2,556	70
- Wharves, jetties and breakwaters	422	19
- Plant	11,132	3,976
Total construction in progress	15,921	5,145
Total property, plant and equipment at fair value (net carrying amount)	441,617	448,353

Recognition and measurement

Asset capitalisation

Property, plant and equipment is initially recognised at cost, including any costs directly attributable to the asset and any restoration costs associated with the asset. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards. Assets acquired at no cost or for nominal consideration are initially recognised at their fair value at the date of acquisition.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Corporation, and its cost can be measured reliably.

Note 9 *continued*

Only the assets in excess of \$1,000 are capitalised if they are expected to provide future economic benefits for more than one reporting period.

Derecognition

An item of property, plant and equipment is derecognised when it is sold or otherwise disposed of, or when its use is expected to bring no future economic benefits. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount. These are included in the statement of comprehensive income.

Depreciation of assets

Depreciation expenses have been calculated on depreciable assets, using rates estimated to write off the assets over their remaining useful lives on a straight-line basis. Land assets have been treated as non-depreciable. The useful lives of assets were reassessed during the year with no material changes required.

The useful lives of each category of depreciable assets are:

- | | |
|------------------------------------|----------------|
| ▪ Buildings | 10 to 51 years |
| ▪ Roadways and bridges | 20 to 50 years |
| ▪ Wharves, jetties and breakwaters | 4 to 50 years |
| ▪ Plant | 2 to 50 years |
| ▪ Intangibles – software | 3 to 10 years |

Recoverable amount of assets

At each reporting date, the Corporation assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Corporation makes a formal estimate of recoverable amount.

Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless either the asset's fair value less costs to sell is higher than its carrying amount, or the asset's value in use can be estimated to be close to its fair value less costs to sell and fair value less costs to sell can be determined. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Valuation of property, plant and equipment

Property, plant and equipment is valued at fair value in accordance with Australian Accounting Standards and the NSW Treasury Policy Paper on *Valuation of Physical Non-Current Assets* (TPP 14-01).

(i) Valuation of land

Land is valued at fair value having regard to its highest and best use. However, where there are natural, legal and socio-political restrictions on the use of land such that there is no feasible alternative use in the near future, such land is valued at market value for its existing use, because that is its highest and best use.

(ii) Valuation of buildings

Non-specialised buildings, which include commercial and general purpose buildings for which there is a secondary market, are valued at fair value. Specialised buildings are designed for a specific, limited purpose. Where there are no feasible alternative uses for such buildings, they are valued at market buying price, the best indicator of which is the replacement cost of the

Note 9 *continued*

remaining economic benefits. Heritage buildings are valued at fair value. Fair value is represented by market value for existing use, because there are few or no feasible alternative uses for such buildings.

(iii) Valuation of specialised plant and infrastructure

Specialised plant and infrastructure is measured at market buying price, the best indicator of which is the replacement cost of the asset's remaining future economic benefits. Infrastructure assets include roadways and bridges, wharves, jetties and breakwaters.

(iv) Valuation of non-specialised assets and construction in progress

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value. Assets included in construction in progress are normally recognised at historical cost and these assets are transferred to property, plant and equipment when ready for use as intended by management. The transfer may trigger a transfer between different levels of the fair value hierarchy depending on the valuation techniques used for the transferred asset. Unless there is a change in valuation technique the asset categorisation under the fair value hierarchy is not expected to change.

Refer to note 18 for further information regarding fair value and hierarchy levels.

(v) Asset revaluation

Revaluations are made with sufficient regularity to ensure that the carrying amount of property, plant and equipment does not materially differ from fair value at the reporting date. Land and buildings are subject to comprehensive valuation at least every 3 years. Where the Corporation revalues non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and accumulated depreciation are separately restated.

Interim revaluations are conducted between comprehensive revaluations when cumulative changes to indicators / indices suggest fair value may differ materially from the carrying value. The Corporation undertakes an interim management revaluation when cumulative increases / decreases in indicators / indices are generally less than or equal to 20%. It undertakes an interim formal revaluation where there has been a cumulative increase / decrease in indicators / indices generally greater than 20%.

(b) Current year asset revaluation

An independent valuer (RHAS - an Aon Company) provided gross values for land and buildings at 30 June 2018. In the financial year ended 30 June 2019, the valuer considered there to be no material movement in the value for land and therefore, management applied no index to land. The values of buildings are appropriately indexed at 30 June 2019 using externally provided rate 0.49%.

A quantity and construction consultant (MDA Australia Pty Limited) provided gross values for wharves, jetties and breakwaters, roadways and bridges at 30 June 2017 when the last comprehensive valuation was conducted. They were appropriately indexed with 2.2% and 2.0% at 30 June 2018 and 30 June 2019 respectively.

The Corporation's qualified engineers assessed the remaining useful lives of each asset. Based on these assessments, all assets are recorded at fair value. The assets that were not revalued due to materiality are also shown at fair value as the written-down value approximates fair value.

Note 9 *continued*

(c) Carrying amounts if property, plant and equipment were measured at cost less accumulated depreciation

If property, plant and equipment were measured using the cost model, the carrying amounts would be as follows:

At cost	2019 \$000	2018 \$000
Land and buildings (gross carrying amount)	259,748	259,082
Accumulated depreciation	(19,141)	(15,392)
Net carrying amount	240,607	243,690
Roadways and bridges (gross carrying amount)	11,892	11,885
Accumulated depreciation	(3,669)	(2,969)
Net carrying amount	8,223	8,916
Wharves, jetties and breakwaters (gross carrying amount)	74,832	74,952
Accumulated depreciation	(42,158)	(34,550)
Net carrying amount	32,674	40,402
Plant (gross carrying amount)	113,360	111,711
Accumulated depreciation	(46,454)	(37,062)
Net carrying amount	66,906	74,649
Construction in progress	15,921	5,145
Total property, plant and equipment	364,331	372,802

Note 9 *continued*

(d)(i) Movement in property, plant and equipment

	Note	Land and buildings \$000	Roadways and bridges \$000	Wharves, jetties and breakwaters \$000	Plant \$000	Total \$000
Balance at 1 July 2018		302,291	10,389	55,914	74,614	443,208
Revaluation increments recognised in other comprehensive income	16(a)	449	177	1,258	-	1,884
Revaluation increments recognised in statement of comprehensive income	5	8	22	5	-	35
Transfer from construction in progress	9(d)(ii)	666	9	-	2,224	2,899
		303,414	10,597	57,177	76,838	448,026
Depreciation charge	4	(4,155)	(707)	(7,229)	(10,104)	(22,195)
Write-offs		-	-	(9)	(33)	(42)
Disposals		-	-	-	(93)	(93)
Balance at 30 June 2019		299,259	9,890	49,939	66,608	425,696

	Note	Land and buildings \$000	Roadways and bridges \$000	Wharves, jetties and breakwaters \$000	Plant \$000	Total \$000
Balance at 1 July 2017		296,706	10,174	60,342	81,116	448,338
Additions		-	-	-	108	108
Revaluation increments recognised in other comprehensive income	16(a)	9,099	361	4,450	-	13,910
Revaluation increments (decrements) recognised in statement of comprehensive income	5	(28)	91	(99)	-	(36)
Impairment loss	5	-	-	-	(50)	(50)
Transfer from construction in progress	9(d)(ii)	794	547	304	2,705	4,350
		306,571	11,173	64,997	83,879	466,620
Depreciation charge	4	(4,118)	(784)	(9,083)	(9,159)	(23,144)
Write-offs		-	-	-	(23)	(23)
Disposals		(162)	-	-	(83)	(245)
Balance at 30 June 2018		302,291	10,389	55,914	74,614	443,208

Note 9 *continued***(d)(ii) Movement in construction in progress**

	Note	2019 \$000	2018 \$000
Balance at 1 July		5,145	3,277
Additions		13,966	7,390
		19,111	10,667
Transfers to property, plant and equipment	9(d)(i)	(2,899)	(4,350)
Transfers to intangible assets	11(a)	(291)	(1,172)
Closing balance		15,921	5,145

There was no borrowing cost capitalised in both years.

Note 10 **Investment property**

	2019 \$000	2018 \$000
At fair value		
Land and building	7,700	7,700

	Note	2019 \$000	2018 \$000
At fair value Movements			
Balance at 1 July		7,700	7,993
Transfer to another class of asset		-	(200)
Loss on revaluation	5	-	(93)
Closing balance		7,700	7,700

During the financial year, the fair value of the Corporation's investment property did not vary significantly from 30 June 2018 after a valuation carried out by an independent valuer (RHAS - an Aon Company). They have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on the capitalisation of income approach whereby a yield is applied to the property's income to assess its value.

Further details regarding the fair value measurement of investment property are disclosed in note 18.

Note 10 *continued*

The following amounts have been recognised in the statement of comprehensive income:

	2019	2018
	\$000	\$000
Rental income	628	722
Direct operating expenses that generated rental income	(386)	(328)
Direct operating expenses that did not generate rental income	-	-
	<u>242</u>	<u>394</u>

Recognition and measurement

Investment properties are properties held to earn rental income and/or for capital appreciation (including property under construction for such purposes). Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value in accordance with AASB 140 *Investment Property*.

Gains and losses arising from changes in the fair value of investment properties are included in the statement of comprehensive income in the period in which they arise. Refer to note 5.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the period in which the property is derecognised.

No depreciation is charged on an investment property.

Note 11 **Intangible assets**

	2019	2018
	\$000	\$000
Carrying amounts (at cost)		
Software	4,144	3,853
Accumulated amortisation	(3,021)	(2,596)
Net carrying amount	<u>1,123</u>	<u>1,257</u>
Easements	230	230
Accumulated amortisation	-	-
Net carrying amount	<u>230</u>	<u>230</u>
Total intangible assets at cost (net carrying amount)	<u>1,353</u>	<u>1,487</u>

Note 11 *continued*

(a) Movements in intangible assets

	Note	2019 \$000	2018 \$000
Balance at 1 July		1,487	670
Transfer from construction in progress	9(d)(ii)	291	1,172
		1,778	1,842
Amortisation charge	4	(425)	(355)
Closing balance		1,353	1,487

Recognition and measurement

Intangible assets

Intangible assets are initially capitalised at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment loss. The Corporation's intangible assets relate to software and easements.

Easements relate to the Corporation's interest in land. Easements are recognised using the historic cost method rather than fair value as it is assumed there is no active market for easements.

Amortisation

The Corporation's software intangible assets have finite lives and are amortised on a straight-line basis over a range of useful lives from 3 to 10 years.

The estimated useful life for an easement is indefinite. Intangible assets with an indefinite useful life are assessed for impairment annually.

Note 12 Trade and other payables

	2019	2018
	\$000	\$000
Current		
Trade payables	1,097	826
Accrued employee benefits	3,417	3,922
Accrued borrowing costs	2,480	-
GST payable	1,008	996
Other payables and accruals	8,289	7,803
Maintenance funds liability	917	799
Lease incentive liability	-	471
Income received in advance	1,976	2,114
	19,184	16,931
Non-current		
Income received in advance	2,068	2,248
Lease incentive liability	-	28
	2,068	2,276

Recognition and measurement

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. Their carrying value is assumed to approximate their fair value. Trade and other payables represent liabilities for goods and services provided to the Corporation prior to the end of the financial year that are unpaid and arise when the Corporation becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 28 days of recognition.

Note 13 Provisions

	Note	2019	2018
		\$000	\$000
Current			
Annual leave		7,674	7,263
Long service leave		11,922	11,263
Other employee benefits		489	294
		20,085	18,820
Non-current			
Long service leave		2,295	2,008
Provision for make good	(a)	513	543
		2,808	2,551

Note 13 *continued*

(a) Movements in provision for make good

Non-current	Opening balance \$000	Adjustment to profit or loss \$000	Payments made \$000	Closing balance \$000
Provision for make good	<u>543</u>	(30)	-	<u>513</u>

(b) Annual leave obligations expected to be taken after twelve months

	2019 \$000	2018 \$000
Annual leave obligations expected to be taken after twelve months	<u>1,618</u>	<u>2,059</u>

The entire obligation is presented as current since the Corporation does not have an unconditional right to defer settlement. However based on past experience the Corporation does not expect all employees to take the full amount of accrued leave within the next twelve months.

(c) Long service leave obligations expected to be taken within twelve months

	2019 \$000	2018 \$000
Long service leave obligations expected to be taken within twelve months	<u>1,513</u>	<u>912</u>

The current provision for long service leave includes all unconditional entitlements where the Corporation does not have an unconditional right to defer settlement. The amount provided which relates to employees with service less than the qualifying year is disclosed as non-current as there is no legal obligation to pay within twelve months.

Recognition and measurement

Provisions

Provisions are recognised when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Employee benefits

Employee benefits relate to annual leave, long service leave, termination and other employee benefits.

(i) Annual leave

The annual leave provision is presented as a current liability as the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Note 13 *continued*

Annual leave is not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 *Employee Benefits*. The Corporation has assessed and determined that the effect of discounting is immaterial to annual leave.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Corporation recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the statement of financial position date are discounted to their present value.

Note 14 Interest-bearing loans and borrowings

	2019	2018
Non Current	\$000	\$000
NSW TCorp borrowings	144,177	-

Recognition and measurement

Interest-bearing loans and borrowings

Interest-bearing borrowings classified as financial liabilities at amortised cost are initially measured at fair value, net of directly attributable transaction costs. They are subsequently stated at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any differences between the initial fair value and the final redemption value of the borrowings, such as discounts or premiums. These differences are amortised to profit or loss as part of finance costs over the period of the borrowings on an effective interest basis. Indexation adjustments on the Consumer Price Index (CPI) indexed bonds are also recognised as part of finance costs in profit or loss.

Classification of liability

The Corporation has Treasurer's approval under the *Public Authorities (Financial Arrangements) Act* to borrow from NSW TCorp up to a total limit of \$245.0 million (2018: \$245.0 million).

Note 14 *continued*

The Corporation forms the view that the borrowing facility takes the nature of an enduring rolling facility whereby the Corporation has discretion to refinance borrowing within the total approval of the Treasurer and within the agreed terms of the Statement of Corporate Intent.

(a) Financial facilities

The Corporation had the following financing facilities in place at 30 June 2019 and 30 June 2018.

	2019	2018
	\$000	\$000
(a) With NSW TCorp:		
A global loan facility inclusive of \$15.0 million Come-and-Go facility		
- Total facility	245,000	245,000
- Amount used	(144,177)	-
- Amount unused	100,823	245,000
(b) With Commonwealth Bank of Australia		
A bank guarantee facility		
- Total facility	2,000	2,000
- Amount used	-	-
- Amount unused	2,000	2,000

(i) *Borrowing repayments*

Borrowings consist of NSW TCorp fixed rate loans with maturity dates ranging from 8 April 2021 to 20 February 2030. NSW TCorp fixed rate loans are characterised by payments of coupon interest only every six months and repayment or rollover of principal at maturity. All borrowings are secured by NSW Government Guarantee. No assets have been pledged as security for interest-bearing loans and borrowings.

The Corporation had a credit card facility for \$170,000 (2018: \$170,000) with the Commonwealth Bank of Australia with the balance cleared monthly.

The Corporation also had a purchasing card facility of \$50,000 (2018: \$50,000) with the Commonwealth Bank of Australia with the balance cleared monthly.

(ii) *Fair value*

Details regarding fair value, interest rate and liquidity risks are disclosed in note 19.

Note 15 Dividend payable

	2019 \$000	Jun 2018 \$000
Dividend payable	9,000	200,000

Recognition and measurement

The present obligation to pay a dividend is established when the shareholders' approval of the dividend is received. Subsequent to the approval, there will be no further variation of the dividend amount. This occurs through a formal process. The Corporation reviews its financial performance for the accounting year and recommends to its shareholders an appropriate dividend payment in light of the current financial position and longer-term financial commitments. Under NSW Treasury's Financial Distribution Policy for Government Businesses, the Corporation prepares a Statement of Corporate Intent which is an agreement between the relevant Ministers and the Board. This agreement establishes the dividend policy to apply for the year and sets a target dividend, if any, for the business. The dividend scheme of the Corporation also takes into consideration the agreed Target Capital Structure with NSW Treasury in order to maintain an efficient capital structure consistent with the Target Credit Rating.

Prior to 30 June 2019, the Shareholding Ministers approved the dividend recommendation in accordance with the *Financial Distribution Policy for Government Entities* TPP 16-04 and section 20S of *State Owned Corporations Act 1989*. Accordingly the dividend payable of \$9.0 million (2018: \$200.0 million) was recognised, with 50% to be paid prior to 1 August 2019 and the remaining balance prior to 1 December 2019.

Note 16 Equity

	Note	2019 \$000	2018 \$000
Contributed equity		165,768	165,768
Reserves	16(a)	60,089	58,770
Retained earnings	16(b)	96,151	95,518
		322,008	320,056

Recognition and measurement

Contributed equity

Ordinary shares are classified as equity.

The *State Owned Corporations Act 1989* requires the Corporation to have two voting shareholding Ministers. Each shareholder must, at all times, have an equal number of shares in the Corporation. At 30 June 2019, the shares were held by the Treasurer (The Hon. Dominic Perrottet, MP) and the Minister for Finance and Small Business (The Hon. Damien Francis Tudehope, MP).

Note 16 *continued*

Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements resulting from the revaluation of property, plant and equipment.

(a) Movements in asset revaluation reserve

	Note	2019 \$000	2018 \$000
Balance at 1 July		58,770	49,050
Fair value revaluation of property, plant and equipment	9(d)(i)	1,884	13,910
Transfer from revaluation reserve to retained earnings on disposal of revalued assets, net of tax	16(b)	-	(17)
Income tax equivalent expense on revaluation of property, plant and equipment		(565)	(4,173)
Total other comprehensive income		1,319	9,720
Closing balance		60,089	58,770

(b) Movements in retained earnings

	Note	2019 \$000	2018 \$000
Balance at 1 July		95,518	253,021
Net profit for the year		18,020	17,544
Transfer from revaluation reserve to retained earnings on disposal of revalued assets	16(a)	-	17
Superannuation actuarial (losses) gains		(11,982)	35,623
Income tax equivalent benefit (expense) on post employment benefit actuarial (losses) gains		3,595	(10,687)
Other comprehensive (expense) income		(8,387)	24,953
Transaction with owners in their capacity as owners			
Dividend declared	15	(9,000)	(200,000)
Closing balance		96,151	95,518

Note 17 Defined benefit superannuation schemes

The Corporation has three defined benefit superannuation schemes covering certain employees, all of which require contributions to be made to separately administered funds.

Nature of the benefits provided by the fund

The Pooled Fund holds in trust the investments of the following closed NSW public sector superannuation schemes, in which the Corporation participates:

- State Authorities Superannuation Scheme (SASS)
- State Authorities Non-Contributory Superannuation Scheme (SANCS)
- State Superannuation Scheme (SSS)

These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal.

All the Schemes are closed to new members.

Description of the regulatory framework

The schemes in the Pooled Fund are established and governed by the following NSW legislation: Superannuation Act 1916, State Authorities Superannuation Act 1987, Police Regulation (Superannuation) Act 1906, State Authorities Non-Contributory Superannuation Act 1987, and their associated regulations.

The schemes in the Pooled Fund are exempt public sector superannuation schemes under the Commonwealth Superannuation Industry (Supervision) Act 1993 (SIS). The SIS Legislation treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

Under a Heads of Government agreement, the New South Wales Government undertakes to ensure that the Pooled Fund will conform with the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that members' benefits are adequately protected.

The New South Wales Government prudentially monitors and audits the Pooled Fund and the Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation. These provisions are in addition to other legislative obligations on the Trustee Board and internal processes that monitor the Trustee Board's adherence to the principles of the Commonwealth's retirement incomes policy.

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2018. The next actuarial investigation will be performed at 30 June 2021.

Description of other entities' responsibilities for the governance of the fund

The Fund's Trustee is responsible for the governance of the Fund. The Trustee has a legal obligation to act solely in the best interests of fund beneficiaries. The Trustee has the following roles:

- Administration of the fund and payment to the beneficiaries from fund assets when required in accordance with the fund rules;

Note 17 *continued*

- Management and investment of the fund assets; and
- Compliance with other applicable regulations.

Description of risks

There are a number of risks to which the Fund exposes the Employer. The more significant risks relating to the defined benefits are:

- **Investment risk** - The risk that investment returns will be lower than assumed and the Employer will need to increase contributions to offset this shortfall.
- **Longevity risk** - The risk that pensioners live longer than assumed, increasing future pensions.
- **Pension indexation risk** - The risk that pensions will increase at a rate greater than assumed, increasing future pensions.
- **Salary growth risk** - The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
- **Legislative risk** - The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

Description of significant events

There were no fund amendments, curtailments or settlements during the year.

Amounts in the statement of financial position

	2019	2018
	\$000	\$000
Defined benefit liability	20,038	6,988

Recognition and measurement

A liability or asset for the defined benefit superannuation plans is recognised in the statement of financial position, and is measured as the present value of the defined benefit obligations at the reporting date less the fair value of the superannuation fund's assets at that date. The present value of the defined benefit obligations is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit valuation method. Consideration is given to expected future wage and salary level, experience of employee departures and years of service.

Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 17 *continued*

(a) Reconciliation of the net defined benefit liability/(asset)

	SASS	SANCS	SSS	Total
	\$000	\$000	\$000	\$000
At 30 June 2019				
Opening net defined benefit liability/(asset)	6,546	952	(510)	6,988
Current service cost	456	123	228	807
Net Interest on the net defined benefit liability	269	39	(21)	287
Actual return on Fund assets less Interest income	(882)	(98)	(4,419)	(5,399)
Actuarial (gains) / losses	2,325	180	14,876	17,381
Employer contributions	(2)	-	(24)	(26)
Closing net defined benefit liability	8,712	1,196	10,130	20,038

	SASS	SANCS	SSS	Total
	\$000	\$000	\$000	\$000
At 30 June 2018				
Opening net defined benefit liability/(asset)	9,311	1,135	30,172	40,618
Current service cost	560	136	296	992
Net Interest on the net defined benefit liability	243	30	790	1,063
Actual return on Fund assets less Interest income	(1,336)	(161)	(6,211)	(7,708)
Actuarial (gains) / losses	(2,192)	(188)	(25,535)	(27,915)
Employer contributions	(40)	-	(22)	(62)
Closing net defined benefit liability	6,546	952	(510)	6,988

(b) Reconciliation of the defined benefit obligation

	SASS	SANCS	SSS	Total
	\$000	\$000	\$000	\$000
Year ended 30 June 2019				
Present value of defined benefit obligations at beginning of the year	29,501	3,487	110,403	143,391
Current service costs	456	123	228	807
Interest costs	1,129	130	4,419	5,678
Contributions by participants	245	-	110	355
Actuarial (gains) / losses	2,325	180	14,876	17,381
Benefits paid	(2,586)	(366)	(5,766)	(8,718)
Taxes, premiums & expenses paid	84	8	662	754
Present value of defined benefit obligations at end of the year	31,154	3,562	124,932	159,648

Note 17 *continued*

	SASS	SANCS	SSS	Total
Year ended 30 June 2018	\$000	\$000	\$000	\$000
Present value of defined benefit obligations at beginning of the year	33,039	3,862	136,672	173,573
Current service costs	560	136	296	992
Interest costs	810	92	3,508	4,410
Contributions by participants	259	-	99	358
Actuarial (gains) / losses	(2,192)	(188)	(25,535)	(27,915)
Benefits paid	(3,046)	(421)	(5,407)	(8,874)
Taxes, premiums & expenses paid	71	6	770	847
Present value of defined benefit obligations at end of the year	29,501	3,487	110,403	143,391

(c) Reconciliation of the fair value of Fund assets

	SASS	SANCS	SSS	Total
Year ended 30 June 2019	\$000	\$000	\$000	\$000
Fair value of Fund assets at beginning of the year	22,955	2,535	110,913	136,403
Interest income	860	91	4,440	5,391
Actual return on Fund assets less Interest income	882	98	4,419	5,399
Employer contributions	2	-	24	26
Contributions by participants	245	-	110	355
Benefits paid	(2,586)	(366)	(5,766)	(8,718)
Taxes, premiums & expenses paid	84	8	662	754
Fair value of Fund assets at end of the year	22,442	2,366	114,802	139,610

	SASS	SANCS	SSS	Total
Year ended 30 June 2018	\$000	\$000	\$000	\$000
Fair value of Fund assets at beginning of the year	23,728	2,727	106,500	132,955
Interest income	567	62	2,718	3,347
Actual return on Fund assets less Interest income	1,336	161	6,211	7,708
Employer contributions	40	-	22	62
Contributions by participants	259	-	99	358
Benefits paid	(3,046)	(421)	(5,407)	(8,874)
Taxes, premiums & expenses paid	71	6	770	847
Fair value of Fund assets at end of the year	22,955	2,535	110,913	136,403

Note 17 *continued*

(d) Reconciliation of the effect of the asset ceiling

There is no change in the effect of the asset ceiling.

(e) Fair value of Fund assets

All Pooled Fund assets are invested by SAS Trustee Corporation (STC) at arm's length through independent fund managers, assets are not separately invested for each entity and it is not possible or appropriate to disaggregate and attribute fund assets to individual entities. **As such, the disclosures below relate to total assets of the Pooled Fund.**

Asset category	Quoted prices in active markets for identical assets	Significant observable inputs	Unobservable inputs	Total \$000
	Level 1 \$000	Level 2 \$000	Level 3 \$000	
Short term securities	2,135,561	1,906,555	-	4,042,116
Australian fixed interest	4,992	2,289,679	-	2,294,671
International fixed interest	6,827	1,952,396	8,871	1,968,094
Australian equities	7,818,302	547,570	3,055	8,368,927
International equities	8,795,299	2,592,132	8	11,387,439
Property	698,607	717,079	2,172,544	3,588,230
Alternatives	327,329	5,758,095	4,472,758	10,558,182
Total	19,786,917	15,763,506	6,657,236	42,207,659

Level 1 - quoted prices in active markets for identical assets or liabilities. The assets in this level are listed shares; listed unit trusts.

Level 2 - inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are cash; notes; government, semi-government and corporate bonds; unlisted trusts where quoted prices are available in active markets for identical assets or liabilities.

Level 3 - inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property; unlisted shares; unlisted infrastructure; distressed debt; hedge funds.

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cash flow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing of the investment portfolio. As such managers make limited use of derivatives.

Note 17 *continued*

The percentage invested in each asset class at the reporting date is:

	2019	2018
Cash	9.6%	10.5%
Australian fixed interest	5.4%	5.3%
International fixed interest	4.7%	3.3%
Australian equities	19.8%	22.2%
International equities	27.0%	26.1%
Property	8.5%	8.9%
Alternatives	25.0%	23.7%
Total	100.0%	100.0%

(f) Fair value of the Pooled Fund assets

The fair value of the Pooled Fund assets as at 30 June 2019 include \$99.5 million (2018: \$97.7 million) in NSW government bonds.

(g) Significant actuarial assumptions

	2019	2018
Discount rate	2.95% pa	4.11% pa
Salary increase rate (excluding promotional increases)	3.20% pa	Refer (i) below
Rate of CPI increase	Refer (ii) below	Refer (ii) below
Pensioner mortality	Refer (iii) below	Refer (iii) below

(i) Salary increase rate (excluding promotional increases) used by independent fund managers

For 2018, a range of salary increase assumptions was used as follows:

- 2018/19: 2.70% pa
- 3.20% pa thereafter.

(ii) Rate of CPI increase used by independent fund managers

For 2019, a range of CPI increase assumptions was used as follows:

- 2018/19 and 2019/20: 1.75% pa
- 2020/21: 2.00% pa
- 2021/2022 and 2022/23: 2.25% pa
- 2.50% pa thereafter.

For 2018, a range of CPI increase assumptions was used as follows:

- 2018/19 and 2019/20: 2.25% pa
- 2.50% pa thereafter.

(iii) Pensioner mortality

The pensioner mortality assumptions are as per the 2018 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age.

Note 17 *continued*

(h) Sensitivity analysis

The Corporation's total defined benefit obligation as at 30 June 2019 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2019.

Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

	Base case	Scenario A -1% discount rate	Scenario B +1% discount rate
Discount rate	As above	As above -1.0%pa	As above +1.0%pa
Rate of CPI increase	As above	As above	As above
Salary inflation rate	As above	As above	As above
Defined benefit obligation \$'000	159,648	181,998	141,262
	Base case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	As above	As above	As above
Rate of CPI increase	As above	As above plus 0.5% pa	As above minus 0.5% pa
Salary inflation rate	As above	As above	As above
Defined benefit obligation \$'000	159,648	169,771	150,365

	Base case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	As above	As above	As above
Rate of CPI increase	As above	As above	As above
Salary inflation rate	As above	As above plus 0.5% pa	As above minus 0.5% pa
Defined benefit obligation \$'000	159,648	160,284	159,034
	Base case	Scenario G Lower mortality (*)	Scenario H Higher mortality (**)
Defined benefit obligation \$'000	159,648	161,953	157,811

Note 17 *continued*

(*) Assumes the short term pensioner mortality improvement factors for years 2019-2023 also apply for years after 2023.

(**) Assumes the long term pensioner mortality improvement factors for years post 2023 also apply for the years 2019 to 2023.

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

(i) Asset-liability matching strategies

The Trustee monitors its asset-liability risk continuously in setting its investment strategy. It also monitors cashflows to manage liquidity requirements. No explicit asset-liability matching strategy is used by the Trustee.

(j) Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review.

(k) Surplus/deficit

The following is a summary of the 30 June 2019 financial position of the Fund calculated in accordance with AASB 1056 *Superannuation Entities*:

	SASS	SANCS	SSS	Total
	\$000	\$000	\$000	\$000
Year ended 30 June 2019				
Accrued benefits (*)	24,418	2,848	76,217	103,483
Net market value of Fund assets	(22,442)	(2,366)	(114,802)	(139,610)
Net (surplus) / deficit	1,976	482	(38,585)	(36,127)
Year ended 30 June 2018				
Accrued benefits (*)	25,112	3,044	75,598	103,754
Net market value of Fund assets	(22,955)	(2,535)	(110,913)	(136,403)
Net (surplus) / deficit	2,157	509	(35,315)	(32,649)

(*) There is no allowance for a contribution tax provision within the Accrued Benefits figure for AASB 1056. Allowance for contributions tax is made when setting the contribution rates.

(l) Contribution recommendations

There are no recommended contribution rates for the Corporation.

Note 17 *continued*

(m) Economic assumptions

The economic assumptions adopted for the 30 June 2019 in accordance with AASB 1056 *Superannuation Entities*:

Weighted-Average Assumptions	2019	2018
Expected rate of return on Fund assets backing current pension liabilities	7.4% pa	7.4% pa
Expected rate of return on Fund assets backing other liabilities	6.4% pa	6.4% pa
Expected salary increase rate	3.2% pa	2.7% pa for 2018/19; 3.2% pa thereafter
Expected rate of CPI increase	2.2% pa	2.2% pa

(n) Expected contributions

No employer contributions are expected to be paid to any of the schemes in the next reporting year.

(o) Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 11.5 years (2018: 11.9 years).

(p) Profit and loss impact

	SASS	SANCS	SSS	Total
2019	\$000	\$000	\$000	\$000
Current service cost	456	123	228	807
Net interest	269	39	(21)	287
Profit and loss component of the defined benefit cost	725	162	207	1,094

	SASS	SANCS	SSS	Total
2018	\$000	\$000	\$000	\$000
Current service cost	560	136	296	992
Net interest	243	30	790	1,063
Profit and loss component of the defined benefit cost	803	166	1,086	2,055

Note 17 *continued***(q) Other comprehensive income**

	SASS	SANCS	SSS	Total
2019	\$000	\$000	\$000	\$000
Actuarial losses on liabilities	2,325	180	14,876	17,381
Actual return on Fund assets less Interest Income	(882)	(98)	(4,419)	(5,399)
Total remeasurement in Other Comprehensive Income	1,443	82	10,457	11,982

	SASS	SANCS	SSS	Total
2018	\$000	\$000	\$000	\$000
Actuarial gains on liabilities	(2,192)	(188)	(25,535)	(27,915)
Actual return on Fund assets less Interest Income	(1,336)	(161)	(6,211)	(7,708)
Total remeasurement in Other Comprehensive Income	(3,528)	(349)	(31,746)	(35,623)

Note 18 **Fair value measurement of non-financial assets****(a) Fair value hierarchy**

The Corporation classifies its non-financial assets into three levels prescribed under the accounting standard AASB 13 *Fair Value Measurement* per below:

At 30 June 2019

	Level 1	Level 2	Level 3	Total
	\$000	\$000	\$000	\$000
Land and buildings	-	-	299,259	299,259
Roadways and bridges	-	-	9,890	9,890
Wharves, jetties and breakwaters	-	-	49,939	49,939
Investment property (i)	-	7,700	-	7,700
Total	-	7,700	359,088	366,788

At 30 June 2018

	Level 1	Level 2	Level 3	Total
	\$000	\$000	\$000	\$000
Land and buildings	-	-	302,291	302,291
Roadways and bridges	-	-	10,389	10,389
Wharves, jetties and breakwaters	-	-	55,914	55,914
Investment property (i)	-	7,700	-	7,700
Total	-	7,700	368,594	376,294

There were no transfers between any levels in either year.

Note 18 *continued*

The Corporation uses the following hierarchy for disclosing the fair value of non-financial assets by valuation technique:

- Level 1 - inputs are quoted prices in active markets for identical assets.
- Level 2 - inputs are observable inputs, either directly or indirectly. Inputs are observable using market data. Adjustments to level 2 inputs include factors specific to the asset, including the condition, location or comparability of the asset.
- Level 3 - inputs are unobservable inputs. If an observable input requires an adjustment using an unobservable input and that adjustment results in a significantly higher or lower fair value measurement, the resulting measurement is categorised within Level 3 of the fair value hierarchy.

For the recurring fair value measurements categorised within level 3, the reconciliation from opening to closing balances is disclosed in note 9(d)(i).

(i) Investment Property

The fair value of the investment property did not vary significantly from 30 June 2018 and resulted in no variance in the statement of comprehensive income in this financial year (2018: \$0.1 million). Refer to note 10 for movement reconciliation. Investment property is disclosed in the fair value hierarchy table above as level 2 as only observable inputs were used in the valuation. Details on the valuation basis and inputs used for the valuation are described in note 10.

(b) Valuation techniques, inputs and process

For the non-financial assets classified as level 3 assets (land and buildings, roadways and bridges, wharves, jetties and breakwaters), details on the valuation basis, inputs used for the valuation and process are described in note 9(a).

(c) Sensitivity analysis of key unobservable inputs in level 3 of the fair value hierarchy

(i) Land

Land is measured using the market approach by reference to a number of industrial, port related use and special use zoned properties. Its measurement is categorised within level 3 of the fair value hierarchy as its fair value is derived by adjusting an observable market input using an unobservable input. The unobservable input is the application of a discount to the value of the land to reflect restrictions on the use of land due to its zoning and use for port purposes. The value of the land can be heavily discounted, with majority in the range from 45% to 80%. Any change in the discount rate applied impacts directly on the value of the land. A +/- 5% sensitivity of the discount rate would result in the carrying value of the land being varied by \$10.8 million (2018: \$10.8 million).

(ii) Buildings and infrastructure

Buildings and infrastructure assets are measured at the replacement cost of the asset's remaining future economic benefits. These measurements are categorised within level 3 of the fair value hierarchy as their fair values are derived from unobservable inputs.

Buildings

The fair value of the buildings will increase/decrease if the replacement costs increase/decrease. Replacement cost is derived from estimates of rate per square metre. Another major unobservable input is the estimate of remaining useful lives of the assets. Any change in the estimates of remaining useful lives impacts directly on the value of the buildings.

Note 18 *continued*

A +/- 5% sensitivity on the estimates of the remaining useful lives would result in the carrying value of the buildings being varied by \$4.7 million (2018: \$4.9 million).

Infrastructure assets

Infrastructure assets include roadways and bridges, wharves, jetties and breakwaters. The fair value of the infrastructure assets will increase/decrease if the replacement costs increase/decrease. Replacement cost is derived from estimates of cost per unit times per metre. The other major unobservable input is the estimate of remaining useful lives of the assets. Any change in the estimates of remaining useful lives impacts directly on the value of the infrastructure assets.

A +/- 5% sensitivity on the estimates of the remaining useful lives would result in the carrying value of:

- the roadways and bridges being varied by \$0.5 million (2018: \$0.5 million); and
- the wharves, jetties and breakwaters being varied by \$2.5 million (2018: \$2.8 million).

Note 19 Financial risk management objectives and policies

The Corporation's principal financial instruments comprise cash, funds on deposit in the NSW Treasury Corporation's Investment Management (TCorpIM) Cash Fund, receivables, payables and loans. These financial instruments arise directly from the Corporation's operations or are required to finance the Corporation's operations.

The Corporation's main risks arising from financial instruments are outlined below together with the Corporation's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout the financial statements.

The Corporation manages its exposure to key financial risks, including interest rate, credit and liquidity risks in accordance with the Corporation's risk and treasury management policies. The objective of these policies is to support the delivery of the Corporation's financial targets whilst protecting future financial security.

The Corporation's Board is responsible for the establishment and oversight of risk management activities and reviews and agrees policies for managing each of these risks. The risk and treasury management policies are established to identify and analyse the risks faced by the Corporation, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed by the Board on a continuous basis.

Note 19 *continued*

(a) Financial instrument categories

			2019 \$000	2018 \$000
Financial assets				
Cash and cash equivalents	7	Not applicable	17,015	51,308
Trade and other receivables*		Debt instrument at amortised cost	13,274	11,973
Lease incentive receivable	8	Debt instrument at amortised cost	1,595	753
Finance lease receivable	8	Debt instrument at amortised cost	96,449	90,167
			128,333	154,201

			2019 \$000	2018 \$000
Financial liabilities				
Trade and other payables*		Financial liabilities measured at amortised cost	15,714	12,862
Lease incentive liability	12	Financial liabilities measured at amortised cost	-	499
Borrowings	14	Financial liabilities measured at amortised cost	144,177	-
			159,891	13,361

*Trade and other receivables exclude statutory receivables and prepayments. Trade and other payables exclude statutory payables and unearned income. Therefore the amounts disclosed above will not reconcile with the statement of financial position.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Corporation's exposures to market risk are primarily through the price risks associated with the movement in the unit price of the TCorpIM Cash Fund. The Corporation has no material exposure to foreign currency risk and does not enter into commodity contracts.

Note 19 *continued*

The effect on profit and equity due to a reasonably possible change in risk variables is outlined in the information below for interest rate risk and other price risk. A reasonably possible change in risk variables has been determined after taking into account the economic environment in which the Corporation operates and the time frame for the assessment (i.e. until the end of the next annual reporting period).

The sensitivity analysis is based on risk exposures in existence at the statement of financial position date. The analysis was performed on the same basis for both years. The analysis assumes that all other variables remain constant.

(i) *Interest rate risk*

Exposure to interest rate risk arises primarily through the Corporation's borrowings. The balance and composition of the portfolio is governed by a Corporation policy document which requires that the portfolio is appropriately structured to ensure it reflects the forecast borrowing and repayment profile. The policy also limits the type of instruments that can be obtained.

The Corporation did not account for any fixed rate loans at fair value through profit or loss or as available-for-sale. Therefore, for these loans, a change in interest rates would not affect profit and loss or equity.

A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates. The basis is reviewed annually and amended where there is a structural change in the level of interest rate volatility.

The Corporation's exposure to interest rate risk is set out below.

		+1% (100 basis points)		-1% (100 basis points)	
	Carrying amount	Post tax impact on profit	Equity	Post tax impact on profit	Equity
	\$000	\$000	\$000	\$000	\$000
At 30 June 2019					
Financial assets					
Cash and cash equivalents	17,015	119	119	(119)	(119)
Net exposure	17,015	119	119	(119)	(119)
At 30 June 2018	\$000	\$000	\$000	\$000	\$000
Financial assets					
Cash and cash equivalents	51,308	359	359	(359)	(359)
Net exposure	51,308	359	359	(359)	(359)

Note 19 *continued*

(ii) *Other price risk* – TCorpIM Cash Fund

Exposure to 'other price risk' primarily arises through the investment in the TCorpIM Cash Fund, which is held for strategic rather than trading purposes. The Corporation has no direct equity investments. The Corporation holds units in the following TCorpIM Cash Fund:

Facility	Investment sectors	Investment Horizon	Note	2019 \$000	2018 \$000
TCorpIM Cash Fund	Cash, Money market instruments	Up to 1.5 years	7	14,898	49,613

The unit price of the fund is equal to the total fair value of the net assets held by the fund divided by the number of units on issue. Unit prices are calculated and published daily. In the fair value hierarchy, the TCorpIM Cash Fund is classified as Level 2 because prices are observable, however, no active market exists for these funds as they are only accessible to government agencies.

TCorp is trustee for the above fund and is required to act in the best interest of the unit holders and to administer the trust in accordance with the trust deed. As trustee, TCorp has appointed external managers to manage the performance and risks of the fund in accordance with a mandate agreed by the parties. However, TCorp acts as manager for part of the fund. A significant portion of the administration of the fund is outsourced to an external custodian.

TCorp provides sensitivity analysis information for the fund, using historically based volatility information collected over a ten year period, quoted at two standard deviations (i.e. 95% probability). The fund is designated at fair value through profit or loss and therefore any change in unit price impacts directly on net results. A reasonably possible change is based on the percentage change in unit price, as advised by TCorp, multiplied by the redemption value at 30 June each year for each fund.

	Change in unit price	Post tax impact on profit Higher/(Lower)	
		2019 \$000	2018 \$000
TCorpIM Cash Fund	+/-1%	104	347

(c) **Credit risk**

Credit risk arises when there is the possibility of the Corporation's debtors defaulting on their contractual obligations, resulting in a financial loss to the Corporation. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for expected credit losses).

Credit risk arises from the financial assets of the Corporation, which comprise of cash, trade and other receivables. The Corporation has not granted any financial guarantees.

The Corporation considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Corporation may also consider a financial asset to be in default when internal or external information indicates that the Corporation is unlikely

Note 19 *continued*

to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Corporation.

(d) Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to meet its payment obligations when they fall due. The Corporation continuously manages liquidity risk through monitoring future cash flows and maturities planning to ensure an adequate holding of high quality liquid assets. The aim of liquidity risk management is to ensure that the Corporation has sufficient funds available to meet its obligations both on a day to day basis and in the longer term. That is, its aim is to ensure that new funding and refinancing can be obtained when required and without undue concentration at times when financial markets might be strained. Provided that these aims are met, the policy also aims to minimise net finance costs.

During the current and prior years, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral. The Corporation's exposure to liquidity risk is deemed insignificant based on prior years' data and a current assessment of risk.

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced at reporting date. Amounts owing to suppliers (which are unsecured) are settled in accordance with trade terms. If trade terms are not specified, payment is made within 28 days of recognition.

The maturity profile is based on the remaining contractual maturity period at the reporting date. The nominal amounts are the contractual undiscounted cash flows (including both interest and principal cash flows) of each class of financial liabilities and therefore will not reconcile to the statement of financial position.

The following table summarises the maturity profile of the Corporation's financial liabilities, together with the interest rate exposure.

At 30 June 2019	Weighted average effective interest rate	Carrying Value \$000	Nominal amount \$000	Interest rate exposure			Contractual Maturity Dates		
				Fixed interest rate \$000	Variable interest rate \$000	Non-interest bearing \$000	< 1 year \$000	1-5 years \$000	> 5 years \$000
Financial liabilities									
Trade and other payables	N/A	15,714	15,714	-	-	15,714	15,714	-	-
Interest bearing liabilities	2.86%	144,177	173,399	144,177	-	-	5,322	64,502	103,575
		159,891	189,113	144,177	-	15,714	21,036	64,502	103,575

Note 19 *continued*

At 30 June 2018	Weighted average effective interest rate	Carrying Value \$000	Nominal amount \$000	Interest rate exposure			Contractual Maturity Dates		
				Fixed interest rate \$000	Variable interest rate \$000	Non-interest bearing \$000	< 1 year \$000	1-5 years \$000	> 5 years \$000
Financial liabilities									
Trade and other payables	N/A	12,862	12,862	-	-	12,862	12,862	-	-
Lease incentive liability	N/A	499	499	-	-	499	471	28	-
		13,361	13,361	-	-	13,361	13,333	28	-

(e) Fair value compared to carrying amount

Financial instruments are generally recognised at cost, with the exception of the TCorpIM Cash Fund, which is measured at fair value. The value of the TCorpIM Cash Fund is based on the Corporation's share of the market value of the underlying assets of the facility.

Except where specified below, the amortised cost of financial instruments recognised in the statement of the financial position approximates the fair value because of the short-term nature of many of the financial instruments.

The following table details the financial instruments where the fair value differs from the carrying amount:

Financial liabilities	2019	2019	2018	2018
	\$000	\$000	\$000	\$000
	Carrying amount	Fair value	Carrying amount	Fair value
NSW TCorp borrowings	144,177	155,370	-	-

The fair values have been calculated by discounting the expected future cash flows at prevailing market rates varying from 1.209% to 2.001% (2018: nil).

(f) Fair value recognised in the statement of financial position

The Corporation uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique:

- Level 1 - Derived from quoted prices in active markets for identical assets/ liabilities.
- Level 2 - Derived from inputs other than quoted prices that are observable directly or indirectly.
- Level 3 - Derived from valuation techniques that include inputs for the asset/ liability not based on observable market data (unobservable input).

The fair values of the financial instruments as well as the method used to estimate the fair value are summarised in the table below.

Note 19 *continued*

Financial assets at fair value		Level 1	Level 2	Level 3	Total
		\$000	\$000	\$000	\$000
TCorpIM Cash Funds	2019	-	14,898	-	14,898
TCorpIM Cash Funds	2018	-	49,613	-	49,613

No financial liabilities were measured at fair value in the statement of financial position at 30 June 2019 and 30 June 2018.

There were no transfers between Level 1 and 2 during the year.

(g) Capital management

The Corporation manages its capital to ensure it will be able to continue as a going concern, while maximising the return to stakeholders through optimisation of the debt and equity balance.

The Board reviews and agrees policies for managing the capital structure when considering each major project investment and following consultation with NSW Treasury in-line with Capital Structure Policy for Government Business (TPP16-03). In order to maintain or adjust the capital structure, the Corporation may adjust the amount of dividends paid to shareholders. The gearing ratio at 30 June 2019 was as follows:

Gearing ratio

	Note	2019	2018
		\$000	\$000
Total debt	14	144,177	-
Total debt and total equity		466,185	320,056
Gearing ratio		30.93%	-

Note 20 Commitments

(a) Capital expenditure commitments

Forward obligations under major contracts committed at 30 June 2019 but not otherwise brought to account have been assessed at \$8.0 million including GST (2018: \$11.2 million). The \$8.0 million includes GST input tax credits of \$0.7 million that are expected to be recoverable from the Australian Taxation Office.

Capital commitments contracted at balance date, for the Corporation, are as follows:

	2019	2018
	\$000	\$000
Not later than one year	8,046	9,086
Later than one and not later than five years	-	2,100
Total including GST	8,046	11,186

(b) Operating lease commitments

Operating lease commitments – as lessee

The future minimum lease payments under non-cancellable operating leases as at the statement of financial position date not recognised in the financial statements are payable as follows:

	2019	2018
	\$000	\$000
Payable		
Not later than one year	4,584	4,636
Later than one and not later than five years	12,678	14,687
Later than five years	584	1,537
Total including GST	17,846	20,860

The above total includes GST input tax credits of \$1.4 million (2018: \$1.6 million) that are expected to be recoverable from the Australian Taxation Office. The expenditure commitment relates to rental of office premises, motor vehicles, computers and office equipment, and also includes an expenditure commitment on one lease contract that has become onerous. These leases have remaining terms of between one and 17 years. The lease of office premises has a renewal option included in the contract.

Note 20 *continued*

Operating lease commitments – as lessor

The future minimum lease receivable under non-cancellable operating leases as at the statement of financial position date not recognised in the financial statements are receivable as follows:

Receivable	2019 \$000	2018 \$000
Not later than one year	16,088	12,477
Later than one and not later than five years	38,017	33,370
Later than five years	56,902	52,895
Total including GST	111,007	98,742

The above total includes GST output tax of \$10.1 million (2018: \$9.0 million) that is expected to be paid to the Australian Taxation Office. These lease receivables relate to property leases with remaining terms of between one and 20 years.

Leasing arrangements

All receivable leases are entered into at commercial rates and terms. Regular market valuations and tendering processes are carried out to ensure commercial arrangements are maintained.

Note 21 Contingencies

The Corporation is subject to various actual and pending business claims arising from normal business operations. It has regular reviews, including updates from internal and external legal counsel, to assess the requirement for the accounting recognition and disclosure of these contingencies. At the date of this report, the Corporation is not aware of any circumstance that is considered not remote or able to be reliably measured.

Note 22 Consultancy fees

Consultancy fees refer to fees paid to a consultant in relation to services engaged under contract on a temporary basis to provide recommendations or high level specialist or professional advice to assist decision-making by management. No such fees were paid or payable to consultants in both years.

Note 23 Related party disclosures

Ultimate parent

The New South Wales Government is the ultimate parent of the Corporation.

(a) Key management personnel

The Corporation defines key management personnel as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly. They include the Corporation's board members, portfolio ministers or equivalent, shareholding ministers, the chief executive and the executive team.

Compensation for key management personnel

Benefit	2019 \$000	2018 \$000
Short term employee benefits	3,816	4,392
Post-employment benefits	202	276
Other long term benefits	55	63
Termination benefits	464	220
Total	4,537	4,951

Directors' remuneration includes emoluments and other benefits paid, or due and payable, to Directors. Included in the above is the Directors' remuneration \$0.4 million (2018: \$0.4 million).

During the year the Corporation did not enter into any disclosable transactions with key management personnel, their close family members and controlled and jointly controlled entities thereof.

(b) NSW Government-related entities

During the year, the Corporation entered into transactions with NSW Government related entities that are controlled, jointly controlled, or significantly influenced by NSW Government. These transactions in aggregate are a significant portion of the Corporation financial results. They are all arm's length transactions in the ordinary course of the business of the Corporation.

Note 23 *continued*

The following arm's length transactions have been identified as individually significant for disclosure in the financial statements.

Related Entity	Transaction	Transaction Value *	
		2019 \$000	2018 \$000
Sydney Harbour Foreshore Authority	Rental income for the temporary exhibition centre site at Glebe Island	-	374
Roads and Maritime Services (RMS)	Expense for channel fee	7,604	7,242
	Rental income for various leases	1,305	926
Sydney Metro	Rental income for various leases	1,135	-

*Transaction value includes GST

Note 24 **Events after the reporting period**

Management is not aware of any other significant events occurring after the balance sheet date requiring disclosure.

END OF AUDITED FINANCIAL STATEMENTS

Statement of land holdings

As at 30 June 2019

Land is disclosed in the financial statements under the asset grouping “Land and buildings” within “Property, plant and equipment”. In the following summary, land has been separated from buildings and other non-current assets to show land value in terms of the statement of financial position valuations.

	Corporation 2019 \$000
Land and buildings	
Land	204,208
Buildings	95,051
Total land and buildings	299,259
Other	
Roadways and bridges	9,890
Wharves, jetties and breakwaters	49,939
Plant	66,608
Construction in progress	15,921
Total other	142,358
Total property, plant and equipment	441,617

19 Statutory disclosures

19.1 Charter, aims and objectives

Newcastle Port Corporation was constituted under section 6 of the *Ports and Maritime Administration Act 1995* (NSW) and adopted the trading name 'Port Authority of New South Wales' (Port Authority) in July 2014.

Port Authority's principal **objectives** are set out in section 9 of the *Ports and Maritime Administration Act 1995* and are:

- (a) to be a successful business and, to this end:
 - i. operate at least as efficiently as any comparable business
 - ii. maximise the net worth of the State's investment in the port corporation
 - iii. exhibit a sense of social responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate those interests when able to do so, and
- (b) to promote and facilitate trade through its port facilities
- (c) to ensure that its port safety functions are carried out properly
- (d) to promote and facilitate a competitive commercial environment in port operations, and
- (e) to improve productivity and efficiency in its ports and the port-related supply chain.

Port Authority's principal **functions** are set out in section 10 of the *Ports and Maritime Administration Act 1995* and are to:

- (a) establish, manage and operate port facilities and services in its ports

- (b) exercise the port safety functions for which it is licensed in accordance with its operating licence, and
- (c) facilitate and co-ordinate improvements in the efficiency of the port-related supply chain.

19.2 Guarantee of service: Port Safety Operating Licence

Under section 12(2) of the *Ports and Maritime Administration Act 1995*, the NSW Government granted a PSOL to Port Authority of New South Wales.

The licence is issued by the NSW Minister responsible for Ports, currently the Minister for Transport and Roads, and requires Port Authority to carry out port safety functions which include:

- monitoring of channel and berth depths
- administering regulations concerning dangerous goods
- navigation aids operation
- pilotage and exemptions from pilotage
- port communications
- emergency response
- investigations of oil and chemical spills
- vessel arrival system
- maintain a towage licence system for the ports of Botany Bay, Sydney Harbour, Newcastle, Port Kembla and Eden.

On 19 December 2018, the licence was reissued by the NSW Minister for Roads, Maritime and Freight for a five-year term and provides for a port-specific quality assurance system, including

the introduction of a risk-profile requirement which determines the frequency of inspections and monitoring of port safety functions. The new licence also requires Port Authority to maintain authorisation as a VTS Authority in the ports of Sydney Harbour and Port Botany and achieve authorisation as a VTS Authority in the ports of Newcastle and Port Kembla during the term of the licence.

Under its PSOL, the various Port Authority's port operations exercise and manage port safety functions within the port limits. Within the Sydney port operation, this encompasses the port areas of Sydney Harbour and Botany Bay. The Newcastle port operation exercises the port safety functions within Newcastle Harbour and Yamba, whilst the Port Kembla port operation exercises port safety functions within Port Kembla and Port of Eden. All performance standards of the Port Safety Operating Licence were complied with in 2018/19.

19.3 Relevant legislation

Port Authority of NSW is a statutory state owned corporation established under the *State Owned Corporations Act 1989* (NSW) and *Ports and Maritime Administration Act 1995* (NSW), and operates in accordance with those Acts and associated regulation.

Other significant legislation and regulation affecting Port Authority of NSW includes:

- *Biosecurity Act 2015* (Cth)
- *Environmental Planning and Assessment Act 1979* (NSW) (through Part 5 of the Act and the State Environmental Planning Policy (Major Development) 2005)
- *Government Sector Finance Act 2018* (NSW)

- *Marine Safety Act 1998* (NSW) and associated regulations
- *Marine Pollution Act 2012* (NSW) and associated regulations
- *Maritime Transport and Offshore Facilities Security Act 2003* (Cth) and associated regulation
- *Ports Assets (Authorised Transactions) Act 2012* (NSW)
- *Protection of the Environment Operations Act 1997* (NSW)
- *Work Health and Safety Act 2011* (NSW) and associated regulations.

Port Authority is also subject to a wide variety of other legislation that provides rights to, and imposes obligations on, state owned corporations. These rights and obligations affect Port Authority's governance processes and its commercial and operational activities.

19.4 Changes in Acts and subordinate legislation

The *Government Sector Finance Act 2018* (NSW) applies to public agencies as well as to state owned corporations and is proposed to commence in several phases. The first phase commenced on 1 December 2018 and the Act will ultimately consolidate and replace four financial management Acts previously required to be followed by state owned corporations.

The *Security of Critical Infrastructure Act 2018* (Cth) came into force on 11 July 2018. This legislation introduced measures designed at mitigating the risk that a malicious foreign entity achieves control or access to Australia's critical infrastructure. Port Authority is a critical infrastructure asset owner for the ports

of Sydney Harbour and Eden as these ports contain defence facilities and, in the case of Sydney Harbour, also contain liquid fuel facilities.

Australia introduced new laws, at both the state and federal level, to prevent slavery in corporate supply chains. *The Modern Slavery Act 2018* (Cth) came into effect on 1 January 2019, and will apply to Port Authority's reporting period of July 2019 to 30 June 2020. *The Modern Slavery Act 2018* (NSW) has not yet commenced.

On 13 June 2019, an updated declaration for the security regulated port of Sydney Harbour was gazetted in accordance with the *Maritime Transport and Offshore Facilities Security Act 2003*.

19.5 Economic or other factors affecting achievement of operational objectives

No economic factors affected the achievement by Port Authority of its operational objectives for 2018/19.

19.6 Performance relative to the Statement of Corporate Intent

Port Authority's financial performance for the reporting period was favourable compared to the key targets set in its 2018/19 Statement of Corporate Intent. Earnings before interest, taxes, depreciation, and amortisation (EBITDA) for the year were \$43.2 million compared with a budget of \$36.2 million.

The main drivers of the positive result were revenue being above target, due to increased total gross tonnage of container vessels at Port Botany; additional rental income at Glebe Island associated with the staging of major infrastructure works; and deferred spend on the noise attenuation program at White Bay combined with the targeted cost reduction initiatives management of costs within target.

19.7 Exemptions for the reporting period provisions

Section 41B(1)(c)(va) of the *Public Finance and Audit Act 1983* (NSW) (PF&AA) and Clause 19 of the *Annual Reports (Statutory Bodies) Regulation 2015* (ARSBR) require a statutory body to include in its annual report statements of all exemptions, omissions, modifications and variations from reporting provisions which have been granted by the Treasurer which apply to the statutory body.

As a statutory body in competition, the Corporation is exempt from some areas of the PF&AA, *Annual Reports (Statutory Bodies) Act 1984* (NSW) (ARSBA), the ARSBR, the *Public Finance and Audit Regulation 2015* (PF&AR), the *Public Finance and Audit Act* and the *Public Finance and Audit (General) Regulation 1995*.

The following matters are exempt but require reporting in a summarised form:

Requirements	Legislative source of requirements
Summary Review of Operations	Clause 7 section 7(1)(a)(iv) ARSBA and Schedule 1 ARSBR
Management and Activities	Schedule 1 ARSBR
Consultants	Schedule 1 ARSBR
Consumer Response	Schedule 1 ARSBR
Disclosure of Controlled Entities	Schedule 1 ARSBR
Report on Risk Management and Insurance Activities	Schedule 1 ARSBR

The following matters are exempt:

Exemptions	Legislative source of requirements
Budgets - outline and details	Section 7(1)(a)(iii) ARSBA and Clause 7 ARSBR
Research and Development	Schedule 1 ARSBR
Human Resources	Schedule 1 ARSBR
Land Disposal	Schedule 1 ARSBR
Payment of Accounts	Schedule 1 ARSBR and Clause 13 PF&AR
Time for Payment of Accounts	Schedule 1 ARSBR and Clause 13 PF&AR
Investment Performance	Clause 12 ARSBR
Liability Management Performance	Clause 13 ARSBR

These exemptions, omissions, modifications and variations have been approved by NSW Treasury and are based on, among other things, commercial sensitivities.

There have otherwise been no exemptions, omissions, modifications or variations for the reporting period.

19.8 Response to significant issues raised by the Auditor General

There were no significant issues raised by the Auditor General in the 2017/18 financial year audit. Port Authority's response to any significant issues raised by the Auditor General in the 2018/19 financial year audit will be included in the 2019/20 Annual Report.

19.9 Government Information (Public Access) Act 2009

Port Authority is required to report annually on its obligations under the *Government Information (Public Access) Act 2009* (the Act). The following information is required to be reported under the Act for the period 1 July 2018 to 30 June 2019.

During the reporting period, Port Authority received nineteen formal access applications. Two applications were transferred to other agencies and six remain in progress as at 30 June 2019.

Therefore, Port Authority decided 11 applications during the year, a 175 per cent increase from 2017/18.

The following tables include statistics as required by Schedule 2 of the *Government Information (Public Access) Amendment Regulation 2010*.

Table A: Number of applications by type of applicant and outcome*

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Media	0	0	0	0	0	0	0	0
Members of Parliament	0	0	0	0	0	0	0	0
Private sector business	1	0	1	0	0	0	0	0
Not-for-profit organisations or community groups	0	0	0	0	0	0	0	0
Members of the public (application by legal representative)	5	1	0	0	0	0	0	0
Members of the public (other)	0	1	1	0	1	0	0	0

*More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. This also applies to Table B.

Table B: Number of applications by type of application and outcome

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications*	1	0	0	0	1	0	0	0
Access applications (other than personal information applications)	5	2	2	0	0	0	0	0
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0

*A 'personal information application' is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

Table C: Invalid applications

Reason for invalidity	No. of applications
Application does not comply with formal requirements (section 41 of the Act)	9
Application is for excluded information of the agency (section 43 of the Act)	0
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	9
Invalid applications that subsequently became valid applications	6

Table D: Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 of the Act

Reason for invalidity	Number of times consideration used*
Overriding secrecy laws	0
Cabinet information	1
Executive Council information	0
Contempt	0
Legal professional privilege	0
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0

*More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table E.

Table E: Other public interest considerations against disclosure: matters listed in table to section 14 of the Act

	Number of occasions when application not successful
Responsible and effective government	2
Law enforcement and security	0
Individual rights, judicial processes and natural justice	1
Business interests of agencies and other persons	2
Environment, culture, economy and general matters	2
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

Table F: Timeliness

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	9
Decided after 35 days (by agreement with applicant)	2
Not decided within time (deemed refusal)	0
Total	11

Table G: Number of applications reviewed under Part 5 of the Act (by type of review and outcome)

	Decision varied	Decision upheld	Total
Internal review	0	0	0
Review by Information Commissioner*	0	1	1
Internal review following recommendation under section 93 of Act	0	1	1
Review by NSW Civil & Administrative Tribunal (NCAT)	0	0	0
Total	0	1	1

*The Information Commissioner does not have the authority to vary decisions, but can make recommendation to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made.

Table H: Applications for review under Part 5 of the Act (by type of applicant)

	Number of applications for review
Applications by access applicants	2
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0

Table I: Applications transferred to other agencies under Division 2 of Part 4 of the Act (by type of transfer)

	Number of applications transferred
Agency-initiated transfers	1
Applicant-initiated transfers	1

19.10 Corporate governance

Good corporate governance creates and sustains an ethical and legal environment which recognises the interests of all stakeholders in a corporation. The Board of Port Authority is responsible for overall corporate governance of the Corporation and has adopted corporate governance practices and procedures that are appropriate to manage Port Authority in the best interests of the Voting Shareholders and other stakeholders.

Port Authority complies with each of the recommendations in the *NSW Treasury Guidelines for Governing Boards of Government Businesses*. This report outlines Port Authority's governance practices during 2018/19.

19.11 Role of the Board

The Board is responsible for overseeing the business and commercial affairs of Port Authority including:

- approving business and financial strategy
- approving the business and financial objectives
- monitoring business and financial performance
- reviewing performance and remuneration of executive management
- reviewing the risk management and internal control framework
- recommending to the Portfolio Minister the appointment and removal of the Chief Executive Officer
- reviewing any reporting to voting shareholders.

The Chief Executive Officer is responsible for the day-to-day management of the operation of Port Authority in accordance with the general policies and specific directions of the Board. It is the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

The Board's role and responsibilities to each key stakeholder are set out in **Port Authority's Board Charter**, which is available in the Corporate Governance section of the [Port Authority website](#).

19.12 Board committees

To assist the Board in discharging its functions – and to allow a more detailed analysis of the specialised areas of finance, risk, audit, remuneration, human resources and governance – the following committees were operational during 2018/19:

- Audit and Risk Committee
- Remuneration and Human Resources Committee
- Nominations Committee.

Each committee has a clear charter setting out its roles, responsibilities and delegated authority from the Board. The Board Charter and all Board Committee Charters are reviewed on a regular basis and updated to remain relevant to the Corporation.

Audit and Risk Committee

The Chair of the Audit and Risk Committee as at 30 June 2019 was Matthew Irwin. Matthew is an independent non-executive Director, who is not the Chair of the Board. Other members of the Committee as at 30 June 2019 were Penny Bingham-Hall, Zorana Bull and Robert Dunn, who were each independent, non-executive Directors.

The Audit and Risk Committee was established by the Port Authority Board on 1 July 2014. Each member of the Committee is financially literate and has knowledge of the business. Matthew Irwin and Robert Dunn have qualifications and experience in accounting. The Board considers the mix of skills and experience on the Audit and Risk Committee appropriate to meet the responsibilities of its Charter.

The Committee is responsible for oversight and review of:

- financial control and reporting
- risk management
- debt structure and debt instruments
- business ethics, policies and practices
- accounting policies
- internal controls
- compliance with applicable laws and regulations
- integrity and performance of the internal audit function, including appointing the internal auditor
- external auditor's audits, management letters and management's responses.

The Committee provides a forum for communication between the Board, Senior Management and both the internal and external auditors.

The Committee met five times during 2018/19. A copy of the **Audit and Risk Committee Charter** is available in the Corporate Governance section of the [Port Authority website](#).

Remuneration and Human Resources Committee

The Chair of the Remuneration and Human Resources Committee as at 30 June 2019 was Penny Bingham-Hall.

Penny is an independent non-executive Director, who is not the Chair of the Board. Other members of the Committee as at 30 June 2019 were Zorana Bull, Gerard Sutton and Robert Dunn, who were each independent, non-executive Directors.

The Remuneration and Human Resources Committee was established by the Port Authority Board on 1 July 2014. The Remuneration and Human Resources Committee is responsible for assisting the Board in fulfilling its corporate governance responsibilities in regards to:

- overall remuneration strategy and remuneration policies for the Chief Executive Officer and Executive Management, including review of remuneration trends across the marketplace
- performance of the Chief Executive Officer and Executive Management
- employment terms and conditions of the Chief Executive Officer and Executive Management
- human resources (HR) management including succession planning, talent development and employee engagement
- diversity and culture programs
- workplace relations and industrial relations issues.

During 2018/19, the Remuneration and Human Resources Committee reviewed executive salaries and performance arrangements, including those of the Chief Executive Officer. The Committee considered and recommended the Corporate Goals for 2018/19, and reviewed and evaluated the performance of the Chief Executive Officer and the Executive

Management team against agreed performance goals for the 2017/18 year. The Committee oversaw HR management including HR metrics, career development, talent mapping, enterprise bargaining agreement updates and diversity matters. It also reviewed the planning for a mentoring program and reviewed the Committee Charter.

The Committee met four times during 2018/19. A copy of the **Remuneration and Human Resources Committee Charter** is available in the Corporate Governance section of the [Port Authority website](#).

Nominations Committee

The Nominations Committee comprised all independent non-executive Directors. It was chaired by Robert Dunn.

The Nominations Committee was established by the Port Authority Board on 1 July 2014.

The Committee meets on an as-required basis and is responsible for assisting the Port Authority Board in fulfilling its corporate governance responsibilities with regard to Board composition.

This includes assessing the necessary and desirable skills and experience of Directors; ensuring Directors have the appropriate mix of competencies and identifying skills and experience to fill those gaps; and overseeing the induction and continuing education of Directors.

The Committee met twice during 2018/19. A copy of the **Nominations Committee Charter** is available in the Corporate Governance section of the [Port Authority website](#).

19.13 Code of Conduct

Port Authority's Code of Conduct outlines general business ethics and acceptable standards of professional behaviour expected of all directors, employees and contractors.

The Code covers personal and professional behaviour, fraud and corruption responsibilities including policies on accepting of gifts and benefits, ethics and conflicts of interest requirements.

Business Unit Managers provide a quarterly response that they have undertaken a review of the fraud and corruption plan and a review of the controls in place, and that the controls remain current and relevant. The business unit managers also provide written confirmation that they are not aware of any matters within their team that may be considered fraudulent or corrupt. Additionally, employees are encouraged to report any suspected breaches and those who do are protected as outlined in the **Internal Reporting Policy**.

The Code of Conduct is available to all employees on Port Authority's intranet. It works alongside other more detailed policies including the Fraud and Corruption Policy, Disciplinary Policy and Internal Reporting Policy.

The current Code of Conduct was implemented in 2017/18, after review by each Consultative Committee and approval by the Board and Executive. Conflicts of Interest and Secondary Employment procedures were introduced in 2018/19 to support and clarify requirements of the Code of Conduct.

Any significant breaches of the Code of Conduct must be reported immediately to the Chair.

A copy of the **Code of Conduct** is available in the Corporate Governance section of the [Port Authority website](#).

19.14 Risk management

Port Authority uses an Enterprise Risk Management system to ensure risks are identified and managed in a considered and timely manner. The Enterprise Risk Management system is consistent with the Australian/New Zealand Standard of Risk Management (AS/NZS/ISO 31000:2009). It is underpinned by a Risk Management Policy and a Risk Management Procedure.

This system encompasses all the activities for which Port Authority is responsible under legislation, in addition to corporate-wide strategic risks, projects and services.

Strategic risks are identified through a formalised risk assessment process, which is:

- coordinated by the Chief Risk Officer (the Chief Risk Officer for Port Authority is the Chief Financial Officer)
- managed by the Executive Management team
- overseen, in the first instance, by the Audit and Risk Committee and subsequently by the Port Authority Board.

The strategic risk profile is reviewed monthly by the Executive General Managers and quarterly by the Audit and Risk Committee to:

- assess the effectiveness of risk mitigation strategies
- ensure that any new or emerging risks are identified and captured
- ensure that any previously identified strategic risks and mitigating actions are monitored.

Operational risks are reviewed through a formalised risk assessment process that is conducted within Divisions and coordinated by the Corporate Services Manager. The operational risk profile is reviewed quarterly by the Executive Management team to ensure that any new or emerging operational risks are identified and captured, and that any previously identified risks and mitigating actions are monitored. In addition, high value and/or complex projects apply a dedicated risk register to ensure the specific project's risks are identified and controls put in place.

19.15 Insurance activities

In conjunction with the Enterprise Risk Management system, Port Authority maintains an annual insurance program. The renewal process is reviewed by the Audit and Risk Committee and the Port Authority Board each year.

Port Authority is a member agency of the Treasury Managed Fund for insurance cover. Port Authority also utilises the services of an insurance broker to provide and advise on Directors' and Officers' cover, and Port Operator Liability cover procured in the private sector.

The key policies within the insurance program provide comprehensive coverage across all Port Authority operations including Directors' and Officers' Liability, Port Operator Liability, Public Liability, Property, Motor Vehicle, Travel, Workers' Compensation, Salary Continuance and financial loss policies such as Professional Indemnity.

19.16 Board composition

Under the *State Owned Corporations Act 1989* (NSW), the Port Authority Board is required to have a minimum of three and a maximum of seven Directors. The Voting Shareholders appoint the Chair, who for the year to 30 June 2019 was Robert Dunn. Robert was an independent Director and his role was clearly separated from the role of the Chief Executive Officer, Grant Gilfillan. Robert was appointed as Chair of the Port Authority Board effective 1 August 2018. He was previously a Director of Sydney Ports Corporation, prior to its amalgamation with Newcastle Port Corporation on 1 July 2014 to form Port Authority. The Chair is responsible for leading the Board and facilitating its effective functioning.

19.17 Chief Executive Officer

Grant Gilfillan was appointed as Chief Executive Officer of Port Authority effective 1 July 2014. He was previously Chief Executive Officer of Newcastle Port Corporation and Sydney Ports Corporation, prior to the formation of Port Authority on 1 July 2014.

As set out in the *State Owned Corporations Act 1989* (NSW), the Chief Executive Officer was appointed by the Governor on the recommendation of the Portfolio Minister, following a recommendation from the Board.

The Chief Executive Officer is responsible for the day-to-day management of the operation of Port Authority in accordance with the general policies and specific directions of the Board.

19.18 Board independence

All Directors are expected to exercise independent judgment when making Board decisions. It is the approach and attitude of each non-executive Director which is critical to determining independence and this must be considered in relation to each Director, while taking into account all other relevant factors. This will include an assessment against the independence recommendations in the **NSW Treasury Guidelines for Governing Boards of Government Businesses**. These cover whether the Director:

- is employed, or has been employed in an executive capacity by the business, and there has not been a period of at least three years between ceasing that employment and serving on the Board
- has, within the last three years, been a partner, director or senior employee of a provider of material professional services to the business
- has, within the last three years, been in a material business relationship with the entity, or an officer of or otherwise associated with, someone in such a relationship
- has a material contractual relationship with the business other than as a Director of the business
- has close family ties with any person who falls within any of these categories
- has been a Director of the entity for such a period (10 years or greater) that his or her independence may have been compromised.

Note: 'Material' means greater than five per cent of the Corporation's gross revenues.

The independence of each Director is reviewed on a regular basis to ensure circumstances that may affect the independent status of a Director have not changed.

Grant Gilfillan, as both a Director and the Chief Executive Officer, is not considered independent. All other Directors are considered independent.

19.19 Access to information and independent professional advice

Each Director has the right of access to all Port Authority's information and employees. Further, the Board and each individual Director, subject to informing the Chair, has the right to seek independent professional advice from a suitably qualified advisor. Advice can be sought to assist Directors in carrying out their responsibilities and is at Port Authority's expense. Where appropriate, a copy of this advice is to be made available to all other members of the Board.

19.20 Conflict of interest

Port Authority maintains a conflicts register which registers any interests of Directors that may potentially conflict with their duties as a Director of Port Authority, including other board positions. Directors are required to update this register on an ongoing basis as circumstances change.

In relation to specific Board decisions, the Board complies with Clause 2, Schedule 10 of the *State Owned Corporations Act 1989* (NSW). A Director cannot take part in discussions or vote on a matter in which that Director has a material personal interest, unless

the Board resolves that the interest does not disqualify the Director. There have been no related-party transactions between Port Authority and any Director during the year.

19.21 Other board memberships

NSW Treasury Guidelines for Governing Boards of Government Businesses (November 2017) recommends that Directors should not hold directorships of more than three government boards. None of Port Authority's Directors has exceeded this limit.

19.22 Board meetings and their conduct

The Board of Directors of Port Authority schedules eight meetings a year and may meet more regularly as circumstances require. During 2018/19, the Board met eight times. The independent non-executive Directors on the Board meet on a regular basis to discuss any matters that should be discussed without executive management and non-independent Directors present.

The Company Secretary is responsible for providing administrative and corporate governance support to the Board of Directors. This includes ensuring that the Board receives papers for Board and Committee meetings in advance of each meeting and attendance at Board and Committee meetings to take minutes. The Company Secretary is appointed and removed by resolution of the Board. Regina Abood (B.Com. FGIA) is the current Company Secretary of Port Authority.

The attendance by Directors at Board and committee meetings during the year is listed in sections 19.23 and 19.24.

19.23 Attendance at board meetings 2018/9

	Board meetings		Term of appointment
	A	B	
R. Dunn	8	7	1 July 2018 – 30 June 2021
G. Gilfillan	8	8	2 November 2016 – 1 November 2019
P. Bingham-Hall	8	8	1 January 2017 – 31 December 2019
Z. Bull	8	8	13 February 2019 – 12 February 2022
P. Forsythe	5	5	2 February 2018 – 1 February 2021 (resigned 21 February 2019)
M. Irwin	3	2	13 February 2019 – 12 February 2022
G. Sutton	8	7	1 January 2017 – 31 December 2019

A: number of meetings eligible to attend during year.

B: number of meetings attended.

19.24 Attendance at committee meetings 2018/9

	Audit and Risk Committee		Remuneration and Human Resources Committee		Nominations Committee	
	A	B	A	B	A	B
R. Dunn	5	5	3	3	2	2
G. Gilfillan	-	-	-	-	-	-
P. Bingham-Hall	5	5	4	4	2	2
Z. Bull	4	4	4	3	2	2
P. Forsythe	3	3	-	-	1	1
M. Irwin	2	2	-	-	1	1
G. Sutton	-	-	4	3	2	1

A: number of meetings eligible to attend during year.

B: number of meetings attended.

Directors who are not members of committees are invited to attend committee meetings and are entitled to receive papers of committee meetings on request. Attendance above only includes attendance of appointed committee members and does not reflect attendance at meetings by Directors who are not committee members.

19.25 Director remuneration, appointment and education

When appointed, Directors are provided with a letter of appointment from the Voting Shareholders specifying their term of appointment and remuneration.

In addition, Port Authority provides new Directors with an induction pack of information to assist them in understanding Port Authority's business and the requirements of the role.

Information provided includes:

- previous Board minutes
- copies of relevant legislation
- the Code of Conduct
- most recent Annual Report
- Board profiles and contact details
- Board and Committee charters
- Statement of Corporate Intent.

New Directors are also provided with a Deed of Access and Indemnity in the form approved by NSW Treasury.

In addition, new Directors are provided with access to an induction program which includes a series of meetings with the Chair, Chief Executive Officer and key executives, to gain an understanding of Port Authority's:

- strategy, objectives and business
- operating and industrial environment
- corporate governance practices
- current financial and business performance
- key executives
- remuneration strategy
- risk management framework.

All other Directors are encouraged to continue their education, with practical director skill courses, site visits and briefings on issues relevant to Port Authority's operations. During the year, the Directors' continuing education program included:

- visits to Port Authority sites
- Work Health and Safety briefings.

The remuneration for Directors of Port Authority is determined by the Voting Shareholders.

19.26 Board performance

The Board believes it is important to evaluate its own performance and that of each Director on a regular basis. A preferred methodology was agreed by the Board in July 2015, whereby reviews are conducted annually, with each third review being conducted by an external party. An internal review was completed in February 2019.

19.27 Equity, diversity and inclusion

Port Authority's Diversity and Inclusion Policy outlines the principles that Port Authority values diversity and inclusion; recruits, develops and promotes with diversity in mind; and commits to measuring and monitoring its diversity progress.

The policy is complemented by the Bullying and Harassment Policy that defines unacceptable behaviours and the potential consequences if such behaviour occurs in the workplace. Professional Workplace Behaviour training is required to be completed by all staff during their probationary periods.

To demonstrate its commitment to cultural diversity, Port Authority operates a recruitment, selection and promotion strategy that is based on merit. Port Authority also ensures that diversity is represented on all selection panels.

This year, employees were recruited from a broad range of backgrounds, consistent with the organisation's consciousness of being an inclusive workplace. This included the successful employment of two female marine pilots in the Sydney Operations division.

As a state owned corporation, Port Authority measures itself against NSW

Government benchmarks as outlined by the NSW Public Service Commission. Information is collected annually through the Workforce Profile that monitors data centred on age, gender, ethnic and cultural backgrounds and employment information including hours worked and mobility.

Data collection is voluntary and anonymous, with employees having the right to request that their data be withheld from the collection. Where there is insufficient information supplied or the numbers are too low, a 'N/A' (not available) is displayed.

Equal Employment Opportunity group

Diversity	Percentage of staff at 30 June 2019		
	Benchmark	2018	2019
Women	50%	22.4 %	23.3 %
Aboriginal and Torres Strait Islander peoples	3.3%	0.0 %	0.6%
People whose first language as a child was not English	19%	13 %	6.0%
People with a disability	N/A	0.3 %	0.3%
People with a disability that required work-related adjustments	N/A	0.0%	0.0%

Diversity	Distribution Index at 30 June 2019		
	Benchmark	2018	2019
Women	100	81	79
Aboriginal and Torres Strait Islander people	100	N/A	N/A
People whose first language as a child was not English	100	100	100
People with a disability	100	N/A	100
People with a disability that required work-related adjustments	100	N/A	N/A

Tables (above) of diversity measures represent total staff at 30 June 2019 (excluding casual staff).

A distribution index of 100 indicates that the centre of distribution of the diversity group across salary levels is equivalent to that of other staff. Values less than 100 indicate the diversity group is more concentrated at lower salary levels than for other staff. The more pronounced this tendency is, the lower the index will be. An index of greater than 100 indicates the diversity group is less concentrated at the lower salary levels.

19.28 Work Health and Safety

Work Health and Safety (WHS) is now part of everyday Port Authority activities and business. The reporting year 2018/19 has again seen safety milestones achieved in all three business units of Port Authority (Newcastle/Yamba; Sydney; and Port Kembla/Eden) throughout the year.

The safety awareness and safety leadership of our operations and support employees have achieved their goals in all leading performance indicators that include near miss reporting, safety conversations and audit inspections.

There were no high consequence or potential high consequence incidents

in 2018/19. Port Authority has continued to invest in safety training and improving incident investigation understanding and processes.

There were no prosecutions against Port Authority relating to any breach of the *Work, Health and Safety Act 2011* (NSW) during the year. WHS Committee meetings, WHS representatives and WHS consultation processes are in place and working throughout the operational areas of Port Authority.

The WHS performance for 2018/19 includes each of Port Authority's operations in Sydney, Newcastle, Port Kembla, Eden and Yamba. The WHS performance is summarised in the table below, which includes the historical Lost Time Injury and Medical Treatment Injury performance.

Port Authority Work Health and Safety statistics

	2017/18	2018/19
Total number of incidents and hazards reported	374	207
Number of Lost Time Injuries	4	2
Number of Medical Treatment Injuries	5	4
Lost Time Injury Frequency Rate (LTIFR)	6.30	6.25
Total Recordable Injury Frequency Rate (TRIFR)	13.3	12.5
Workplace Inspections	132	174
Percentage of planned WHS meetings held	100%	100%

Notes:

Lost Time Injury - an incident / injury that resulted in person losing one or more shift as a result of the injury sustained.

Medical Treatment Injury - an incident/injury where the assessment and treatment from the medical practitioner resulted in a restriction that prevented the ability of the person to perform full duties.

There were no fatalities in the four Lost Time Injuries recorded in 2018/19.

LTIFR is the calculation of the number of Lost Time Injuries per million hours worked.

TRIFR is the calculation of the number of Lost Time Injuries and the number of Medical Treatment Injuries per million hours worked.

19.29 Overseas travel by Port Authority employees

Name	Date	Destination	Purpose
<p>Grant Gilfillan Chief Executive and Director</p> <p>Philip Holliday Chief Operating Officer and Harbour Master, Sydney and Port Kembla</p> <p>Brad Milner Executive General Manager, Commercial, Technical and Legal</p> <p>John McKenna General Manager Cruise</p>	7-13 August 2018	Miami, Florida	To undertake consultation with the principals of major US cruise lines regarding capacity issues in Sydney Harbour. The visit also enabled first-hand observation of world's best-practice cruise terminals and operating procedures.
<p>Grant Gilfillan Chief Executive and Director</p>	23-24 August 2018	Blenheim, New Zealand	To attend and present at the New Zealand Cruise Association Conference, providing a platform to promote regional ports as desirable locations to a market looking for new cruise destinations. The Conference also provided networking opportunities that raise Port Authority's profile and showcase our expertise as a mature and developed cruise destination.
<p>Brad Milner Executive General Manager, Commercial, Technical and Legal</p>	7-22 November 2018	London, Oslo, Copenhagen, Hamburg, Genoa, Marseille, Barcelona and Singapore	To undertake consultation with the principals of European based major cruise lines regarding cruise capacity issues in Sydney Harbour. The travel also provided the opportunity to inspect two new passenger gangways for the Overseas Passenger Terminal under construction in Barcelona, Spain and enabled meetings with major container shipping line customers in Europe and Singapore.
<p>Jeanine Drummond, General Manager Marine Operations and Deputy Harbour Master Sydney</p>	6-10 May 2019	Guangzhou, China	To attend the annual International Association of Ports and Harbours (IAPH) World Conference in the capacity of Vice-Chair of the Women's Forum.

19.30 Funds granted to non-government community organisations

There were no funds granted to non-government community organisations in 2018/19.

19.31 Community engagement/consumer response

Service NSW manages Port Authority's community complaints and enquiries on a 24/7 basis. This ensures that community complaints are managed any time of the day or night.

All complaints and enquiries are registered on one consolidated database. All complaints are responded to within three business days.

The 24-hour contact details are:

P: 02 9296 4962

E: enquiries@portauthoritiesnsw.com.au

19.32 Publications

During the reporting year, Port Authority published the following publications:

- Cruise Schedules
- Dangerous Goods Management Guidelines
- Harbour Master's Directions
- Notices to Mariners
- Port Authority of New South Wales Annual Report 2017/18
- Schedules of Port Charges effective 1 July 2018
- Statement of Corporate Intent 2017/18
- "Look out ships about"

Port Authority's website portauthoritiesnsw.com.au provides information to stakeholders and to the community.

A newsletter, *Port Matters*, featuring news and stories, is emailed quarterly to subscribers. Subscription to the newsletter can be made at portauthoritiesnsw.com.au/newsletter.

19.33 Annual Report cost

The total cost of producing (editing and design services) the Port Authority of New South Wales Annual Report 2018/19 was \$26,540. The report is available at www.portauthoritiesnsw.com.au.

19.34 Land disposal

Port Authority did not dispose of any land assets of value greater than \$5 million during the period 1 July 2018 to 30 June 2019.

19.35 Executive positions

At 30 June 2019, there were eight executives with remuneration equal to or exceeding the equivalent SE band 1: seven males and one female.

The Chief Executive Officer received remuneration in > SE Band 4 max, which is in greater than \$548,950 and less than the upper limit of \$1,000,000.

As at 30 June 2019, the gender ratio of male to female is 7:1.

Executives with remuneration equal to or exceeding the equivalent of SES level 1

SES level	30 June 2019	30 June 2018	Gender 2019		Average total remuneration package in band
			Male	Female	
SE BAND 1 Director	0	0	0	0	N/A
SE BAND 2 Executive Director	1	1	1	0	\$327,405
SE BAND 3 Deputy Secretary	5	7	4	1	\$376,084
SE BAND 4 Secretary	1	1	1	0	\$509,106
>SE Band 4 Max	1	1	1	0	\$699,520
Gender ratio, male to female	7:1	9:1	7	1	

19.36 Public interest disclosures

Under section 6D of the *Public Interest Disclosures Act 1994*, public authorities are required to have a policy and procedures for receiving, assessing and dealing with public interest disclosures (PIDs). Pursuant to Clause 4 of the Public Interest Disclosures Regulation 2011, the information below must be included in a public authority's Annual Report.

	1 July 2018 - 30 June 2019
Number of public officials who made PIDs	0
Number of PIDs received	1
Of PIDs received, number primarily about:	
Corrupt conduct	1
Maladministration	0
Serious and substantial waste	0
Government information contravention	0
Local government pecuniary interest contravention	0
Number of PIDs finalised	1

Port Authority has adopted an internal reporting policy that is consistent with the NSW Ombudsman's model policy and applies across all Port Authority sites.



A marine pilot vessel passing North Head on its way back into Sydney Harbour

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