

Annual Report

Port Authority of New South Wales
2019/20



Overview

This Annual Report contains audited Financial Statements. If you experience difficulty accessing this content please contact Lawrence Ho, Chief Financial Officer.

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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

30 September 2020

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 2020

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 2020.

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 Philip Holliday
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), the *Ports and Maritime Administration Act 1995* (NSW) and the Port Safety Operating Licence (PSOL) issued under section 12(2) of the Ports and Maritime Administration Act. (See Section 21.2 for details.)

Port Authority operates to keep its ports safe for shipping and secure for everyone, and to protect port environments.

It provides its customers with a professional service that consistently aims to add value and take their business needs into full consideration.

The primary roles 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 (NSW)

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

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 functions of a Harbour Master are outlined in section 88 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 leases and short-term licences in the area adjacent to berths at Glebe Island and White Bay.

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

2 Highlights



2.1 Our people

Work, Health and Safety

Safety is important to Port Authority and as an organisation a key strategic goal is to achieve a consistent and strong safety record. It also aims to create a workplace where our people can thrive in a work environment that promotes good health, wellbeing and flexible ways of working.

Employee health has never been more in focus, with employees demonstrating their willingness and flexibility to work safely throughout the COVID-19 pandemic. The focus on standardising critical risk controls across the organisation is an example of the direction Port Authority is heading. (See Section 10.1 for details.)

Improving diversity and inclusion

Port Authority has partnered with Tribal Warrior to launch its first Indigenous Female Maritime Traineeship Program in March 2020. Port Authority is sponsoring four trainees through Tribal Warrior to achieve qualifications as either Master <24m Near Coastal (Restricted to Sheltered Waters) or Marine Engine Driver Class 3 qualification over a two-year period. (See Section 10.3 for details.)

During the year, a suite of People and Culture policies were introduced to standardise and improve employee conditions. These included a Family and Domestic Violence Leave Policy and a Grievance Policy. (See Section 10.4 for details.)



Queen Elizabeth calls into Sydney's Overseas Passenger Terminal

2.2 Total vessel visits (cruise and trade)

During 2019/20, a total of 5642 commercial vessels visited the six ports in NSW administered by Port Authority. This figure includes both trade vessels and cruise ships. This a reduction of 7 per cent from 6040 vessels in 2018/19.

This downturn is considered to be a direct result of the impacts of the NSW bushfires and the COVID-19 pandemic on both trade and cruise shipping. (See Section 4 for details.).

2.3 Cruise in NSW

NSW enjoyed a strong cruise season before COVID-19 was declared a global pandemic and the Australian Government introduced a ban on cruise ships from 15 March 2020. NSW welcomed 313 cruise ship visits, with Sydney Harbour, Eden and Newcastle all enjoying maiden visits.

Sydney maintained its position as Australia's pre-eminent cruise destination, hosting 277 cruise ship visits and accommodating close to 1.2 million passenger exchanges. This was a reduction from 323 cruise ship visits and 1.4 million passenger exchanges in 2018/19.

Regional ports in NSW including Newcastle, Eden and Port Kembla received a combined total of 36 cruise ships visits. This was an increase from 31 cruise ship visits in 2018/19.

Despite bushfires in January 2020 and the ban on cruise ships due to COVID-19 resulting in the cancellation of 15 cruise visits after 15 March, Eden on NSW's south coast, enjoyed its strongest ever cruise season with 18 cruise ship visits. This was up 20 per cent from 15 visits in 2018/19.

Newcastle's visitation fell from 15 cruise visits in 2018/19 to 12 cruise visits prior to the cruise ban. The season boasted two maiden voyages, being visits from the *Explorer Dream* and the *Sea Princess*.

Port Kembla received six cruise ships visits in 2019/20 compared to one in 2018/19. Five of these six visits occurred in March and April 2020, following redeployments from other ports due to the impact of the COVID-19 pandemic. Port Kembla assisted the cruise industry through the COVID-19 crisis by allowing vessels to berth, so they could reprovision in preparation for their onward voyages.

Trial Bay (South West Rocks) hosted the expedition cruise ship *Caledonian Sky* again in October 2019, while Batemans Bay welcomed the *Caledonian Sky* in October 2019 and *Seabourn Encore* again in February 2020, prior to the cessation of cruise in March 2020.

Regional port development

Action 9 of the NSW Government's Cruise Development Plan calls for the NSW Government to support the growth of the cruise industry in key NSW regions and new 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 with support from several NSW Government agencies. A large focus for the project has been a port viability study scoping the marine capability of a number of NSW regional ports and also including the port's viability as a cruise destinations.

Working alongside Destination NSW, Port Authority has developed a new publication, **Cruise into Sydney and NSW Along the Blue Highway**, which details maritime information and shore-side tourism offerings for all regional ports across NSW. This information will accompany Harbour Master's instructions and passage plans for each port, as well as experience-development programs (run by Destination NSW). It provides invaluable information to cruise lines looking for new ports to include in Australian itineraries, and is helping to drive visitation to these NSW regional ports. A revised version of *Cruise into Sydney and NSW Along the Blue Highway* covering all 10 regional cruise destinations will be completed in late 2020.

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



Caledonia Sky cruise ship at anchor in Trial Bay, NSW



Queen Elizabeth comes to Eden

In addition to providing maritime and shore-side information, Port Authority is working with registered training organisations to deliver a state-wide Cruise Welcome Ambassador training program and to facilitate local Cruise Coordinators within each regional port.

Across all regional NSW ports, Port Authority is working closely with key stakeholders to ensure consistent standards in destination delivery. An example of this is seen in Eden where there is a long-standing collaborative relationship between Bega Valley Shire Council and Port Authority. This enables local brand Cruise Eden to operate, with a local Cruise Coordinator, to provide community engagement, Cruise Welcome Ambassadors, local experience development and all shoreside support. (See Section 15, Port of Eden.) The Eden model has been recognised by industry as the text-book method for developing regional cruise ports. This model has been emulated in Newcastle

with the establishment of a working group comprising key local and NSW Government stakeholders, key industry groups and the port operator. The Cruise Newcastle working group has appointed a local Cruise Coordinator to facilitate cruise visitation.

The development of regional ports through this model will ensure world-class standards are recognised and delivered across all NSW cruise destinations, thereby encouraging cruise visitation to these regions.

Cruise capacity detailed business case

The NSW Government made a commitment in the NSW Cruise Development Plan, released in July 2018, to assess different options for addressing cruise capacity constraints in Sydney. This is a long-term approach to support the NSW cruise industry and its many benefits to the NSW and Australian economies.

Throughout 2019/20, Port Authority worked on preparing a detailed business case to investigate cruise capacity and industry demand and to assess two sites in Yarra Bay near Port Botany (Detailed Business Case).

Comprehensive community and stakeholder consultation took place in late 2019 to allow the community to meet the project team, ask questions and provide feedback for a potential preferred site option. The consultation was aimed at understanding:

- how the community uses, and what it values about, the local area, to help minimise potential construction and operational impacts
- ideas that the local community and stakeholders may have for how the area might be used in the future, if a potential terminal progressed.

In late 2019, Port Authority also engaged with cruise operators and the broader industry to assess the viability of the options, potential partnering and financing arrangements. A range of technical studies were also commenced, including marine modelling, maritime and landside engineering, traffic and transport analysis and an environmental and planning assessment.

However, on 12 April 2020, the NSW Government announced that, given that the long-term impacts of COVID-19 on the cruise industry were yet to be determined, the Detailed Business Case would be put on hold for a period of up to 18 months.

This decision was made particularly because the Detailed Business Case includes estimates of forecast passenger growth. These estimates can only be meaningfully updated once the impacts of COVID-19 on the cruise industry, and the tourism industry more broadly, are determined.

2.4 The Bays West Precinct

The Bays West area comprises Rozelle Bay, White Bay and Glebe Island alongside the Rozelle Rail Yards and White Bay Power Station. Currently the precinct is a working harbour, primarily used for industrial and maritime purposes.

While planning for the precinct is underway, the port and working harbour functions in the Bays West precinct will continue alongside major infrastructure project delivery being carried out. Specifically, the WestConnex project has licensed an area of land on Glebe Island to stage construction works for the Rozelle Interchange and Iron Cove Link, which will provide a new underground motorway interchange to City West Link and provide an underground bypass of Victoria Road between Iron Cove Bridge and Anzac Bridge, with links to the proposed Western Harbour Tunnel.

Other major infrastructure projects, including the Western Harbour Tunnel and Sydney Metro West, also involve plans to licence land from Port Authority in the Bays West Precinct for project delivery. The land will be used by these agencies for construction staging, truck marshalling and handling dredged material. The main locations include areas of White Bay (berths 1, 2 and 3), the site adjacent to White Bay Power Station, and Glebe Island berths 3 to 6. (See Section 12.8 for details.)

2.5 Capital 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 2019/20 are described below.

Multi-user facility at Glebe Island

Following a period of extensive community consultation in early 2018, Port Authority prepared a Review of Environmental Factors (REF) and a Response to Submissions (RtS) report for a multi-user facility to receive sand and aggregates by sea. The RtS report and Determination were released on 28 October 2019.

Noise and the facility's exterior appearance were identified during the planning consultation process as the key concerns for residents about the multi-user facility. Port Authority has adopted a range of ways to mitigate these concerns, as explained in Section 17.

Construction of the multi-user facility will commence in August 2020 and is programmed to be completed by mid-2021. (See Section 12.8 for details.)

Eden Welcome Centre

In February 2020, Port Authority commenced construction of the Eden Welcome Centre – a new building located on what was previously known as the fisherman's co-op site in Eden, close to the Eden cruise berth. It is expected that the Eden Welcome Centre will greet up to 100,000 visiting cruise passengers each year. (See Section 15.4 for details.)

Replacement firefighting vessels

Port Authority progressed the procurement of two new emergency response/firefighting vessels for Sydney Harbour and Port Botany. The current firefighting tugs utilised by Port Authority (*Shirley Smith* and *Ted Noffs*) were built in 1987 and are nearing the end of their operational life. They have certain operational



An artist's impression of the new Eden Welcome Centre

limitations, and the need for ongoing maintenance has become more frequent and unpredictable, increasing the risk of potential service disruption.

The procurement of new, modern emergency response/ firefighting vessels will enhance the level of service to external stakeholders such as Fire and Rescue NSW and port stakeholders that work closely with Port Authority operational teams during maritime emergencies. (See Section 12.9 for details).

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 its ports and harbours.

Over the past 12 months, several AtoNs have been upgraded, with works undertaken including rejuvenation of paint systems, replacement of piles and structural components and upgrade of lights to new technology. (See Section 12.10 for details).

2.6 The year ahead – capital projects

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

- revitalisation works at Macquarie Pier Newcastle (see Section 13.5)
- the Overseas Passenger Terminal Berthing Infrastructure project (see Section 12.10)
- replacement of emergency response/ firefighting vessels (see Section 12.9)
- an upgrade to Hornby Lighthouse (see Section 12.10)
- completion of both the multi-user facility on Glebe Island (see Section 12.8) and the Eden Welcome Centre (see Section 15.4).

3 Summary review of operations

3.1 Financial performance

In 2019/20, Port Authority met its financial targets and achieved earnings before interest, taxes, depreciation and amortisation (EBITDA) of \$36.8 million, although this was budgeted to be down from \$43.2 million in the previous financial year due to extraordinary expenditures such as the Cruise Capacity Detailed Business Case and White Bay noise attenuation projects. The financial impacts of COVID-19 in 2019/20 were significant. Most notably, these relate to the interruption of cruise activity, but also to the downturn of the container, bulk liquids and motor vehicle trades. However, COVID-19 began impacting at the end of the peak cruise season and its financial impacts were mitigated by measures such as business interruption insurance, cruise cancellation policy and stringent cost controls.

Port Authority's financial performance for the reporting period was favourable compared to the key targets set in its 2019/20 Statement of Corporate Intent. Earnings before interest, taxes, depreciation, and amortisation (EBITDA) for the year were \$36.8 million compared with a budget of \$36.4 million.

3.2 Marine operations

Marine Operations continued to deliver services to a high standard in 2019/20, promoting the safe and efficient movement of commercial vessels operating through Port Authority's ports.

Sydney Harbour and Botany Bay

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

- completed 3943 pilot movements for vessel movements into, out

of, and within the ports requiring a pilot on board – being an average of approximately 11 per day

- issued 1193 bulk dangerous goods transfer checks
- undertook 535 audits of work permits
- issued 4574 bunker permit notifications
- responded to 211 reports of pollution or fire, boom operations or vessels requiring assistance
- conducted four fire-tug water displays
- completed multiple daily navigation, security and environmental patrols in both ports

Marine Operations continued its focus on delivering internal operational improvements in 2019/20 through:

- a heavy focus on competency assessment and development through training
- bedding down the port officers' use of the computerised maintenance management system (CMMS), being a tool that has been used in asset management for some time, to allow Marine Operations to shift to a model based more on preventative maintenance on its vessels
- undertaking further work to ensure all procedures, forms and checklists are kept up to date in the Marine Operating Procedures (MOPS) section of the Port Marine Management System (PMMS)
- holding regular consultative workshops with staff
- an organisation-wide fleet review, including a Request for Proposals for two new emergency response/ fire-fighting vessels for Sydney and Botany.

Further, after approximately 20 years of Glebe Island being set up as a dedicated emergency response hub, the Marine Operations team cleared its footprint to allow for it to be used for government



A coal carrier departs Newcastle Harbour

project staging. A smaller footprint is being established in White Bay to ensure vital marine pollution emergency response equipment remains at the ready.

Marine Operations also supported the transition from the use of Parallel Elevated Gangways (PEGs) at the Overseas Passenger Terminal to the new Seaport Passenger Boarding Bridges (SPBBs). The operations of the SPBBs are now handled by the Cruise team, and Marine Operations assisted with this operational transition and risk assessment process.

Looking forward to 2020/21, Marine Operations will focus on improving the collection and use of data and information to support driving operational excellence in Port Authority's ports.

Newcastle Harbour

During the reporting year, Marine Operations in Newcastle Harbour:

- completed 4606 pilot movements for vessel movements into, out of, and within the ports requiring a pilot on board – being an average of 12.6 per day

- actioned 283 bulk dangerous goods transfer checks
- undertook 392 audits of work permits
- actioned 335 bunker permit notifications
- responded to nine calls reporting pollution
- carried out navigation and environmental patrols.

Port Kembla

During the reporting period, Marine Operations:

- completed 1555 pilot movements for vessel movements into, out of, and within the ports requiring a pilot on board – being an average of five per day
- undertook hydrographic surveys for all the port channels and berthing boxes
- issued 44 and audited 39 dangerous goods cargo permits
- undertook 74 audits of work permits
- issued 86 bunker permit notifications and audited 68 vessels
- carried out navigation and security patrols.

Port of Eden

Vessel numbers overall increased at the Port of Eden in 2019/20, in what was a very challenging year for the region. There were a total of 106 vessel visits, which was an increase from 89 visits in 2018/19.

There were 96 piloted movements during the year comprising 44 arrivals, 44 departures and eight harbour removals.

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

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

Port of Yamba

In 2019/20 there were 30 ship visits to Port of Yamba, down from 38 visits in 2018/19. Most of these visits were by tugs.

While the port has no regular commercial trade, ships call to Woodward Island for lay-up and repair at its shipyard.

The port has a dedicated pilotage service and is also responsible for carrying out the PSOL functions, emergency response and security.

3.3 Port security

Port Authority is committed to the security of its waterways, assets and infrastructure, and its 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 the White Bay Cruise Terminal

- Eden Cruise Wharf
- 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.

In 2019/20, Port Authority implemented a number of developments to access contemporary risk information provided by Australian and NSW Government agencies, and to improve its security response and capabilities. These included:

- undertaking two operational exercises with visiting ships *Celebrity Solstice* and *Voyager* to build continuity between ship and shore security responses to different threat scenarios
- upgrading the CCTV at the Overseas Passenger Terminal, White Bay Cruise Terminal, Moores Wharf and Port Botany (Brotherson House and the Port Botany Boat Ramp)
- completing the access control system upgrade for all Sydney-based Port Authority facilities, assets and terminals
- continuing to build a strong port-wide security network hosting the scheduled Port Security Committee meetings
- preparing a new Maritime Security Plan for Eden and deploying the contracted security company to meet operational expectations in relation to security and traffic management with the introduction of the Eden Cruise Wharf cruise ship visits
- expanding customer service-training modules for the contracted security company, 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 measures to evaluate and respond to the latest world events and trends.

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

The implementation of the *Security of Critical Infrastructure Act 2018* (Cth) provided, in conjunction with the Department of Home Affairs, a broad range of risk and intelligence products to inform the Australian Maritime sector.

The COVID-19 pandemic has presented many challenges to Port Authority as a business (see Section 11), and will continue to do so. The security scope of Port Authority will be influenced by legislation and COVID-19 protocols in relation to cruise operations and corporate functions.

The year ahead

A number of initiatives have been identified for 2020/21 to assist Port Authority to provide robust, efficient and risk-based security outcomes for employees, passengers, crew and customers. Some of these initiatives include:

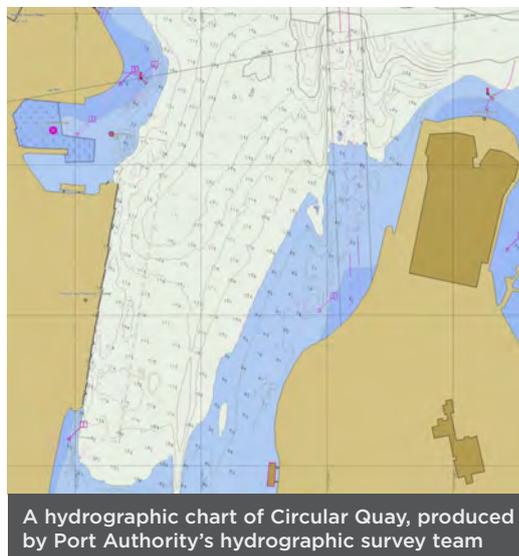
- revising all port-wide security risk assessments in conjunction with the NSW Police Counter Terrorism and Special Tactics Command asset protection unit to include the critical infrastructure legislative requirements for the Overseas Passenger Terminal and White Bay Cruise Terminal
- implementing security responsibilities for COVID-19 protocols
- reviewing the security awareness training for Port Authority staff and contractors

- updating the access control system at all regional Port Authority facilities
- updating the regional CCTV programs
- continuing to build strong port-wide security networks through the Port Security Committee.

3.4 Hydrographic surveys

In 2019/20, the hydrographic survey team completed 54 surveys in Port Jackson, Port Botany, Port Kembla, Port of Yamba, and Port of Eden. The team also completed 16 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; Patrick Terminals; DP world; Banks Events; and Patti's Hire.

The survey team has worked closely with the Australian Hydrographic Office to produce a world-first high definition official electronic chart for use by Port Authority's marine pilots and ships with electronic charting capabilities entering Port Authority ports.



Port Safety Operating Licence, Minor Ports and Bays and Tributaries program

The hydrographic survey team also carried on its campaign to aid safe navigation across the NSW coast by continuing to survey bays and tributaries across the State. This included surveying the NSW minor ports of Trial Bay, Coffs Harbour and Batemans Bay in preparation for potential cruise ship visits. All data collected was sent to the Hydrographic Office to produce bathymetric electronic charts for mariners.

The survey team manages and maintains weather and ocean monitoring (met-ocean) equipment in Newcastle and Port Kembla 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.

In 2020/21, the survey team will continue to be involved in the world-first trial with the Australian Hydrographic Office to produce bathymetric electronic chart overlays. This will enable port pilots and ships to have access to the same higher-accuracy chart information when entering Port Authority's NSW ports.



Port Authority's survey team member and vessel

The team will continue to install and maintain the Port Authority met-ocean equipment in Sydney Harbour, Botany Bay, Port Kembla, Newcastle, Yamba and Eden. The team will look to support significant improvements and upgrades in both Newcastle and Kembla, improving inputs into the under-keel clearance systems in these ports.

Port governance survey work will also continue, with an emphasis on updating hydrographic surveys of ferry routes within Sydney Harbour. Hydrographic surveys of minor ports such as Port Stephens, Kiama and Jervis Bay will also be completed in anticipation of potential visits from cruise vessels.

The survey mapping team will formally roll out to production the Port Authority Geographic Information System (GIS) which enables stakeholders both internally and externally to link extensive stored data visually to an electronic mapping information system.

4 Port highlights

Total vessel visits (trade vessel and cruise ship visits), all ports, 2019/20

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2019/20	TOTAL 2018/19
Port Botany/ Kurnell	137	137	137	143	131	133	129	106	111	123	125	119	1,531	1,660
Sydney Harbour/ Gove Cove*	65	67	62	85	108	128	119	95	104	35	31	32	931	1,130
Newcastle	208	200	174	205	182	217	195	164	188	191	167	199	2,290	2,312
Port Kembla	72	66	58	65	62	63	58	65	76	56	56	57	754	796
Eden	4	11	6	5	7	11	5	11	13	5	14	14	106	104
Yamba	3	8	3	0	1	1	2	1	2	2	2	5	30	38
TOTAL	489	489	440	503	491	553	508	442	494	412	395	426	5,642	6,040

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 2019/20, a total of 5642 commercial vessels, including trade vessels and cruise ships, visited the six ports in NSW administered by Port Authority. This was down 7 per cent when compared to 2018/19. This downturn can be attributed to the events that occurred impacting NSW from the end of 2019, being bushfires in December 2019 and January 2020 and the impacts of the COVID-19 pandemic from March 2020.

All cruise vessel visits were suspended from 15 March 2020 and currently remain suspended until the Australian Border Force lifts the cruise ban. Construction material imports to Sydney also declined in response to the economic slowdown. As parts of China went into COVID-19 economic shutdown, container vessel visits to the ports slowed considerably. Following the onset of the pandemic's physical presence in Australia, shipping lines cancelled sailings in response to perceived reduced consumer demand for imported goods.

Vessel visits to Port Kembla were 5 per cent lower than 2018/19, due to a reduction in car carrier visits. The reason for this was that 2019/20 saw a general reduction in motor vehicle sales, associated with reduction in consumer discretionary spending. However, machinery and project cargo performed well throughout 2020.

Coal export volumes in Port Kembla and Newcastle were solid throughout the financial year. With drought conditions continuing in NSW, there were again minimal grain exports through Newcastle or Port Kembla. Drought continued to have a material impact on other agricultural related trades at Newcastle, such as importation of fertiliser.

Trade vessel visits, all ports, 2019/20

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2019/ 20	TOTAL 2018/ 19
Port Botany/ Kurnell	137	137	137	143	131	133	129	106	111	123	125	119	1,531	1,660
Sydney Harbour/ Gove Cove*	57	53	48	60	76	82	76	50	61	29	30	32	654	807
Newcastle	208	200	174	202	177	215	193	164	188	191	167	199	2,278	2,297
Port Kembla	72	65	58	65	62	63	58	65	73	54	56	57	748	795
Eden	4	11	4	5	5	9	4	3	10	5	14	14	88	89
Yamba	3	8	3	0	1	1	2	1	2	2	2	5	30	38
TOTAL	481	474	424	475	452	503	462	389	445	404	394	426	5,329	5,686

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*).

Vessel visits to Port Botany were down 8 per cent compared to 2018/19. This was largely driven by lower numbers of container vessel visits due to a number of cancelled sailings in the first four months of 2020, as a result of the COVID-19 pandemic and a number of consortia changes that occurred in late 2019. In that regard, two consortia servicing the East Asia container trade increased their ship size, which resulted in a decreased number of vessel calls but higher gross tonnage for the vessels that did visit. In addition, a large European consortium merged with another European/Asian service provider, which again uses larger vessels, resulting in that consortium reducing its overall vessel calls to the port. Bulk liquids vessel numbers were lower than 2018/19, primarily due COVID-19 restrictions limiting travel and causing subsequent reductions in the need for aviation and automotive fuel.

The cancellation of cruise ships saw bunker vessel services cease from March, which has also impacted vessel calls.

Coal volumes in both Port Kembla and Newcastle performed well overall. As noted above, car imports were down throughout 2019/20, which impacted Port Kembla vessel visits. Eden vessel visits were remarkably high in 2019/20, considering that the bushfires halted wood chip exports from the Allied Natural Wood Exports' (ANWE) facility between January and May 2020.



Pilot and trade vessel, Newcastle Harbour

Cruise ship visits, all ports, 2019/20

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2019/ 20	TOTAL 2018/ 19
Sydney Overseas Passenger Terminal	5	10	11	20	22	27	25	26	19	0	0	0	165	214
Sydney White Bay*	2	1	3	5	10	18	16	15	11	0	0	0	81	95
Sydney other	1	3	0	0	0	1	2	4	13	6	1	0	31	14
Newcastle Harbour	0	0	0	3	5	2	2	0	0	0	0	0	12	15
Port Kembla	0	1	0	0	0	0	0	0	3	2	0	0	6	1
Eden	0	0	2	0	2	2	1	8	3	0	0	0	18	15
Total	8	15	16	28	39	50	46	53	49	8	1	0	313	354

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

NSW welcomed 313 cruise ship visits in 2019/20, which was down 12 per cent from 354 in 2018/19.

Cruise visits to Sydney's Overseas Passenger Terminal and White Bay Cruise Terminal were the most severely impacted by the COVID-19 pandemic and the Australian Government's ban on cruise shipping from 15 March 2020. Vessel visits to 'Sydney other' reflect berthing by cruise ships as they refuelled and reprovioned in preparation for return journeys to their home ports. The increase from one to six cruise ship visits in Port Kembla compared with the previous reporting year reflects cruise ship redeployments from other ports for refuelling and reprovioning due to the COVID-19 pandemic.

The number of cruise ship visits to Eden in 2019/20 was very positive and reflects strong demand for visits to the newly opened Eden Cruise Wharf.



Coal vessel entering Newcastle Harbour

5 Chair's report



The reporting year has been like no other, from devastating bushfires in NSW to the COVID-19 pandemic that has impacted the world. The critical importance of our ports has never been more apparent. As an island nation, our ports are the trading gateways to the world.

Ports, freight and supply chains have proven to be remarkably adaptable. I am so proud of the way our organisation and our people have reacted with willingness and flexibility to meet the challenges presented by the pandemic. Directors recognise that for some of our people this has been a challenging time and we thank everyone for their dedication, patience and resilience.

Impacts of COVID-19

Financial performance in 2019/20 has proven to be robust, considering the impacts of COVID-19 on the nation's economy generally and to the cruise industry in particular. I am pleased to report on a successful year, marked by a positive financial performance amidst an unanticipated world pandemic that has tested the mettle of our organisation to work differently and the resilience of our staff.

Port Authority's financial performance for the reporting period was favourable compared to the key targets set in our 2019/20 Statement of Corporate Intent. Earnings before interest, taxes, depreciation and amortisation (EBITDA) were \$36.8 million compared with a budget of \$36.4 million.

Despite this result, the impacts of the COVID-19 pandemic on our financial results in 2019/20 were significant. Predominantly, the cessation of cruise activity from 15 March 2020 and the downturn of the container, bulk liquids, motor vehicles and construction materials markets in response to declining consumer demand and economic activity resulted in an unfavourable income variance to the budget of \$13.3 million.

The impact to cruise revenue would have been more severe but for the onset of COVID-19 occurring at the end of the cruise peak season and Port Authority's two key strategic risk controls – being business interruption insurance and the cruise booking cancellation policy – which partially offset the loss of income from cruise vessel visits.

In June 2020 an initial payment of \$5.0 million was received and recognised as part of the insurer's assessment of our business interruption claim. Cruise booking cancellation fees charged as a result of 'business-as-usual' booking cancellations for the period before the ban have also assisted our financial position.

Business interruptions and government stimulus, combined with Port Authority's own cost-control measures, also allowed Port Authority to make some offsets in the form of cost savings or cost deferrals.

Throughout the pandemic, Port Authority also sought to provide assistance to the port industry generally and to its tenants, including by providing rental assistance or deferrals, by freezing port charges in all ports during 2020/21, and by not applying our standard booking cancellation fees to the cruise industry during the COVID-19 ban on cruise shipping.

Cruise

From a strategic perspective, the pandemic has caused some re-prioritisation of our key initiatives, including the postponement of the Cruise Capacity Detailed Business Case. Throughout 2019/20, Port Authority started preparing a detailed business case to investigate cruise capacity, industry demand and assess two potential sites for additional cruise infrastructure in Yarra Bay near Port Botany. As part of this, comprehensive community and stakeholder consultation took place, technical studies were commenced, and a preliminary round of industry consultation was undertaken. However, on 12 April 2020, the NSW Government announced that, given the long-term impacts of COVID 19 on the cruise industry are yet to be determined, the detailed business case would be put on hold for a period of up to 18 months. This is because the detailed business case includes estimates of forecast passenger growth, which can only be updated once the impacts of COVID-19 on the cruise industry, and the tourism industry more broadly, are determined.

Our commitment to developing cruise in regional ports has flourished with the opening of the \$44 million Eden Cruise Wharf in August 2019 and the significant increase to cruise visits to Port of Eden in 2020. Eden achieved a record cruise season with 18 cruise ships calls, up 20 per cent on 2018/19, and had bookings for a further 15 cruise ships calls that had to be cancelled due to the impact of the bushfires in the region and the COVID-19 cruise ban. This is a spectacular result for a regional town – providing an ongoing source of economic benefit to the region.

Safety response

Safety is at the core of everything Port Authority does, so it is no surprise that the response to the COVID-19 pandemic was equally about business continuity and the safety of our people. The total number of incidents and hazards reported decreased from 207 in 2018/19 to 149 in 2019/20. Whilst there were four Lost Time Injuries and three Medical Treatment Injuries, Port Authority continues to strive for zero. The four Lost Time Injuries were all thoroughly investigated, actions implemented and the lessons learnt shared across Port Authority.

Governance and management

During 2019/20, the composition of the Board changed following the expiry of the terms of both Penny Bingham-Hall and Gerard Sutton on 31 December 2019. Both Penny and Gerard were Directors of Port Authority since the amalgamation of the Sydney, Newcastle and Port Kembla port corporations on 1 July 2014. Penny had previously served on the Sydney Ports Corporation Board, and Gerard had served on the Port Kembla Port Corporation Board. We are grateful for their important contribution over many years and wish them all the best for their next endeavours.

With the departure of Grant Gilfillan as the Chief Executive Officer in September 2019 and the appointment of Philip Holliday to the role, Grant stepped down as a Director on the Board and Philip was appointed as a Director of Port Authority on 27 November 2019.

I would like to thank Grant for his leadership and service. During his 12 years as CEO he oversaw significant change and re-positioned Port Authority into a strong, profitable organisation delivering reliable and professional services to its customers.

There are three remaining vacancies on the Board, and we are currently working with the NSW Government to fill those positions.

Focus for 2020/21

Our immediate focus for 2020/21 will be to assist industry, particularly the cruise industry, to recover from the impacts of the COVID-19 pandemic. Consideration is underway of how we might assist a cruise 'restart' and provide support and encouragement to this industry, while ensuring the safety of passengers, crew and our staff. It is anticipated that domestic cruising will return in a staged manner, starting with intra-state then interstate cruises. It is unlikely that international cruising will return to its pre-COVID status in the short to medium term.

To assist the stimulus of the NSW economy we will continue to fast track the delivery of our strategic capital projects, including the Overseas Passenger Terminal Berthing Infrastructure Project and the replacement of emergency response/firefighting vessels. A key area of focus will continue to be the advancement of a sustainability plan within the identified five strategic priorities of our business and identifying opportunities to grow our business.



Robert Dunn

Chair

Port Authority of New South Wales

30 September 2020

6 Chief Executive Officer's report



My appointment as Chief Executive in December 2019 marked the achievement of a life-long career goal. Commencing at Sydney Port Corporation as the Executive General Manager, Operations and Harbour Master in 2011, and progressing to Chief Operating Officer and Harbour Master, Sydney in 2014, after the Sydney, Newcastle and Port Kembla ports' amalgamation, it was a natural aspiration to lead this organisation of which I am so immensely proud.

My first priorities as Chief Executive have been the formation of a refreshed Executive team and the development of a new vision and strategic plan to guide the organisation through the next five years. Changes to the Executive team were made, with new roles – such as the appointment of a Chief Customer and Commercial Officer – reflecting a more customer-centric approach.

The vision and strategic plan has been shaped and developed with significant staff input, and presents five new strategic priorities for our business. We have also refreshed our corporate values, better reflecting our future aspirations. I am extremely pleased with the work done on this to date and look forward to releasing it to our people as well as to our customers and stakeholders in August 2020.

Underpinning our strategic plan is a commitment to embed sustainability practices across every facet of our business. For us, sustainability means securing our longevity by improving social and environmental outcomes, making decisions that support long-term goals rather than simply short-term gains, and doing everything we can now to ensure our future success. Sustainability advocates from within our organisation are being identified and supported to lead, or be involved in, a variety of sustainability initiatives. Port Authority will focus on continuing to embed sustainability across the organisation and within each of Port Authority's five strategic priorities.

An initiative to bolster diversity and sustainability within our workforce commenced this year with Port Authority's collaboration with Tribal Warrior Aboriginal Corporation and their program, which offers mentoring and training in maritime qualifications to Indigenous youth. Port Authority also launched its first Indigenous Female Maritime Traineeship Program in March 2020 and is sponsoring four trainees through our program partner to achieve qualifications as either Master <24m Near Coastal (Restricted to Sheltered Waters) or Marine Engine Driver Class 3 qualification over a two-year period. Our Marine Operations officers have a wealth of skill and experience that they are sharing to assist these women achieve results through TAFE, to effectively transition into the maritime workforce.

I am very pleased that a number of noteworthy projects have been delivered this year.

Particular highlights in 2019/20 include:

- The finalisation of the Response to Submissions Report and Determination of a multi-user facility at Glebe Island. This common-user facility will receive, store and distribute sand and aggregates at Glebe Island berths 1 and 2 for the construction industry. The facility will provide a low-cost, low-impact and sustainable entry point for construction material to service the major transport projects under construction in close proximity to Glebe Island over the next 10 years – as one ship replaces between 1100-1500 truck loads. Construction is scheduled to commence in August 2020 and is programmed to be completed in mid-2021.

- The installation of two Seaport Passenger Boarding Bridges (SPBBs) at the Overseas Passenger Terminal in July 2019 ahead of the 2019/20 cruise season. The SPBBs support visits by the larger Quantum-class vessels that carry over 5000 passengers. Together, the bridges move over 1200 passengers every 30 minutes – improving the terminal's operational efficiency, increasing capacity and allowing for quicker and easier embarkation and disembarkation for passengers.

The financial year 2019/20 presented significant challenges for our business. In December 2019 and January 2020, bushfires threatened regional south-east NSW and on 4 January Port of Eden was surrounded by a maelstrom of fire. Raging bushfires incinerated two stockpiles of hardwood woodchips and the associated stackers and conveyor systems at the Allied Natural Wood Exports' (ANWE) facility. The export facility was rendered inoperable until May 2020.

The COVID-19 pandemic and the Australian Government's suspension of all cruise activity in Australian waters from 15 March 2020 has also significantly impacted our business as a service provider to this industry. During 2019/20 a total of 5642 commercial vessels – both trade and cruise ships – visited out ports compared to 6040 in 2018/19. This reduction is largely attributable to reduced cruise ship visits to Sydney and Eden, but also to a reduction in container ships, car carriers and bulk liquid vessel visits in response to a weakened economy due to the COVID-19 pandemic.

The cessation of cruise ships visits at the end of the peak cruise season has resulted in a reduction from 354 visits in 2018/19 to 313 visits in 2019/20. Passenger numbers in Sydney are down from 1.4 million in 2018/19 to 1.2 million in 2019/20. The regional economy has also been severely impacted by the cancellation of 15 scheduled cruise ship visits to Eden.

Faced with adversity, I am impressed by the immediate and resilient response by our people to the COVID-19 crisis. Our COVID-specific Business Continuity Plan was enacted quickly and effectively to safeguard our people and ensure our continuity of service provision to our customers. Port Authority made bold decisions and acted pre-emptively whilst in concert with the Australian Government directives to protect our marine pilots who are at the interface with international shipping.

I would like to thank the Chairman, Robert Dunn, and the Board, for their guidance and support in my inaugural year as CEO. While I could never have predicted the events of 2019/20, I could confidently predict the resolute and resilient response by our staff to ensure the continued safety of commercial shipping in NSW. I extend a resounding thank you to my team for their tireless commitment and ongoing support through the toughest of circumstances. Your efforts have not gone unnoticed, and I could not be more proud of the team around me.



Philip Holliday
Chief Executive Officer and Director
Port Authority of New South Wales

30 September 2020

7 Board of Directors

Over the past 12 months, the composition of the Board has changed following the appointment of Philip Holliday as CEO and Director, and the expiry of the terms of appointment of Penny Bingham-Hall and Gerard Sutton on 31 December 2019. At the time of writing, a recruitment process is underway to fill the three remaining Board positions.



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 the 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 August 2020, Robert was Global Executive Director with Opportunity International, a not-for-profit organisation that provides people living in poverty with the opportunity to transform their lives through microfinance and community development programs. Prior to that, he was the Chief Executive Officer of Opportunity International Australia and before that he was Finance Director of Patrick Corporation, a position he held for 14 years.

Robert is the Chair of BaptistCare NSW & ACT and was formerly Chair of Dia Vikas Capital Pvt Limited, an Indian investment company, and a director of North East Small Finance Bank Limited, an Indian bank.

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



PHILIP HOLLIDAY

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

Chief Executive Officer and Director

Appointed CEO on 2 December 2019, Philip leads Port Authority in managing the navigation, security and operational safety needs of commercial trade and cruise shipping in Sydney Harbour, Port Botany, Newcastle Harbour, Port Kembla, Eden and Yamba.

Philip joined Sydney Ports Corporation in May 2011 as Executive General Manager, Operations and Harbour Master. In 2014, he became Chief Operating Officer and Harbour Master, Sydney, following the amalgamation of the Sydney, Newcastle and Port Kembla port corporations.

Philip has spent his entire career in the shipping and ports industries, starting as a 16-year-old cadet when he joined Ropner Shipping Services and later moving to Souter Shipping where he gained his Class 1 (FGN) Masters certificate.

In 1998, Philip joined the UK's largest port operator, Associated British Ports (ABP) in a port operations role. Following a number of roles within ABP he became Harbour Master for the ABP Port of Southampton and Marine Advisor for the group's 21 UK ports.

Philip is a former Chair of the Ports Australia's Port Operations Working Group and took a lead role in the development of the Australian Port Marine Safety Management Guidelines.



ZORANA BULL

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

Director

Chair, People and Culture Committee

Member, Audit and Risk 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, HealthShare NSW and Guide Dogs NSW/ACT. She is also the Managing Director of strategy and management consulting firm Altura Partners 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, the Australian Centre for Eye Health and Fancy Engineering.



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.

PENNY BINGHAM-HALL

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

Director**Chair, People and Culture Committee****Member, Audit and Risk Committee****Member, Nominations Committee**

Penny Bingham-Hall was a Director of Port Authority from July 2014 to December 2019.

With the amalgamation of the Sydney, Newcastle and Port Kembla Port Corporations in July 2014, Penny 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, the Taronga Conservation Society Australia, Crescent Foundation, Supply Nation and was recently appointed Chair of the NSW Ministerial Freight and Logistics Advisory Council. 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.

GRANT GILFILLAN
B.A.Sc. University of South Australia, MAICD
Chief Executive Officer Director

Grant Gilfillan was a Director of Port Authority from July 2014 to September 2019.

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 the Chief Executive Officer and Director 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 has more recently held positions as President of the International Association of Ports and Harbours, Chair of Ports Australia and a Director on the Board of Lyttelton Port Company in Christchurch, New Zealand.

Grant is currently the Chair of the Australian Cruise Association.

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

Professor Gerard Sutton was a Director of Port Authority from July 2019 to December 2019.

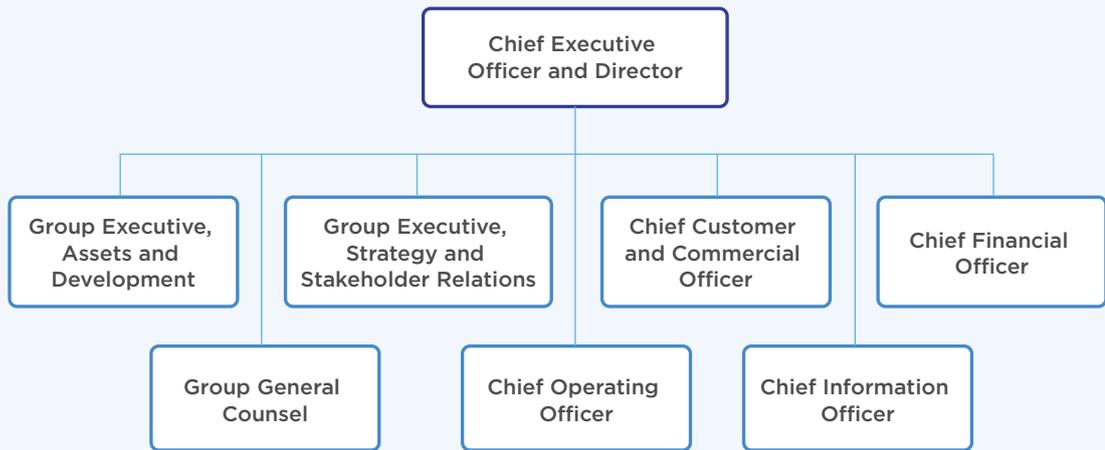
With the amalgamation of Sydney, Newcastle and Port Kembla port corporations in July 2014, Gerard became a Director of Port Authority of New South Wales. He had previously been a Director of Port Kembla Port Corporation from 2012.

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 (the Australian universities' telecommunications company), and a Director of Think Pty Ltd and Illawarra Shoalhaven Local Health District Board.

Gerard was previously a director of the Board of Regional Development Australia Illawarra and a member of Illawarra TAFE Institute Advisory Council.

8 Executive team



Robert Dunn announced the appointment of Philip Holliday as the organisation's new Chief Executive Officer on 2 December 2019, replacing Grant Gilfillan after 12 years as the organisation's head. The new appointment was a catalyst for a restructure of positions at an executive level.



Philip Holliday

Chief Executive Officer and Director



Brad Milner

- Group Executive, Assets and Development
- Asset Management
- Projects and Infrastructure

Brad was appointed on 2 March 2020.



Amy Beaumont

- Group General Counsel
- Legal
- Sustainability and Environment
- People and Culture
- Work, Health and Safety

Amy was appointed on 2 March 2020.



Kelly Mico

- Group Executive, Strategy and Stakeholder Relations (Acting)
- Internal and external communications
- Strategic business planning
- Venue management



Emma Fensom

- Chief Operating Officer (Acting)
- Marine operations
- Pilotage
- Regional ports and administration

John Finch commenced this role on 9 July 2020 and Emma has resumed her role as Head of Operations – Newcastle and North Coast.



John McKenna

- Chief Customer and Commercial Officer
- Cruise
- Property and Commercial

John was appointed on 16 March 2020.

**Garry Voutos**

- Chief Information Officer
- IT strategy and operations
- Cyber security

**Lawrence Ho**

- Chief Financial Officer
- Corporate Planning and reporting
- Company secretary
- Corporate services

Also on Port Authority's Executive Team during the 2019/2020 financial year were:

Edward Martin, Executive General Manager Communications and External Relations, last day with Port Authority was 28 February 2020.

Ralph Keats, Executive General Manager HR and WHS, last day with Port Authority was 1 November 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.

New Strategic Plan

Commencing in November 2019, one of the first priorities for the newly appointed Chief Executive Officer and refreshed Executive was to develop a new vision and five-year strategic plan. The plan identifies five new strategic priorities to guide the business forward.

<p>One Team, One Culture, One Port Authority</p> <ul style="list-style-type: none"> ■ Foster a One Team approach ■ Support employee health and safety ■ Develop our professional and engaged workforce ■ Exhibit strong personal leadership ■ Progress our customer focused service culture. 	<p>Commitment to Customer Service Delivery</p> <ul style="list-style-type: none"> ■ Maintain a defined customer value proposition ■ Enhance our customer experience ■ Invest in service delivery ■ Grow customer relationships and revenues. 	<p>Operational Excellence</p> <ul style="list-style-type: none"> ■ Embed clear accountabilities aligned to customer and stakeholder needs ■ Create visibility of performance through measurement ■ Optimise service delivery through continuous improvement.
<p>Optimised and Sustainable Port Assets</p> <ul style="list-style-type: none"> ■ Provide safe, reliable and efficient assets in our ports ■ Embed sustainability in the management and development of our assets ■ Develop our land assets for future growth and viability. 	<p>Stakeholder and Community Engagement</p> <ul style="list-style-type: none"> ■ Develop and grow the Port Authority brand ■ Partner with and advocate for our customers ■ Collaborate with our stakeholders ■ Work to build stronger relationships with our port communities. 	

The plan also includes a set of new strategic goals and organisational values.

It has been created in consultation and collaboration with people from across Port Authority's business.

Port Authority will release the plan in August 2020 and begin implementing its strategic initiatives for the next 12 months.

10 Our people



A Port Authority port officer looks out over Port Botany

Port Authority employs 358 staff across the state. Our people are a diverse team of specialists who work together to provide safe, efficient and sustainable world-class port and marine services in Sydney, Port Botany, Port Kembla, Newcastle, Eden and Yamba.

We are Harbour Masters and Marine Pilots operating on the open water; we are security and navigation experts keeping ships safe; we are project planners building for the future and we are the corporate and IT teams who bring it all together.

10.1 Work, Health and Safety

Port Authority strives for everyone to go home safely every day. Port Kembla, Yamba and Eden had zero injuries or significant incidents in 2019/20, while Sydney and Newcastle had a combined total of seven recordable injuries.

All leading performance indicator metrics were successfully met across all ports, including near-miss reporting and safety meetings.

The total number of incidents and

hazards reported decreased from 207 in 2018/19 to 149 in 2019/20. Whilst there were four Lost Time Injuries and three Medical Treatment Injuries, Port Authority continues to strive for zero. The four Lost Time Injuries were all thoroughly investigated, actions implemented and the lessons learnt shared across Port Authority.

10.2 Leadership and coaching

A key aspect of Port Authority's



Members of Port Authority's hydrographic survey team at work on Sydney Harbour

organisational goals is support and 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.

10.3 Improving diversity and inclusion

Port Authority is committed to recognising, promoting, and supporting diversity in its work environment. In 2018, Port Authority launched its Employee Diversity and Inclusion Policy which committed to developing annual diversity initiatives and to measuring and monitoring appropriate factors relating to diversity, including equal gender pay.

Port Authority has 358 staff, of whom 77 per cent identified as male and 23 per cent as female. One per cent of Port Authority's workforce identified as Indigenous.

Port Authority has an aging workforce (45 per cent of staff are over 50 years). This aging operations workforce has implications for the business's ability to provide services into the future. Succession planning and targeted recruitment are being undertaken

to address these risks.

A significant gender imbalance exists in Marine Operations (11 per cent female) and among marine pilots (6 per cent female), when compared to 51 per cent female in professional and technical positions and 41 per cent in senior management positions. This provides a clear indication on where gender equality strategies should be focused and action taken to improve.

Learning and development opportunities, including capability development, secondment, coaching and mentoring programs for females and people from diverse backgrounds will be identified and implemented.

Building a caring, more inclusive culture with a supportive policy framework is a key organisational goal.

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

Tribal Warrior Aboriginal Corporation

After months of industry discussions, Port Authority was pleased to launch its first Indigenous Female Maritime Traineeship Program in March 2020. Port Authority is sponsoring four trainees through its program partner, Tribal Warrior, to achieve qualifications as either Master <24m Near Coastal (Restricted to Sheltered Waters) or Marine Engine Driver Class 3 qualification over a two-year period. During this period, Tribal Warrior will also be assisting in training these women to receive their Coxswain ticket.

Port Authority also started a recruitment process for trainees for selection in its Indigenous Female Maritime Traineeship. On 31 January 2020, a selection day for the Indigenous Female Maritime Traineeship was held. Representatives from Port Authority, Manly Fast Ferry and Transport for NSW (Maritime Division) met with 15 candidates at Moores Wharf to describe the maritime industry and Port Authority as an

organisation. After discussions with each of the applicants, Port Authority filled two Sydney positions, and one Newcastle position. Port Kembla will be starting up its trainee recruitment process shortly.

The Marine Operations teams facilitated Cultural Awareness Training in early March to prepare employees for this program ahead of the intended commencement of the Sydney trainees and the Newcastle trainee on 30 March 2020. Unfortunately, the impacts of COVID-19 delayed the original plans to have the women onsite to get practical experience and apply what they had learned at TAFE. Nonetheless as a demonstration of Port Authority's commitment to this important diversity initiative, the program commenced irrespective, with the participants instead building their knowledge base through TAFE training. The practical aspect of their training on location and engaging and learning within the Marine Operations teams will commence as soon as practicable once relevant COVID-19 safety measures are lifted.



Port Authority and Tribal Warrior launch the Indigenous Female Maritime Traineeship

Deck Cadet program

The Deck Cadet Program was launched in September 2018 to train students who have completed their Bachelor of Applied Science (Nautical Science) Pre-Sea qualification in a two-year cadetship. The sponsorship enables students to gain the 18 months sea-time required by the Australian Maritime Safety Authority (AMSA) before they attend the Australian Maritime College (AMC) or Hunter TAFE and study to become a qualified Deck Watchkeeper. This is the first step towards attaining a professional seafarer qualification.

Port Authority negotiated with several merchant vessels to offer cadets placements on a variety of ships, supported by a Port Authority mentor. Cadets spend between eight and sixteen weeks on one ship. Port Authority mentors have successfully negotiated and placed cadets on ships such as, *ICS Silver Lining* (INCO Ships Pty Ltd), *Tarago* (Wilhelmsen Lines Shipowning Malta Limited), *MMA Coral* and *MMA Inscription* (MMA Offshore Limited) and *RV Investigator* (CSIRO), to name a few.

The first cadet who was sponsored through this program resigned from Port Authority on 18 July 2019, having accepted a role with Royal Caribbean. His replacement joined Port Authority in November 2019 after a rigorous recruitment process, and was appointed to the CSIRO's marine research vessel, *RV Investigator*. After completing his time with the CSIRO, the cadet was offered an assignment with Rio Tinto Shipping on *RTM Weipa*.



One of the first cadets to join Port Authority's Deck Cadet Program

The first Port Authority deck cadet will complete the cadetship program in July 2020, having gained the 18 months sea-time experience required to become a qualified deck watchkeeper on a variety of commercial vessels. The sponsorship has helped the cadet identify his preferred industries, which then enabled his mentors to negotiate with oil and gas companies to give the cadet more time in this field. Recruitment of another cadet will commence shortly.

10.4 Suite of new policies

During the year, a suite of People and Culture policies were introduced to standardise and improve employee conditions.

Family and Domestic Violence Leave Policy

All Port Authority employees experiencing family and domestic violence are provided with up to 10 days paid family and domestic violence leave per calendar year. This leave is in addition to all other leave entitlements (including annual leave, personal and compassionate leave).

Grievance Policy

This policy sets up a framework to ensure that grievances are handled in a fair and transparent manner, will be treated confidentially and resolved as quickly as possible. It also provides that both the complainant and the person against whom a complaint is made will have a voice in a grievance investigation.

Disciplinary Policy

This policy seeks to establish a consistent approach to addressing unsatisfactory work performance and/or conduct, by ensuring appropriate counselling takes place to reinforce expected performance or conduct standards. The policy also establishes guiding principles for when formal warnings may be issued and discussed, and provides for disciplinary action where performance or conduct does not improve.

10.5 The year ahead

In 2020/21, focus will remain on continuing to build a diverse workforce and developing, reviewing and harmonising people-focused policies across Port Authority. Consideration is also being given to developing a rewards and recognition program that encourages cooperation and achievement.

11 Evolution of the COVID-19 pandemic response

The COVID-19 pandemic is an unprecedented world event impacting every nation, business and individual. Port Authority determined that its Marine Operations carries out 'essential services', on the basis that the movement of freight and fuel is categorised as essential under the *Essential Services Act 1988*.

11.1 Developing a COVID-19 specific Business Continuity Plan

Port Authority invoked its Business Continuity Plan (BCP) on 6 March 2020, following the Australian Government's declaration of COVID-19 as a pandemic on 27 February 2020, and ahead of the World Health Organization's declaration of the same on 11 March 2020.

A Crisis Management Team (CMT) was established to coordinate the COVID-19 response. Port Authority's Strategic Risks were used as a checklist and reference point to ensure the enhanced BCP considered all relevant factors. On review of the disruption-related risks in the BCP, which identified pandemic as a cause for 'loss of key staff', the CMT decided to work with key stakeholders to:

- prepare a COVID-19 specific risk assessment
- run workshops with each department to prepare a COVID-19 business impact assessment
- create a pandemic-specific BCP.

The pandemic-specific BCP's immediate focus was on safety and business continuity measures, people related policies and communications, and coordination with external stakeholders.

In June 2020, Port Authority commenced developing a Recovery Strategy, outlining its staged approach to rolling back COVID-19 related measures. However, given how effectively and efficiently Port Authority has performed throughout the COVID-19 period and acknowledging that some controls and changes will be beneficial beyond the COVID-19 response, the CMT and Executive are taking a more cautious approach to implementing the Recovery Strategy and returning to business as usual so as to ensure the safety and wellbeing of all employees.

In accordance with Australian and NSW Government directives, Port Authority anticipates that many measures implemented to address COVID-19 impacts will remain in place throughout 2020/21.

Restrictions to the arrival of international ships

Vessels arriving into NSW from overseas (international arrivals) are boarded by a Port Authority marine pilot, who is the first point of contact with the crew on such vessels.

Acting in advance of the national guidelines/directions, Port Authority swiftly introduced COVID-19 measures to ensure the safety of its marine pilots. As part of these measures, on Saturday 1 February 2020, Port Authority introduced a 14-day quarantine period for all ships arriving from China (later extended to Iran, Republic of Korea

and Italy). This meant Port Authority only provided pilotage services to ships that had transited from these countries upon completion of a 14-day quarantine period. However there was minimal disruption to customers as a result of this measure because for most countries the steaming time to arrive at the NSW coast is greater than the 14-day quarantine period.

Port Authority also required all arriving ships to answer screening questions, including providing details of their last five ports of call and confirmation that no COVID-19 symptomatic passengers or crew were on board. This screening enabled the ships to be risk assessed prior to a marine pilot being permitted to board the vessel.

Where COVID-19 cases were suspected or confirmed, Port Authority risk-assessed the specific situation and obtained further advice from the respective government agencies prior to boarding the vessel where appropriate. This included deferring pilotage until such time that Port Authority was satisfied that such risk could be managed.

This process was over and above the usual screening process conducted by NSW Health, the Australian Border Force and other regulatory agencies.

Australian Government agencies also enacted strict requirements for maritime crews arriving in Australian ports and Port Authority followed their advice while assisting the Australian Border Force and biosecurity teams in their duties.

Protecting our people

Every action taken by Port Authority throughout the pandemic period has sought to ensure the safety of employees as its principle objective, while maintaining service levels for commercial shipping in NSW.

Strict protocols for the operational workforce around personal protective equipment (PPE), spatial distancing, personal hygiene and cleaning protocols were quickly introduced to the workplace.

Offices were closed to external visitors and office-based staff started working from home on alternate days from 13 March 2020. This provided an opportunity to test remote IT equipment and accessibility to systems. The IT team worked to ensure all staff were well equipped, and had access to systems and training to effectively work remotely from each other.

By mid-March, all operations teams across the business had also adopted a 'split-shift' system, aimed at ensuring where possible that operational teams were physically and geographically separated. Shift workers continued to work their usual shift system; however measures were implemented to minimise the need for face-to-face handovers and close physical contact.

On 25 March, in compliance with national and state public health orders and to maintain a safer working environment for all Port Authority's employees, all office staff not required to be physically in the workplace were directed to work from home until further notice.

Given marine pilots are the first point of contact for international ships, all pilots were issued PPE (masks, disposable gloves, eye protection, disposable body suits) and were given instructions to ensure their correct usage.

The CMT developed a procedure for issuing and using PPE to protect our people against COVID-19 transmission risks. To provide additional external PPE expertise to our teams, Port Authority held a workshop with an infection prevention specialist from Infection

Prevention Australia with staff across Port Authority's Sydney, Newcastle and Port Kembla locations. Employees could join a session in person or via Skype and a recording was available on Dockside.

Pre-pilot arrival instructions were issued to ships to prepare external sanitised pathways to the bridge, limit crew contact, and sanitise equipment. The pilot workforce were instructed to remain separated from each other and from the broader workforce in general. Only one pilot at a time would be allowed on pilot boats, with those vessels being cleaned in between pilotage movements.

Other initiatives to care for our people included providing vouchers for free influenza shots and ensuring access to counselling services. Two webinars were released in April, with practical and proven preventative psychology strategies to build personal resilience and maintain a sense of psychological wellbeing, with support tools available.

Employees unable to work or directed to self-isolate due to COVID-19 were provided with up to 20 days paid special leave.

A staff 'pulse' survey in April sought to understand whether Port Authority employees' working needs were being satisfied in the home environment. Not surprisingly, due to the seamless nature of the transition to working from home and the efficiency and professional approach adopted by staff, 94 per cent of staff expressed a desire to continue to work from home in some form into the future.

To ensure all employees were kept informed of latest developments, a centralised information hub on Port Authority's intranet, Dockside, was established for information relating to COVID-19. This provided:

- staff updates
- stakeholder and customer updates
- the latest advice from relevant Australian and NSW Government authorities, including NSW Health, Australian Government Department of Health and the Australian Border Force
- information specific for Marine Operation staff members, including PPE application guidelines and scenario planning – that is, what to do in the event a particular scenario arises.

CEO updates and Q&A sessions where employees could ask questions were held virtually. An FAQ section was also included on the dedicated Dockside site, which was progressively updated.

Important and time-critical updates were disseminated via 'all staff' email updates, and Port Authority also introduced the ability to communicate with staff via SMS on mobile phones.

A total of 28 'all staff' updates and eight stakeholder updates were issued between 12 March and 30 June 2020.

As a member of Transport's Incident Management Team, Port Authority also provided advice and received support in a multi-agency taskforce.

11.2 Impacts on the cruise industry

Few international industries, except perhaps airlines, have been so significantly and directly impacted by the COVID-19 pandemic as the cruise industry.

Following a voluntary suspension of cruise activity by the cruise lines, on 15 March 2020, the Australian Government implemented a 30-day restriction on the arrivals of any cruise ship that had left a foreign port, with the exception of:

- Australian-flagged vessels
- international cruise ships en route, having departed their last overseas port and being destined for Australia
- Australian cruise vessels (domestic cruise ships) operating within the Australian Exclusive Economic Zone
- round-trip cruises that were already in progress and currently returning to Australia.

On 27 March 2020, the Australian Border Force banned all cruise vessels from entering Australian waters.

On 20 May 2020, the Minister for Health extended restrictions to 17 September 2020, under the Biosecurity (Human Biosecurity Emergency) (Human Coronavirus with Pandemic Potential) (Emergency Requirements for Cruise Ships) Determination 2020 regarding the operation of cruise ships in Australia. This restriction prevents any ship capable of carrying more than 100 passengers from operating cruises in Australia, including direct arrivals and round-trip cruises. The announcement left many overseas vessels that home port in Sydney for the cruise season stranded.

With initial restrictions in place involving arrivals from China, the cruise lines had redeployed many of their Asian-based vessels to Australian waters, increasing the number of cruise ship visits to NSW during February and March 2020. Between mid-March and early April, Sydney and Port Kembla hosted cruise ships that had discharged their passengers, but which still had up to 1000 crew on board, and which needed to reprovision and refuel in order to depart for an international port or anchorage to wait out the coronavirus cruise shutdown. Relating to these vessels, Port Authority assisted cruise lines to find alternate berths/ports, allowed cruise ships to refuel and load necessary stores, and worked with the private port operators in Port Kembla and Newcastle to identify berth and anchorage options.

Port Authority also worked with Mission to Seamen and community volunteer groups to provide care packages and support to seamen and crew remaining on these ships.

The long-term impact of the COVID-19 pandemic on the international cruise industry is undetermined – however Port Authority anticipates cruising will likely return in incremental stages, commencing with restricted domestic cruises, followed by interstate cruises and Pacific Island/New Zealand returns.

In Port of Eden, four cruise ship visits were cancelled in January and February 2020 due to bushfires and a further 11 cruise ship visits were cancelled from March to May due to the COVID-19 bans.

Ruby Princess

While foreign cruise ships were banned from Australia from 15 March 2020, Government exemptions were granted to allow four ships which were already en route to Australia to dock and disembark their passengers. On 19 March 2020, the *Ruby Princess* docked at the Overseas Passenger Terminal after a cruise to New Zealand. The arrival of the *Ruby Princess* was the subject of a NSW Police investigation and a Special Commission of Inquiry led by Bret Walker SC that commenced on 15 April 2020 and was ongoing on 30 June 2020, with the final report to be delivered to the NSW Government in August 2020.

Port Authority cooperated fully with the police investigation and with the Special Commission of Inquiry. While the final findings of the Inquiry are yet to be released, Port Authority does not anticipate adverse findings concerning its conduct, given that its primary role is to ensure the safe navigation and berthing of commercial vessels in the ports of NSW. Port Authority looks forward to the implementation of any recommendations of the Inquiry that may ultimately improve the identification and management of any health risks originating from vessels.

11.3 Financial impacts of COVID-19

The impacts of the COVID-19 pandemic and associated economic downturn on Port Authority's financial results in 2019/20 were significant. Most notably, they relate to the interruption of cruise activity from 15 March 2020 and the downturn of the container, bulk liquids, motor vehicle, construction material and coal export trades in response to declining consumer demand and lower economic activity.

The impact to cruise revenue would have been more severe but for the commencement of the Australian Government's ban on cruise ships to Australia from 15 March 2020. This occurred towards the end of the peak cruise season (December to April). The total unfavourable income variance to budget for the year was \$13.3 million. This was offset by Port Authority's two key strategic risk controls, being business interruption insurance and cruise booking cancellation policy.

The Australian Government's ban enabled Port Authority to claim business interruption insurance for cruise-related Pilotage, Navigation Services and Per Passenger Site Occupation charge revenues lost for the period of the ban, as per the existing booking schedule. In June 2020, an initial payment of \$5.0 million was received and recognised as part of the insurer's assessment of Port Authority's business interruption claim.

While Port Authority did not impose cruise booking cancellation charges during the Australian Government's ban, cancellation charges were collected for business-as-usual booking cancellations for the period before the Government ban came into place, which also assisted its financial position.

Business interruptions and government stimulus, combined with Port Authority's own cost-control measures, have also allowed Port Authority to make some offsets in the form of cost savings or cost deferrals. The combination of these measures and otherwise favourable performance to target before the impact of COVID-19 resulted in Port Authority marginally exceeding its EBITDA target for 2019/20. Earnings before interest, taxes, depreciation, and amortisation (EBITDA) for the year were \$36.8 million compared with a budget of \$36.4 million.

11.4 Trade impacts of COVID-19

During the second half of 2019/20 the NSW economy experienced a severe downturn as a result of COVID-19. There was a consequent steep downturn in container trade, bulk liquids imports, motor vehicle imports and (to a lesser extent) construction material imports.

The numbers of visiting container vessels were down due to a number of cancelled sailings in the first four months of 2020, as a result of COVID-19 and a number of consortia changes that occurred in late 2019. In late February into March 2020, there was a decline in import container volumes caused by the outbreak of COVID-19 in China and the consequent restriction measures taken. This extended the closure of Chinese factories and logistics chains after the Lunar New Year in early February 2020.

Given China is an important trading partner and is responsible for approximately 40 per cent of container imports and 20 per cent of container export volumes in NSW, Port Authority experienced consequent disruptions to usual trade flows. However, with

the resumption of manufacturing and logistics operations throughout China in March, Port Authority has since seen a return to a more regular patterns of container vessel calls at Port Botany.

Bulk liquids vessel visits were also down due to the impact of COVID-19, which has limited travel, causing significant reductions in jet and automotive fuel usage.

Construction material imports to Sydney have decreased with a reduction in cement and gypsum due to the general downturn in the building industry, which started in late 2019.

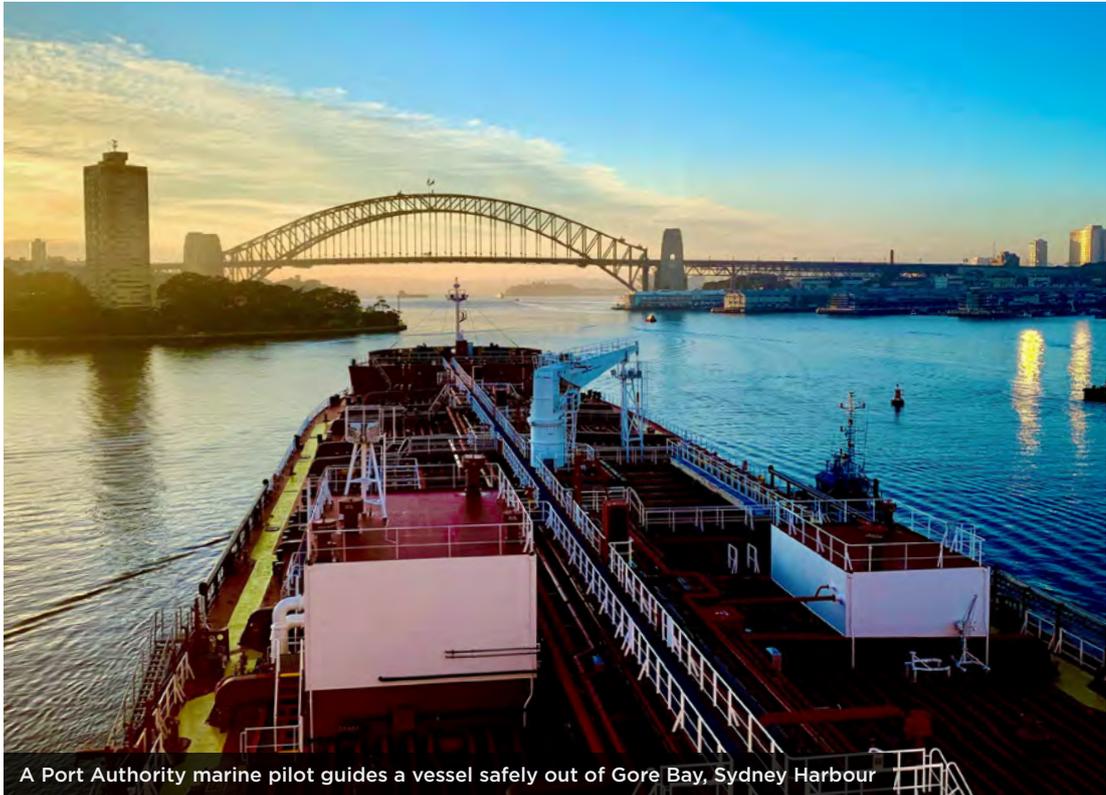
Car sales have also been down in NSW for the past 12 months, which has impacted Port Kembla car carrier vessel visits. This is due to the general downturn of the economy and a reduction in consumer discretionary spending. The sale methodology of supply of motor vehicles has also shifted, with dealers now typically advising importers what they need to suit immediate demand, whereas in the past manufacturers would supply based on an agreed monthly volume.

Coal volumes in both Port Kembla and Newcastle performed well overall.



Port Botany: one of Australia's largest container ports

12 Sydney Harbour and Port Botany



A Port Authority marine pilot guides a vessel safely out of Gore Bay, Sydney Harbour

12.1 Port Botany

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

12.2 Sydney Harbour

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

Sydney Harbour also facilitates a range of commercial trades. Refined oil is imported by Viva Energy through their private facilities at Gore Cove, and the common user berths at Glebe Island and White Bay receive imports of cement, gypsum, salt, sugar and refined oil products. Tallow exports are also facilitated through White Bay.

Importantly, Sydney Harbour also 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 include bunkering and vessel refuelling operations, marine construction, infrastructure and special events staging, naval and special purpose shipping, and various other working harbour activities.

12.3 Trade vessel visits

The table below presents a monthly breakdown of trade vessel visits for 2019/20 across Port Botany and Sydney Harbour.

Trade vessel visits to Sydney Harbour and Port Botany, 2019/20

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2019/20	TOTAL 2018/19
Port Botany/Kurnell	137	137	137	143	131	133	129	106	111	123	125	119	1,531	1,660
Sydney Harbour/Gore Cove*	57	53	48	60	76	82	76	50	61	29	30	32	654	807
TOTAL	194	190	185	203	207	215	205	156	172	152	155	151	2,185	2,467

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 2019/20, container vessel visits to Port Botany were lower than in 2018/19, due to a number of cancelled sailings in the first four months of 2020 resulting from the COVID-19 pandemic and a number of container consortia changes that occurred in late 2019. Two consortia in the East Asia container trade increased ship size, which resulted in fewer vessel calls (but larger gross tonnage of the ships that visited); and one large European consortium merged with another Europe/Asia service, again with larger vessels which reduced the overall number of vessel calls.

Bulk liquids vessel visits were higher in the first half of the year but reduced in the second half due to the COVID-19 pandemic limiting travel, which caused significant reductions in the demand for jet and automotive fuel.

Construction material imports to Sydney decreased, with a reduction in cement due to the general downturn in the building industry which started at the end of 2019.

12.4 Marine Operations

Marine Operations provides services to the maritime community in Port Botany and Sydney Harbour and meet the division's obligations as mandated by the PSOL.

These services and obligations include:

- measuring and providing information on channel and berth box depths in different areas of the port
- providing notifications regarding dangerous goods, bunkering (refuelling vessels) and hot work (any work that could result in fire or any works in a combustible environment)
- maintaining navigation aids
- ensuring emergency response to incidents including:
 - pollution
 - fire
 - ship assists



Fire and Rescue NSW join Port Authority to discuss emergency response procedures

- delivering pilotage services and providing exemptions from pilotage, including the administration, approval and issuance of certificates of local knowledge
- providing port security services including regular on-water security patrols and patrols on land encompassing Port Authority's landside assets
- delivering port communications through the Sydney Vessel Traffic Services (VTS).

(See Section 3.2 for further details.)

Vessel Traffic Services – Sydney Harbour and Port Botany

The VTS operates 24/7 to support safe navigation. It provides services to facilitate the safe operation and movement of vessels in the ports of Sydney and Botany. It maintains this function under the accreditation of the regulating body

AMSA, using 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 successfully completed an intermediate regulatory compliance audit in 2019, enabling the VTS to continue providing a safe interface between commercial and recreational shipping.

In 2019/20 Sydney VTS:

- facilitated safe and efficient transit of 4874 vessels within Sydney Harbour and Port Botany
- coordinated responses to 26 emergencies within Sydney Harbour and Port Botany
- coordinated responses to 39 medical emergencies within Sydney Harbour and Port Botany
- undertook significant upgrades to the Sydney VTS emergency centre, improving the efficiency and capability of the VTS network.

12.5 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 several assets to support at fires, pollution, booming and ship assists.

Some of the incidents that were responded to in 2019/20 include:

- 70 booming operations
- 133 pollution incidents
- five firefighting operations
- 43 emergency towage and vessel assists.

The 2019/20 financial year saw Marine Operations teams in Sydney Harbour and Port Botany respond to numerous spills and fires, including fires at Luna Park Wharf and a yacht on fire at Iron Cove.

Brenda barge incident, August 2019

As well as managing or combating these incidents in Port Authority's ports, 2019/20 also saw its pollution response staff lending their expertise in a multi-agency response to the Brenda barge incident at Pittwater. This involved a capsized barge and a sillage truck, with Port Authority providing equipment and operational support in Pittwater.

Exercises

Port Authority held a number of emergency exercises with stakeholders to test preparedness and response to incidents, which is 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 Fire and Rescue NSW, NSW Police Force, Environmental Protection Agency, and Aviation Fire and Rescue, continuing to familiarise the crews from these agencies with Marine Operations vessels, and to carry out inter-agency drills.

Two of these exercises are described below.

Caltex two-phase exercise October 2019

Botany-based crew participated in a desktop and equipment deployment exercise in Kurnell with Caltex simulating a failure in a Marine Loading Arm while discharging unleaded petrol, and then a fire in the accommodation cell of the ship, requiring the services of Port Authority's fire tug and a request for support from Fire and Rescue NSW (FRNSW) and a commercial tug.

Port Authority and FRNSW teamwork, August and September 2019

This involved holding dual briefings between the agencies about shared roles and how the two organisations can work together in terms of drills and training to ensure preparedness and strong communication in an incident.

External training

Marine Operations had a major focus on training in 2019/20, with staff participating in 2038 hours of training in total, including 17 different training courses meeting the diverse training needs. Courses included Basic and Advanced Equipment Operation, Cultural Awareness, Dangerous Goods, Dogman's Certificate, Emergency Life Support Apparatus masks, First Aid, Media Training, Tanker Safety Training and Working at Heights. These were carried out after a thorough Competency Assessment was completed for all team members and analysed to ensure Port Authority provided the appropriate training.

In the year ahead, the training focus will be on developing firefighting and sea survival skills.

12.6 Introduction of towage licences

In a first for NSW ports, Port Authority signed non-exclusive towage licences with towage providers in Sydney Harbour and Port Botany in May 2020. Following an extensive consultation period with towage providers, Port Authority developed a non-exclusive towage licence that sets a new safety standard for the provision of towage services and will result in improved port safety, efficiency and emergency response capabilities within these ports.

The standards in the licence include a requirement that towage services be available continuously and ready to commence within two hours of a request for a booking, and that a minimum fleet is maintained within the port, and includes a communications system and certain quality service standards, including compliance and training programs for staff.

The licence also contains obligations to share information and participate in joint simulation exercises with Port Authority to improve safety outcomes within the ports.

Port Authority's focus will now turn to the promulgation of non-exclusive towage licences in the other NSW ports.

12.7 Cruise in Sydney Harbour

Cruise ship visits to Sydney Harbour, 2019/20

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2019/ 20	TOTAL 2018/ 19
Sydney Overseas Passenger Terminal	5	10	11	20	22	27	25	26	19	0	0	0	165	214
Sydney White Bay*	2	1	3	5	10	18	16	15	11	0	0	0	81	95
Sydney other	1	3	0	0	0	1	2	4	13	6	1	0	31	14
TOTAL	8	14	14	25	32	46	43	45	43	6	1	0	277	323

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

Total passenger exchange in Sydney Harbour split by passenger terminal, 2019/20

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2019/ 20	TOTAL 2018/ 19
Sydney Overseas Passenger Terminal	24,550	46,626	57,774	111,165	126,894	165,206	167,676	169,077	92,669	0	0	0	961,637	1,135,689
Sydney White Bay*	8,897	4,492	13,417	14,177	31,905	48,740	46,891	25,575	20,331	0	0	0	214,425	302,673
TOTAL	33,447	51,118	71,191	125,342	158,799	213,946	214,567	194,652	113,000	0	0	0	1,176,062	1,438,362

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, 2019/20

	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
2019/20	33,447	51,118	71,191	125,342	158,799	213,946	214,567	194,652	113,000	0	0	0	1,176,062

Note: Includes both debarked and embarked passengers.



Queen Victoria at the Overseas Passenger Terminal, Circular Quay, Sydney

In 2019/20, Sydney Harbour hosted 277 cruise ship visits, down from 323 in 2018/19, and almost 1.2 million passengers passed through Port Authority's terminals, down from 1.4 million in 2018/19.

Port Authority anticipates that the impact of the COVID-19 crisis may have lasting impacts on the cruise industry with recovery anticipated over multiple seasons. A period of adjustment will be required as the industry re-evaluates and restructures itself for a change in operating standards.

During 2019/20, 165 cruise ships visited the Overseas Passenger Terminal, compared to 214 in 2018/19 and 81 cruise ships visited White Bay Cruise Terminal in 2019/20 compared to 95 in 2018/19. The significant increase from 14 to 31 visits to 'Sydney other' represents cruise ship visits to anchorages to await access to berths, or to access trade berths for refuelling and reprovisioning before departing without passengers for their home ports.

Season highlights

Sydney Harbour hosted five cruise ships on their maiden visits – *Ruby Princess*, *Boudicca*, *Explorer Dream*, *Carnival Splendor* and *Vasco Da Gama*.

In October 2019, the *Ruby Princess* arrived with over 3500 passengers. In December, the *Carnival Splendor* arrived, making Sydney her home port. February also saw the return of *The World*, 'the largest private residential yacht'.

Sydney welcomed two royal arrivals in February as the prestigious cruise ships, *Queen Elizabeth* and *Queen Mary 2* sailed into the Overseas Passenger Terminal at Circular Quay on 17 February and 5 March 2020. *Queen Elizabeth* was the first of Cunard Line's vessels to visit Sydney this cruise season, arriving on 1 February, and closely followed by *Queen Mary 2* on 5 February.

Spectrum of the Seas made her inaugural visit to Sydney on 27 February 2020. With a passenger capacity of over 5000, in line with her sister ship to *Ovation of the Seas*, these are the largest cruise ships to visit Sydney.

Commencing on 29 February 2020, *Spectrum of the Seas* hosted free cruises for rural firefighters and their families as a reward for their hard work and dedication during the NSW bushfires. Port Authority assisted these benefit cruises by significantly reducing applicable port charges.

Operational activities

Terminal improvements

Over the 2019/20 cruise season, construction activity at the Overseas Passenger Terminal was planned closely to accommodate cruise operations.

This was to ensure new construction and improvements could be made side-by-side with highly fluid cruise terminal activities. Major works included wharf works in preparation for the new SPBBs, involving laying rails for the SPBBs and extensive reinforcements. The breezeway section of the Overseas Passenger Terminal was enclosed, affording better weather protection for the baggage operations and greater security with delineation of a security zone at the front of the terminal. The lower road was resurfaced, and markings were repainted throughout the wharf and road areas.



Installing the new Sea Passenger Boarding Bridges, August 2019

Sea Passenger Boarding Bridges

Two new SPBBs were installed at the Overseas Passenger Terminal in August 2019. The SPBBs, built in Spain and transported to Sydney fully assembled on a cargo ship, comprise two fully independent passenger bridges – bespoke gantries with a 30-year design life. Each bridge is 43 metres long with an operational vertical range of 8.2 metres, and is able to extend seaward to 6.6 metres, with a width of 55 metres along the wharf.

Each can independently connect to a ship, providing an elevated walkway leading passengers directly to the terminal disembarkation/embarkation point on level 3 of the Overseas Passenger Terminal. Both bridges are semi-automated, and able to adjust positions in unison with the ship and the tide movements. Together, the bridges move over 1200 passengers every 30 minutes – improving the terminal's operational efficiency, increasing capacity and allowing for quicker and easier embarkation and disembarkation for passengers.

The two bridges replaced the single PEG, making for a more efficient passenger exchange process, enabling the *Ovation of the Seas* – the largest ship currently calling to the Overseas Passenger Terminal – to turnaround in an 11-hour window and in preparation for the arrival of the next 'Oasis' class ships, with over 6000 passengers.



Ovation of the Seas arrives at the Overseas Passenger Terminal, Circular Quay, Sydney

Cruise accolades

Sydney was named the best cruise port in Australia in the *Cruise Passenger Readers' Choice Awards 2019*.

Noted for its picturesque harbour and iconic landmarks, Sydney was also commended for its two cruise terminals and ability to host ships of all sizes – from the largest ships like *Ovation of the Seas* to smaller boutique cruise lines.

Over 11,000 readers voted in the awards, making it the largest poll of cruise enthusiasts in the southern hemisphere – over 50 per cent of Cruise Passenger's readers have been on more than six cruises, and 30 per cent on 12 or more cruises.

Cruise Booking Policy and cancellations

The Cruise Booking Policy was launched in November 2017 and applies to bookings from January 2020. It sets out the administration rules for the cruise booking system. Slots are allocated according to a priority system based on individual ships and irrespective of the cruise line to which they belong. On an annualised

basis, priority allocation is determined based on business volume. Cancellations of confirmed bookings may attract a fee, depending on how far in advance the cruise lines notify Port Authority and whether or not they nominate a replacement vessel for that slot.

Prior to the COVID-19 pandemic, Port Authority received numerous early cancellation and replacement notices. This constituted a significant shift in behaviour by the cruise lines, which in past years had cancelled much closer to the booking date. Late notifications have attracted cancellation fees as per the policy and Port Authority's revenue in 2019/20 was supported by these receipts (noting Port Authority did not charge cancellation fees to cruise lines after the Australian Government's cruise ban came into effect on 15 March 2020).

In addition to the Cruise Booking Policy, Port Authority is developing, in consultation with industry, a Long Term Deployment Policy for vessel deployments over more than one annual season. The existing practice of allocating vessels that fit under the Harbour Bridge to White Bay Cruise Terminal will continue indefinitely.

12.8 The Bays West Precinct

The Bays West area comprises Rozelle Bay, White Bay and Glebe Island alongside Rozelle Rail Yards and White Bay Power Station. The precinct is a working harbour, primarily used for industrial and maritime purposes. The area has significant heritage value with landmarks including the Glebe Island Bridge, White Bay Power Station and White Bay Cruise Terminal.

The port precinct at Glebe Island and White Bay has been a working port for over 100 years. It 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.
- An award-winning cruise terminal, which hosted 81 cruise ship visits and close to 200,000 passenger exchanges in 2019/20.

- Operational capabilities essential for Sydney's harbour economy including:
 - 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's Eve and Australia Day fireworks, and Opera Australia's annual Sydney Harbour concerts
- berthing facilities for commercial shipping and harbour service providers, such as tugs and refuelling vessels, as well as research vessels
- staging areas for the NSW Government's major transport projects, including Sydney Metro City & Southwest, WestConnex, Western Harbour Tunnel and Sydney Metro West.



Aerial view of the working port at White Bay and Glebe Island

In the future, the Bays West Precinct will have capacity for greater economic productivity by increasing the intensity and variety of its land uses through urban renewal with an integrated port. This will promote opportunities for innovation, business, dwellings and tourism, unlocking the area's economic potential, whilst retaining the important port services.

This precinct has previously been investigated by UrbanGrowth (now Infrastructure NSW). The Minister for Planning and Public Spaces announced a new approach to precinct planning in late 2019, focusing on the long-term direction for the precinct.

While planning for the precinct is underway, the port and working harbour functions in the Bays West Precinct will continue alongside major infrastructure delivery. Specifically, the WestConnex project has licensed an area of land on Glebe Island to stage construction works for the Rozelle Interchange and Iron Cove Link. This will provide a new underground motorway interchange to the City West Link and provide an underground bypass of Victoria Road between Iron Cove Bridge and Anzac Bridge, with links to the proposed Western Harbour Tunnel.

The final interchange in Rozelle will be mostly underground and located at the site of the old Rozelle Rail Yards. By building the interchange mostly underground, the project will deliver new active transport options in Rozelle and up to 10 hectares of new open space. The works will be ongoing over the next three years and are expected to be complete and open in 2023.

Other major infrastructure projects, including the Western Harbour Tunnel and Sydney Metro West, also plan to licence land from Port Authority in the Bays West Precinct for project delivery. The main locations include areas

of White Bay berths 1, 2 and 3, the site adjacent to White Bay Power Station, and Glebe Island berths 3 to 6.

Port Authority continues to work proactively with the major transport projects to understand and mitigate impacts.

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 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

The inner Sydney region is growing rapidly and the NSW Government is planning for an estimated future population in this region of over 1.3 million by 2036. While increased urban development and improved transport infrastructure will be essential, preserving and protecting existing international freight and trade routes, and retaining existing industrial and urban services land and the working port capacity is critical to ensuring the long-term economic viability of the city and State.

Glebe Island already plays a key role in supporting Sydney's construction supply needs and has done so since the early 1990s. Currently, Glebe Island receives shipments of cement, sugar, salt and gypsum. Importing materials by sea brings significant environmental and social benefits by minimising congestion, air pollution and road maintenance costs arising from truck movements on roads in the Sydney region.

There is a crucial need for Sydney to import dry bulk construction materials for concrete production due to the depletion of local sand supplies in Sydney and the need to meet the increasing demand for these materials in the inner city. This will help service the demands of the NSW Government's \$93 billion infrastructure program. Port Authority has identified two projects to service the concrete supply chain:

- a multi-user facility to allow sand and rock aggregates (as ingredients to be used in concrete) to be imported by sea
- a potential concrete batching plant to support a relocation of the Hanson Construction Materials (Hanson) batching plant from Blackwattle Bay.

Multi-user facility

To help meet the increased demand in Sydney for construction materials, Port Authority is building a multi-user facility at Glebe Island that will provide a low-impact and sustainable way to transport the materials - a single vessel can keep up to 1500 truckloads off the roads.

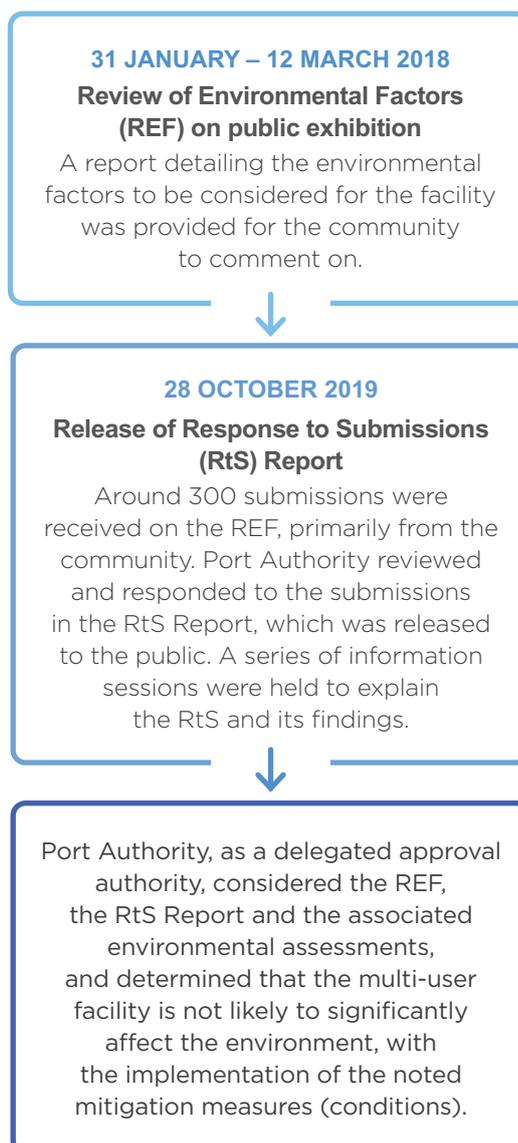
The multi-user facility will be located adjacent to berths 1 and 2 on the eastern side of Glebe Island.

The operation of the multi-user facility would:

- facilitate taking sand, and rock aggregates off ships
- move the materials via conveyor belts to an enclosed storage building
- feed materials from the storage bays to an internal truck loading area, before being distributed to concrete batching plants in Sydney.

Port Authority is currently going through a procurement process to select operators for the facility once it is built. There could be multiple companies that import sand using the facility.

The construction of the multi-user facility has followed the NSW Government planning processes under Part 5 of the *Environmental Planning and Assessment Act 1979*. To date, community consultation has occurred through the process shown here.





Early concept art of the multi-user facility, Glebe Island

Noise and the facility's exterior appearance were identified in the consultation process as key concerns for residents.

To help mitigate concerns around noise, Port Authority has developed a draft Port Noise Policy as part of a commitment to managing noise impacts at Glebe Island and White Bay in a sustainable way. Consultation on the policy commenced on 15 June 2020 and the policy will be finalised after taking into consideration the community's feedback. In addition, during construction, noise will be kept to a minimum and out-of-hours work will be avoided where possible.

To help mitigate the community's concerns around the external appearance of the facility, local residents have been invited to have their say on the facility's exterior finish by joining a consultative committee. The committee will meet in mid-2020, and residents will be asked to provide feedback and to discuss possible concepts to inform the design.

Construction of the facility is scheduled to start in August 2020. Before construction can start, site establishment will take place, including mapping out the site area, and installing temporary fencing, site sheds, and safety and project signage.

The 15,000 square metre facility will be constructed using structural steel frames, colorbond cladding, a precast concrete perimeter wall and concrete pile footing. Construction is expected to be completed by mid-2021 and will include:

- preparing the hardstand (ground area and footing)
- pouring concrete pile footing
- installing a precast concrete perimeter wall
- erecting the structural steel frame, cladding and building services
- completing a road to service the facility.

More information on the proposed facility, including all planning documents and newsletter updates can be found on the **Port Authority website**.

Concrete batching on Glebe Island

Infrastructure NSW's redevelopment of the Sydney Fish Market and surrounding Bays East Precinct means Hanson was required to vacate its site at Blackwattle Bay in May 2020. Hanson has proposed relocating its vessel berthing and aggregate unloading facility, and its adjacent concrete batching plant from Blackwattle Bay to 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* (NSW) 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; prepared a Response to Submissions report, which was released on 3 February 2020; and at the request of the Department of Planning, Infrastructure and Environment, prepared a second Response to Submissions report, which was released on 11 June 2020. Hanson's proposal is awaiting planning approval.

If approved, this plant would play a critical role in supporting Sydney's immediate and ongoing concrete batching needs. It would also enable raw materials to be imported via a more sustainable marine-based supply chain, taking a significant number of trucks off the road and reducing congestion.

12.9 Capital projects

Multi-user facility

See Section 12.8.

Firefighting Tugs Replacement project

Port Authority is planning to procure new emergency response/firefighting vessels for Sydney Harbour and Port Botany. The current firefighting tugs (*Shirley Smith* and *Ted Noffs*) are at the end of their operational lifecycle, having been built in 1987. They have operational limitations, and the need for ongoing maintenance has become more frequent and unpredictable, increasing the risk of a potential service disruption. Procuring new, modern emergency response/firefighting vessels will enhance the service to external stakeholders such as Fire and Rescue NSW and private port operators,

which work closely with Port Authority operational teams during marine emergencies.

The proposed vessels are high speed, functional 'workboat style' vessels. In addition to meeting international standard firefighting specifications, they have good performance characteristics in a variety of sea states and in restricted areas of navigation. They will deliver higher fleet utilisation rates and lower overall service delivery costs, thereby allowing for greater agility in maintenance schedules.

It is anticipated that construction will commence in 2020/21 and the vessels will enter service in 2021/22.

Glebe Island 8

Glebe Island berth 8 is situated on the western shore of the Glebe Island Peninsula. The berth is currently used by commercial vessels importing cement for concrete production.

The wharf structure is 100 years old, and restoration works are currently underway to reinstate the working load capacity of the deck. The works involve replacing deteriorated timber piles and components with new piles and structural elements, restoring strength to the wharf and preserving its function for years to come.

Enabling works were completed prior to the wharf restoration works, including levelling the seabed in the berth box at the head of White Bay to ensure continued safe berthing of vessels during the wharf upgrade works.

White Bay refurbishment works

Over recent months, Port Authority has undertaken works to upgrade infrastructure around the White Bay port precinct, including road pavement resurfacing, signage upgrades, building refurbishment works, removal of redundant infrastructure, and general painting and landscaping activities.

As home to the White Bay Cruise Terminal it is important to keep the area well maintained and to ensure an enjoyable experience for all cruise visitors and port users.

Vessel Traffic Services upgrade

During 2019/20 Sydney VTS adopted a Dynamic Under Keel Clearance decision support tool. This state-of-the-art software allows Sydney VTS to forecast vessel transits using scientific modelling, incorporating live weather and met-ocean (ocean monitoring) parameters.

This critical information allows vessels of all classes to maximise cargo and sailing windows without compromising on safety.

12.10 The year ahead

Port Authority is focusing on projects to facilitate the continued performance of critical port infrastructure. Some of these are described below.

Hornby Lighthouse upgrade works

Hornby Lighthouse is an operational AtoN located in the Sydney Harbour National Park near Watsons Bay. It marks the southern entrance to Port Jackson and Sydney Harbour. Built in 1858, the lighthouse is listed on Port Authority's Section 170 Heritage Register and is noted as being of State Significance in the State Heritage Inventory.

Port Authority is embarking on a project to restore the lighthouse structure, and to preserve and protect the lighthouse's heritage stonework.

Port Authority will work with the Public Works Advisory Heritage Asset Advisory group, the NSW Government specialists in heritage structures, to conduct a paint coating research investigation. The results of the investigation process will allow a coating system to be applied that ensures that the fabric of the lighthouse is restored and adequately protected from its harsh coastal environment.



Maintenance work on Hornby Lighthouse, Sydney



Sydney's Overseas Passenger Terminal is Australia's leading cruise destination

Overseas Passenger Terminal Berthing Infrastructure project

Port Authority is responsible for the provision and management of the Overseas Passenger Terminal at Circular Quay, including the timely and safe movement of cruise passengers to and from vessels visiting the terminal. The Overseas Passenger Terminal is the only berth that can accommodate the larger-sized cruise ships and, due to the strategic value of the terminal, it is important it continues to operate as safely, efficiently and reliably as possible.

The objective of the Berthing Infrastructure project is to facilitate safe, efficient and reliable berthing

at the Overseas Passenger Terminal and ensure it can accommodate the requirements of current and future vessels. The project includes installing a long-term engineering solution to mitigate the effects of scour and accretion, and the impact of identified risks caused by modern-day cruise ships.

This major long-term preventative maintenance project involves stabilising and protecting the steel-sheet pile seawalls and concrete caisson units supporting the Overseas Passenger Terminal wharf structure. The works will be undertaken in two parts, with early works being completed by the end of 2020, and the remainder of the works completed by the end of 2021.

12.11 Community engagement and sponsorship

Port Authority is proud to be an active member of the communities in which it operates.

The business values its relationship with its various community groups and continually looks 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 13.4)
- Port Kembla, (Section 14.4)
- Port of Eden (Section 15.5).

Community support

Port Authority has a long history of support and sponsorship of local community groups and its staff continue to participate in fundraising events to support broader community issues. This continued throughout 2019/20 and included support for:

- Mission to Seafarers
- Sydney Heritage Fleet
- Birchgrove Public School
- DCN Shipping and Maritime Industry Awards – Gender Diversity Award
- Vinnies CEO Sleepout
- Australia's Biggest Morning Tea
- International Workers Day (May Day)
- International Women's Day with support for 'Dress for Success'
- International Seafarer's Day.

Community meetings

During the reporting year, Port Authority representatives continued to:

- Convene quarterly meetings of the Glebe Island and White Bay Community Liaison Group. These meetings are attended by representatives of community, our port tenants, relevant NSW Government transport projects, and City of Sydney and Inner West councils.
- Attend quarterly meetings of the Port Botany Community Consultative Committee, convened by NSW Ports. Although Port Authority is no longer the landowner of Port Botany, staff continue to attend these meetings to provide information on matters relating to the community on nearby assets that remain under Port Authority management. These include the Port Botany Boat Ramp, Penrhyn Estuary and Foreshore Beach.
- Chair the quarterly White Bay Cruise Terminal community meeting. These meetings are attended by representatives from the community and Inner West Council. 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 to inform the local community and other stakeholders about activities at the port at Glebe Island and White Bay.

The CLG provides Port Authority and port industry stakeholders the opportunity to discuss port operations with the community and gather feedback on any initiatives being considered.

Port Authority has appointed an external Chair to facilitate the meetings.

The CLG comprises 11 community representatives from the Balmain, Rozelle and Pyrmont areas. Details of the 11 CLG members can be found on the **Port Authority website**.

Community complaints and enquiries

During 2019/20, Port Authority received 294 complaints. This was up from 182 in 2018/19 and 263 in 2017/18.

Of the total complaints received, 172, or 59 per cent, were received in March 2020, when Australian Government restrictions were placed on the entry of cruise vessels. This left a number of vessels stranded, requiring berthing space, as well as fuel and provisions before being able to sail back to their home ports.

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@portauthoritiesw.com.au

Community notifications

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

During the reporting year, 18 community notifications were issued and published on the **Port Authority website**.

Community events

Community venues

Port Authority has several iconic locations available for events, brand activations and filming hire on days when there are no ship visits. These include the Overseas Passenger Terminal and White Bay Cruise Terminal, and several other 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. A combination of major public events and private events were held at both the Overseas Passenger Terminal and White Bay Cruise Terminal over the course of the business year.

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.

The COVID-19 pandemic had a major impact on Port Authority's revenue from private client events towards the end of the 2019/20 financial year. Government regulations to control the health crisis meant that a busy program of private client events either had to be cancelled or postponed until 2021.

Bastille Day and Christmas in July



Bastille Festival at the southern forecourt of the Overseas Passenger Terminal

Port Authority participated in the Bastille French Festival and Christmas in July for the first time in 2019. More than 200,000 Sydneysiders and interstate guests visited the festival over the course of the weekend. The southern forecourt of the Overseas Passenger Terminal hosted a children's playground that featured an organ carousel at its heart. The French Consulate also chose the Arrivals Hall of the Overseas Passenger Terminal to host their Bastille Day event for guests and friends.

New Year's Eve 2019

Large numbers of international and domestic visitors and Sydneysiders lined the harbour foreshore to see an incredible display to herald the start of 2020.

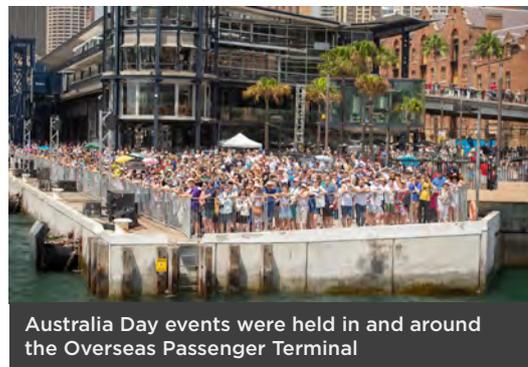
For the first time, Port Authority worked with Bayside Council to allow the use of the foreshore car park at Botany as a viewing area for the Bayside Council's annual fireworks display. Unfortunately, due to high winds around the time of the fireworks display, the event was cancelled to ensure public safety.

Australia Day

The prominence of the Overseas Passenger Terminal and its surrounding precinct has continued to increase throughout Port Authority's partnership with the Australia Day Council, which is set to continue until 2025.

Unity and community spirit took pride of place at Australia Day 2020 and large crowds were once again drawn to the precinct throughout the day with the terminal playing an important role in the success of the day-time and evening event programs.

In response to the extreme circumstances in light of the recent bushfires, and public sentiment, the program was adjusted to ensure it was sensitive, appropriate and uplifting by creating meaningful opportunities to show the Australian spirit, celebrate our strengths and stand together. Without doubt, Australia Day 2020 played an important role in bringing communities together throughout the state and acknowledging everyday Australians doing extraordinary things. Australia Day 2020 provided an occasion to show gratitude for the inspirational spirit, courage and generosity shown by emergency volunteers and responders.



Australia Day events were held in and around the Overseas Passenger Terminal



Australia Day light show at Circular Quay on Sydney Harbour, January 2020

Australia Day 2020 also created a video to highlight the role the Overseas Passenger Terminal has played in Australian history – from its first arrivals to the ‘Lucky Country’ after World War II, to hosting the first cruise ship (P&O’s *Oriana*), through to the modern cruise industry with more than 200 cruise ships arriving each year. As a popular piece of content developed for Australia Day 2020 social media channels, it received almost 24,000 views and many poignant comments – including those from people who migrated to Australia and stepped ashore for the first time at the Overseas Passenger Terminal. The video was also shown on large event screens located on and around Circular Quay, as well as inside the Sydney Opera House.

The Arrivals Halls of the Overseas Passenger Terminal hosted an important new piece of programming. Indigenous artist Brett Leavy of Virtual Songlines launched his Virtual Warrane project – an Indigenous virtual reality cultural experience – on Australia Day. Brett describes his work as ‘building a time machine so people can travel back to the land of the Gadigal.’ The popular exhibition enabled people to see what Sydney Cove (Warrane) looked like prior to the arrival of the First Fleet, with Gadigal custodians’ stories played out.

Sydney Lunar New Year

For the fourth successive year, Port Authority participated in Sydney’s Lunar New Year 2020 Lantern festival in February, with the Overseas Passenger Terminal Precinct once again being central to the event. The southern forecourt hosted the Spiral Pigs, with the Tiger on the Circular Quay side of the Figtree and the Monkeys in Cadman Reserve. At the time, Australia had closed its border to China because of the COVID-19 pandemic, so whilst the event was popular with locals, it did not have the large international crowds that it has attracted in previous years.



Australia Day activities at the Overseas Passenger Terminal



A performance of *Passenger* plays out at White Bay

City of Sydney's Art and About program

From 26 February to 8 March 2020, Port Authority hosted the finale of 'Passenger' at the Overseas Passenger Terminal – a free experiential event that was a key part of City of Sydney's 2020 Art and About program. 'Passenger' involved a journey on board a bus, where members of the audience were also the passengers. Referencing iconic Western films where cowboys respond to a lawless world, 'Passenger' explored the ethics of the contemporary world and the impact of holding people accountable for their actions with the finale at White Bay Power Station car park. This free community event ran three times a day; and was fully subscribed within a few days of release.

Vivid Sydney 2020

Destination NSW made the very difficult decision to cancel Vivid 2020 due to the COVID-19 pandemic.

Vinnies CEO Sleepout 2020

Due to the COVID-19 pandemic, Vinnies CEO Sleepout went online for 2020, with CEOs encouraged to participate by sleeping out at home. Port Authority's CEO, Philip Holliday and his wife Cath, chose to participate and raised more than \$14,000 for Australia's homeless. Vinnies CEO Sleepout 2021 will be hosted at the White Bay Cruise Terminal.

National Indigenous Art Fair 2020

Due to the COVID-19 pandemic, First Hand Solutions made the very difficult decision to postpone the National Indigenous Art Fair until 2021 to ensure the health and safety of the many remote artists who participate.

Southern Forecourt

The Southern Forecourt of the Overseas Passenger Terminal continues to be a popular brand activation space hosting many activations including several stand-out events focussed on sustainability. These included 'Oceans of the Future' by Sodastream and Rabobank's 'Don't be a Waster' tour.

Other notable events

The Overseas Passenger Terminal continues to attract international brands back to the centre of Sydney with marquee product launches and events for make-up, jewellery, finance, food and beverage producers, and toymakers.

White Bay continues to be popular with international and Australian-based film crews for movies, TV series and TV commercials. White Bay Cruise Terminal hosted product launches for major car companies, retailers and financial powerhouses which love the privacy and space it offers. Clients who use the terminal come back time and time again because of its unique offering in a diminishing Sydney venue landscape.

13 Newcastle Harbour



Newcastle is 162 kilometres north of Sydney and is the economic and trade centre for the Hunter region and 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 ports in terms of volume traded. Coal exports represent more than 90 per cent of total volume, and the remainder comprises other bulk cargoes such as grains, vegetable oils, alumina fertilizer and ore concentrates.

13.1 Overview

The Head of Operations Newcastle and North Coast 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)
- 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)
- responsibilities under the Hunter Coal Export Framework
- participation in the Hunter Valley Coal Chain Coordination
- approval and administration of local knowledge certificates
- management of Nobbys Headland and maintenance of Macquarie Pier
- asset management.

13.2 Marine Operations

Marine Operations maintained its high standard of service delivery during 2019/20, promoting the safe and efficient movement of commercial vessels operating on Newcastle Harbour. (See Section 3.2 for further details).

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.

13.3 Summary review of operations

Trade vessel visits to Newcastle, 2019/20

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2019/20	TOTAL 2018/19
Newcastle	208	200	174	202	177	215	193	164	188	191	167	199	2,278	2,297

The financial year 2019/20 saw 2278 trade vessel visits to Newcastle Harbour, a 1 per cent decrease from 2018/19. This was driven by reduced wheat and fertiliser trade owing to the ongoing drought. Coal exports performed well, with an increase in volume of 2 per cent from 2018/19, to 163.8 million tonnes.

A total of 4606 pilotage movements (inward, outward and harbour removals) were performed, with 3353 of these by helicopter and 1212 by cutter.

Cruise ship visits to Newcastle, 2019/20

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2019/20	TOTAL 2018/19
Newcastle	0	0	0	3	5	2	2	0	0	0	0	0	12	15

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

A total of 12 cruise ships called to Newcastle Harbour in 2019/20, three visits lower than in the previous year. If not for COVID-19 and the consequent Australian Government ban on cruise vessel visits from 15 March 2020 based on bookings, cruise vessel visits to Newcastle would have been higher than in 2018/19.

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 2019/20 the VTIC:

- facilitated safe and efficient transit of 4633 vessel movements
- provided Search and Rescue (SAR) watch for 3353 helicopter movements
- coordinated the response to nine pollution reports
- proactively cleared anchoring in preparation for forecast adverse 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 2019/20, 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, combined with training with undertaken with other emergency response agencies on a regular basis, is paramount to enabling Port Authority to meet its obligations.

Exercises and training

In 2019/20, Port Authority participated in a number of exercises to test response plans and meet its obligations under the PSOL, and provided training to employees. Newcastle Port Authority employees participated in the following exercises, training and incident responses during 2019/20.

State Response Team workshop, September 2019

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

The workshop was conducted by Transport for NSW. The team received updates on State arrangements, the National Plan functional areas, the Australasian Inter-Service Incident Management System, and its implications for the Oil Spill Response Incident Control System.

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

State Response Team - APL *England*, June 2020

Staff responded to the container spill off the New South Wales coast from APL *England* as part of the State response team.

Newcastle Oil Spill Exercise, December 2019

Port Authority personnel conducted an oil-spill equipment familiarisation and desktop discussion, as well as training on the deployment of various booms at the berth.

Development and projects

Projects conducted by Port Authority in Newcastle in 2019/20 included:

- inbound Tanker project
- construction of in-harbour launch
- development of Pilot Ladder Safety project
- upgrade of Marine Pilot Development Assessment
- implementation of comprehensive Marine Pilot Recruitment and Training program
- input into simulation required for Port of Newcastle's proposed container terminal development
- refurbishment of three floors at Newcomen Street two new tenants moving into the building
- implementation of a range of minor capital projects.

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



A Port Authority marine pilot takes part in a ladder training safety exercise

13.4 Community engagement and sponsorship

Port Authority is proud to be an active member of communities where it operates.

The business values its relationship with its various community groups and continually looks for ways to work with and understand them better.

Community support

Port Authority has a long history of supporting community groups in the Newcastle region, and this has continued throughout 2019/20.

This includes support for:

- Hunter Business Chamber Awards, sponsoring the Contribution to the Region award
- Mission to Seafarers.

In the wake of COVID-19 pandemic, seafarers across the world have faced significant issues joining and leaving their vessels, creating real concern for mental wellbeing. Port Authority has sponsored the Tas Bull Foundation to bring free WiFi to vessels in Newcastle as a way of helping seafarers to stay in contact with loved ones whilst in port.

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
- participation on the board of the Mission to Seafarers.

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 Newcastle Time Walk, Hunter Medical Research Institute Glow Walk and the Newcastle International Half Marathon.

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.

13.5 The year ahead

Macquarie Pier, Newcastle revitalisation works

Macquarie Pier is a prominent and iconic local attraction in Newcastle, with a rich history as Australia's earliest known coastal engineering structure, providing a safe approach to Newcastle Harbour. Built with convict labour, Macquarie Pier has reshaped the city and its coastline, providing the foundation for Nobbys Beach and helping Newcastle develop into the major port city it is today.

Macquarie Pier is also an access route for the signal station and lighthouse at the top of Nobbys Headland (which is maintained by AMSA), and the breakwater (which is maintained by Port of Newcastle).

Over the coming months, Port Authority will start a major project to revitalise the pier and transform the popular harbourside walkway, creating a destination that will celebrate Newcastle's maritime history and seamlessly complement the **Bathers Way coastal walk**.

Visitors will be able to take in the views of Newcastle Harbour along a new 900-metre pathway, complete with sandstone seating, maritime-style fencing and interpretive heritage features set along the route. A new hardstand area for event activations and mobile cafes will provide a perfect spot for visitors to relax and watch the activity of Newcastle's working port.

The revitalised Macquarie Pier will give people a place to connect with Newcastle's maritime heritage and create a space for the city's community to enjoy.

Other projects in the year ahead will include:

- helicopter training
- underground fuel tank replacement
- development and implementation of Electronic Master Pilot exchange
- continual improvement of data collection and analysis to review and improve safety and operational outcomes
- in compliance with Port Authority's PSOL, implementation of a Towage License regime in Newcastle
- Port Authority will continue to work towards achieving accreditation from AMSA to operate the current VTIC as a certified VTS.



Concept art for the Macquarie Pier Revitalisation project

14 Port Kembla



A view of the car import and general cargo terminal (L) and grain terminal (R), Inner Harbour, Port Kembla

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

14.1 Overview

The Head of Operations, Port Kembla and South Coast manages the following functions in Port Kembla:

- safety outcomes for the day-to-day operations of the port
- PSOL functions including:
 - pilotage services (pilots, cutters and crew)
 - hydrographic services for providing up-to-date depths in the harbour and approaches
- VTIC
- incident reporting
- emergency response to incidents
- dangerous goods and bunkering (refuelling vessels) notifications
- auditing of hot work (any works that could result in a fire or works in a combustible environment) carried out in the port
- providing and maintaining port security
- maintaining AtoNs
- asset maintenance and management.

14.2 Marine Operations

In 2019/20, Marine Operations in Port Kembla:

- 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
- completed mid-life refurbishment of Pilot Vessel *Shearwater* including new air-conditioning and electrical systems
- continued regular maintenance on the engines and equipment for both pilot vessels
- installed new met-ocean equipment (weather and ocean monitoring) with live data available on Port Authority's website, providing information to all port users and the wider Illawarra community. (See Section 3.2 for details.)

14.3 Summary review of operations

Trade vessel visits to Port Kembla, 2019/20

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2019/20	TOTAL 2018/19
Port Kembla	72	65	58	65	62	63	58	65	73	54	56	57	748	795

In 2019/20, there were 748 trade vessels visits, a decline of 6 per cent from the previous year (795). This decrease can be partly attributed to the COVID-19 pandemic, through reduced car and truck carrier vessel visits, due to lower car sales as a result of a reduction in discretionary spending. In addition, the supply of motor vehicles has changed, with dealers now advising overseas suppliers of exactly what they need to suit demand – in the past the manufacturers would supply based on an agreed monthly volume.

Coal exports were on target, with budgeted throughput achieved.

There were no grain exports due to drought conditions in the key growing regions of NSW; however the port and region benefited from the ongoing import of grain by Manildra.

Cruise ship visits to Port Kembla, 2019/20

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2019/20	TOTAL 2018/19
Port Kembla	0	1	0	0	0	0	0	0	3	2	0	0	6	1

During 2019/20, Port Kembla assisted the cruise industry through the COVID-19 crisis by allowing redeployed cruise ships to berth so that they could refuel and reprovision in preparation for their journey home. These visits had no passenger exchanges as there were only crew onboard these vessels. In addition, *Carnival Spirit* called to Port Kembla on 3 August 2019 for layover and repairs.



The VTIC team keeps watch over Port Kembla

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.

The VTIC is in the process of transitioning to AMSA-recognised VTS. This change significantly improves the safety outcomes for vessel visits to the harbour. AMSA certification is underway and the procedures, checklists, work instructions and training documents have been updated for VTS. Training for the Vessel Traffic Service Operators (VTSOs) is complete, and refurbishment of the VTS is underway to ensure best-in-class facilities for the port with the latest ergonomics, purpose built for efficiency and safety.

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 deploying and operating the variety of equipment stored in Port Kembla.

In 2019/20 Port Authority purchased a replacement emergency response vessel from a local service provider. It will be used to deploy oil spill equipment in the event of a significant incident.

Annual emergency response exercise, December 2019

This desktop exercise was attended by multiple government agencies, port owners, terminals, and berth operators. The desktop scenario was practiced with the briefing, exercise and debrief well represented and discussed by all present.

14.4 Community engagement and sponsorship

Port Authority is proud to be an active member of communities where it operates.

The business values its relationship with its various community groups and continually looks for ways to work with and understand them better.

Community liaison

Port Authority has a long involvement with the Port Kembla and the greater Wollongong community, and remains a proud major sponsor of Mission to Seafarers Port Kembla as well as a contributor to the Port Kembla Surf Club, Port Kembla Public School and St Patrick's Primary School.

The Head of Operations Port Kembla and South Coast is the current Chair of the Port Kembla Executive Port User Council and the Harbour Master chairs the Port User Council. They are also members of the Illawarra Business Chamber. Port Authority aims to use local services, where possible, to support its operations.

In the wake of the COVID-19 pandemic, Seafarers across the world have faced significant issues when joining and leaving their vessels – creating real concern for mental wellbeing. Port Authority has sponsored the Tas Bull Foundation to bring free WiFi to vessels in Port Kembla as a way of helping seafarers to stay in contact with loved ones whilst in port.

14.5 The year ahead

Port Authority will continue with upgrades of the CCTV camera network and peripheral equipment around Port Kembla Inner and Outer Harbour, allowing even better coverage and identification of vessels, people and operations around the port. The telemetry – wind, wave and tide monitoring – are also being upgraded with the addition of new equipment. This includes a wave rider buoy at the entrance to the harbour to measure the seas and wave conditions. 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.

The migration of the VTIC to an AMSA certified VTS is imminent, with the finalisation of the AMSA audit and certification expected at the start of 2020/21. There was a delay in implementation due to the COVID-19 pandemic which has affected the certification process. The audit process has moved from face-to-face to online delivery.

In compliance with its PSOL, Port Authority will implement a Towage License regime in Port Kembla.

15 Port of Eden



Port of Eden, on the far south coast of NSW

Eden is situated on the far south coast of NSW, midway between Sydney and Melbourne. Its harbour, Twofold Bay, is the third deepest natural harbour in the world.

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

15.1 Overview

Port Authority in Port of Eden is managed by the Harbour Master. The Harbour Master reports to the Head of Operations, Port Kembla and South Coast. In Eden, Port Authority is responsible for:

- providing 24/7 pilotage services
- managing Snug Cove and RAN's multi-purpose berth

- complying with PSOL requirements, including dangerous goods management, surveys and maintenance of AtoNs
- providing 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.



Pacific Explorer calls in to Eden's new cruise wharf

15.2 Summary review of operations

Total vessel visits (trade and cruise) to Port of Eden, 2019/20

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2019/20	TOTAL 2018/19
Eden	4	11	6	5	7	11	5	11	13	5	14	14	106	89

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

The total number of vessel visits to Eden during 2019/20 was 106, which was 19 per cent above the previous year.

The largest port users in 2019/20 were the RAN (30 visits), fishing vessels (27 visits) and dry bulk vessels (18 visits) exporting logs and woodchips from the ANWE facility.

There were 96 piloted movements during the year comprising 44 arrivals, 44 departures and eight harbour removals.

Cruise ship visits to Port of Eden, 2019/20

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2019/20	TOTAL 2018/19
Eden	0	0	2	0	2	2	1	8	3	0	0	0	18	15

In 2019/20, 18 cruise ships visited Snug Cove, 20 per cent more than in 2018/19. Five of those 18 cruises were maiden vessels, with four in February 2020 – *Pacific Aria*, *Voyager of the Seas*, *Explorer Dream* and *Seven Seas Navigator* – and one in March 2020 – *Queen Elizabeth*. *Voyager of the Seas* is the largest ship to ever visit Port of Eden, measuring in with an overall length of 311.1 metres.

15.3 NSW bushfires

Port Authority provides pilotage services to dry bulk ships servicing the private ANWE facility at Jews Head, Twofold Bay.

On 4 January 2020, bushfires incinerated two stockpiles of hardwood woodchips and the associated stackers and conveyor systems at the facility. The stacker and conveyor system for pine woodchips, by contrast, was largely untouched. The export facility, however, was rendered inoperable by the fire.

It is estimated that 75,000 tonnes of woodchips were lost in the blaze, along with 4000 tonnes of hardwood logs, plus conveyors, machinery, and a workshop filled with spare parts and tools. This impacted vessel visits to the ANWE facility for the first half of 2020. By May 2020 the mill's operation has been restored to near full capacity, and the MV *Cattleya* arrived in Eden on 12 May 2020, making it the first vessel to return to Twofold Bay to service the ANWE facility.

15.4 Capital projects

Eden Cruise Wharf

On Sunday 15 September 2019, community, local businesses and cruise representatives turned out to see P&O Cruises' 260-metre *Pacific Explorer* and its 2000-plus passengers sail into Eden.

The arrival marked the successful completion of the Eden Cruise Wharf, a \$44 million project to extend the port's wharf to allow cruise vessels over 300 metres in length to berth in Snug Cove for the very first time.

Jointly funded by the Australian Government, NSW Government and Bega Valley Shire Council, the new wharf aims to cement Eden's place on the Australian cruise map and drive economic growth in the region.

The successful completion of the Eden Cruise Wharf marks the beginning of a new chapter in cruise tourism for NSW's South Coast, providing certainty for cruise operators to now schedule Eden as a destination for their customers.

The breakwater extension and cruise berth were constructed by NSW Crown Lands, while the operations and management of cruise vessels in the port is the responsibility of Port Authority.

Revitalising Eden Harbour Program

To fully realise the value of Port of Eden as a critical maritime hub for the economy and the surrounding community, three other infrastructure projects are being drawn together in the Revitalising Eden Harbour Program to establish a clear plan for government investment and enable private sector investment.

Leveraging the investment in the successful completion of the newly constructed breakwater extension and cruise wharf and the growing number of cruise vessels visiting Eden, the Program is designed to enable the expansion of port activity and the tourism and customer experiences that will ultimately support jobs growth and economic development in the region.



Concept art of the Eden Welcome Centre

The program brings together the delivery of the Safe Harbour project in Snug Cove, the Cruise Welcome Centre and the Eden Harbourside activation project, which is focused on the existing Discovery Centre site. The Revitalising Eden Harbour Program is coordinated by Port Authority with the support of Maritime Infrastructure Delivery Office (MIDO) of Transport for NSW (Transport) and the Department Planning Industry and Environment.

As the key manager and operator of commercial ports within NSW, it is considered that Port Authority is best placed to own and operate those assets relating to cruise operations within Eden. Crown Lands agreed to transfer the new Eden Cruise wharf, the berthing box, existing breakwater, and land adjacent to the cruise wharf (including the site for the Welcome Centre) to Port Authority. The land and assets were equity transferred to Port Authority effective as of 30 June 2020.

Eden Welcome Centre

Port Authority commenced enabling works in February 2020 for the construction of the Eden Welcome Centre, a new building located on the fisherman's co-op site in Eden within close proximity of the recently completed cruise wharf.

As Eden becomes an increasingly popular cruise destination, the Eden Welcome Centre will be a new facility to greet up to 100,000 visiting cruise passengers each year.

Designed by award-winning architectural firm, Cox Architecture, the Eden Welcome Centre will have two floors each with an approximate size of 1000 square metres. The ground floor will be for visitors, market stallholders and amenities and the first floor for office space.

Celebrating the town's main industries of fishing, forestry and tourism, as well as its Aboriginal heritage, the building is intended to act as a symbol of Eden's past and its future. The structure and cladding will be made from native hardwoods from the region as a tribute to the local timber industry and will encompass features from Eden's rich maritime and fishing industry.

The building contract for the Welcome Centre was awarded to local construction company, Rankin Builders, which has previously worked with Cox Architecture on Bermagui Fishermen's Wharf. Port Authority is proud to support this local business.

The construction will be undertaken in two stages. Stage one includes building construction and internal fit-out of the ground floor, anticipated to be ready for the start of the 2020/21 cruise season. Stage two includes the first floor internal fit-out with tenants anticipated to move in towards the end of 2020.

The Pambula-based Destination Agency is working with a local historian and other local stakeholders to prepare a Heritage Interpretation Plan by exploring local stories, narratives and images to incorporate into public art and other features in the Welcome Centre. Once this has been finalised it will be shared with the community for feedback.

15.5 Community engagement and sponsorship

Port Authority is proud to be an active member of communities where it operates.

The business values its relationship with its various community groups and continually looks for ways to work with and understand them better.

Port Authority chairs a quarterly Eden Community Consultative Committee meeting. These meetings are attended by representatives from the community and local stakeholders.

Community support

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

15.6 The year ahead

In 2020/21, there are 22 scheduled cruise ship visits booked, including several maiden voyages; however, with the current global COVID-19 pandemic the year ahead for cruise is uncertain.

Timber exports are increasing and it is expected to be a very busy year for pine log exports given the amount of pine plantations that were burnt during the January bushfires and now require salvage harvesting.

However, while log exports will be up, woodchip exports are expected to be significantly reduced this year due to the damage to the ANWE terminal caused by the January bushfires.

16 Port of Yamba



A Port Authority marine pilot prepares to transfer to a vessel off Yamba

Australia’s eastern-most seaport located at the mouth of the Clarence River in northern NSW, Yamba serves the whole Northern Rivers and New England regions, and is the home port of the State’s second largest fishing fleet.

16.1 Overview

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.

16.2 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).

16.3 Summary review of operations

Trade vessel visits to Port of Yamba, 2019/20

	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	TOTAL 2019/ 20	TOTAL 2018/ 19
Yamba	3	8	3	0	1	1	2	1	2	2	2	5	30	38

The total number of vessel visits to Yamba during 2019/20 was 30, 21 per cent lower than in 2018/19. Tugs and vessels moving to Goodward Island for repairs accounted for most of the vessel calls.

Yamba Oil Spill Exercise, November 2019

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

16.4 Port development

There were no specific development activities in 2019/20.

17 Sustainability and environment



Up to 40,000 humpback whales are estimated to pass by the NSW coastline each year

17.1 Introduction

Port Authority developed a sustainability plan using a co-design approach, which involved engaging and collaborating with a large and diverse cross-section of employees, as well as key external stakeholders. This was done in order to help ensure our people have a sense of pride in, and ownership of, the plan as well as to embed sustainability across the organisation.

Port Authority's vision for sustainability is:

Port Authority of NSW is committed to ongoing collaboration with our people, customers, stakeholders and communities to improve social and environmental outcomes and to help ensure a positive legacy for future generations, while delivering economic prosperity for the state of New South Wales through facilitating shipping, tourism and trade.

The sustainability plan identifies four core sustainability focus areas, through which sustainability will be embedded across the organisation:

- people and culture
- operations and ways of working
- our environment and places
- communities and partnerships.

Within the four core focus areas, 13 opportunity areas and 43 suggested sustainability initiatives have been identified. Additionally, several examples of how each sustainability initiative could be progressed and some existing initiatives within each opportunity area have been identified.

An operating model, outlining how the plan will be managed includes:

- tracking progress of initiatives against agreed targets
- managing resources
- ensuring responsible leadership
- monitoring risks and impacts
- reporting on sustainability
- setting out a framework to develop and deliver new sustainability initiatives to ensure a consistent and structured process is followed that aims to deliver the best possible outcomes.

A number of sustainability initiatives already underway are set out below.

17.2 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 impacts, such as noise or air emissions, that can affect those living and working nearby. In 2019/20, Port Authority continued its focus on managing and mitigating these impacts.

Noise

Glebe Island and White Bay Draft Port Noise Policy

During 2019/20, Port Authority focussed on developing a new Port Noise Policy for Glebe Island and White Bay. On 15 June 2020, this policy was released for community and stakeholder consultation, and is on display until 10 August 2020.

The draft Port Noise Policy and the associated draft Vessel Noise Operating Protocol aim to manage noise from commercial shipping in a way that

is acceptable to the local community, while recognising and optimising Glebe Island and White Bay's ongoing, long-term status as a working port.

This policy is the first of its kind in Australia and aims to provide certainty about noise management for the community, port users and other stakeholders.

The Port Noise Policy includes:

- guidelines and explanations of noise triggers for individual ships visiting Glebe Island and White Bay, and consequences if the ship exceeds those triggers, explained in the draft Vessel Noise Operating Protocol
- guidelines and explanations of precinct-wide landside noise criteria
- a framework to guide future noise assessments and planning controls
- a goal for gradual long-term reduction of ship noise while at berth.

White Bay Cruise Terminal Noise Mitigation Strategy

Port Authority continued to implement the White Bay Cruise Terminal Noise Mitigation Strategy, including the Noise Restriction Policy, which commenced formally on 1 October 2018.

There are three elements of the strategy being implemented:

Noise Attenuation Program

Noise attenuation involves physical treatments to homes where noise modelling indicates that average noise levels reach or exceed 55 decibels at night. The program is designed to reduce the levels of noise experienced at residences in areas affected by cruise ships at White Bay Cruise Terminal. From January 2020, the Noise Attenuation Program was expanded to include residences in the vicinity of White Bay berth 4.

As of June 2020:

- At White Bay Cruise Terminal, over 45 property owners have attended meetings to discuss the treatment of windows and architectural treatments has commenced, with 19 properties at White Bay Cruise Terminal completed and signed off.
- At White Bay berth 4, 35 properties have been inspected and a scope of works prepared.
- Completion of construction for the full program is anticipated by the second quarter of 2021.

Noise Restriction Policy

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

From January 2020, this policy was extended to include cruise ships at White Bay berth 4.

Port Authority monitors compliance and enforces the Noise Restriction Policy. From 1 July 2019 to 30 June 2020, one rebate of \$11,000 was withheld by Port Authority for breaches that relate to controllable noise (public announcements or music on-deck). In addition, three warnings have been issued for controllable noise.

One breach has been issued for excessive engine noise and the shipowner was subsequently advised that the ship was not able to berth at White Bay unless it can be demonstrated that adequate measures to significantly reduce the engine noise have been implemented.

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.

During the reporting year, noise monitoring was extended to include cruise ships that visited White Bay berth 4 in addition to the ships at White Bay Cruise Terminal.

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 portauthoritynsw.com.au.

Port Authority supports the continued ship exhaust emission benefits achieved from the introduction of a Direction by the AMSA, which has been extended until December 2021. 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 has continued to publish compliance data in relation to the Direction for cruise ships in Sydney Harbour, and that 100 per cent compliance has been observed since the Direction has been in place.



A Port Authority vessel used in training in Port Kembla

On 1 January 2020, the International Maritime Organisation (IMO), a United Nations specialised agency, commenced the implementation of a global sulphur cap of 0.5 mass per cent concentration, bringing a significant reduction from the current 3.5 global mass per cent concentration cap. This was formally adopted in Australia via an amendment to the *Protection of the Sea (Prevention of Pollution from Ships) Act 1983* (Cth), and applies to emissions from all ships in Australian waters, including cargo ships, bulk carriers and other vessels.

17.3 Penrhyn Estuary

In 2020, Port Authority undertook the third of three years of additional seagrass monitoring along Foreshore Beach, Botany primarily to evaluate the success of the Foreshore Beach groynes in improving the habitat for seagrass.

The April 2020 survey highlighted a decline of seagrass in some parts

of Foreshore Beach but a substantial recovery in other parts. Conditions for seagrass have improved in one section where sediments have noticeably stabilised. There, the patch of *Halophila* essentially doubled in area between 2019 and 2020. Further, the high density patch of *Zostera* continued its rapid expansion, with a 10-fold increase in extent since 2017. The findings present strong evidence that the groynes have stabilised sediments in this part of Foreshore Beach and it bodes well for recolonisation of seagrass in other areas off Foreshore Beach once sediments have stabilised.

17.4 Vehicle and marine fleet

Port Authority has a fleet of 34 vehicles and 34 vessels or floating plant in use across the six port locations. Four car pool vehicles are hybrids.

17.5 Sustainability in construction projects

Work was undertaken on integrating positive sustainability outcomes in two significant Port Authority construction projects.

The detailed design of the Eden Welcome Centre incorporates a suite of sustainability initiatives targeted at a 4 star Green Star, Design & As-built level (Green Building Council of Australia). The benefits will include:

- improved indoor air quality
- improved acoustic, lighting and thermal comfort
- improved water efficiency and rainwater reuse
- reduced construction waste.

Additionally, the construction project is generating local jobs and helping to stimulate the economy with local and regional contractors engaged for the works.

The detailed design of the multi-user facility on Glebe Island includes rainwater capture, scoping of a large solar panel system to offset power used at the facility and consultation with the community on the appearance of the exterior of the facility.

17.6 Indigenous sponsorship

In early July 2019, Port Authority hosted the second National Indigenous Art Fair with First Hand Solutions and Blak Markets at the Overseas Passenger Terminal. More than 10,000 people attended the Art Fair over the weekend. Along with a variety of NSW regional artists, a total of 30 remote communities took the opportunity to showcase their work to Sydneysiders, with many

of the centres virtually selling out of their art and traditional works. The Fair produced \$619,000 in sales, which will be used to drive better health and education outcomes in local and remote Indigenous communities. Reflecting 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.



Blak Markets at the Overseas Passenger Terminal, Circular Quay, Sydney

17.7 Environmental penalties

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

17.8 The year ahead

After commencing development of Port Authority's Sustainability Plan for 2020–25 with reference to the United Nations Sustainable Development Goals, Port Authority will focus on delivering sustainability initiatives and exploring opportunities to collaborate and partner with its customers and stakeholders. Sustainability advocates across the organisation are being developed and supported to lead and become involved in a variety of initiatives. Additionally, Port Authority will focus on continuing to embed sustainability across the organisation and within Port Authority's strategic pillars.

18 Heritage

18.1 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, protect and maintain heritage items on a Section 170 Heritage and Conservation Register (Register). At present, the 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 at heritage.nsw.gov.au

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. Work has started on one of the more significant heritage items, Hornby Lighthouse on South Head of Sydney Harbour, which will involve a heritage assessment and repair and conservation works of this significant and recognisable structure.

Port Authority has completed a review of its Register and is currently liaising with Heritage NSW on required changes to the State Heritage Inventory to reflect the integration of all of Port Authority's heritage listed assets under one Register

18.2 The year ahead

The year 2020/21 will focus on continuing to work with the Heritage NSW on the consolidation and updating of the Port Authority Register.



Grotto Point lighthouse in Middle Harbour, Sydney

19 Communication highlights

19.1 Overview

New video showcases work of Port Authority

A corporate video was launched in July 2019 to assist in communicating who Port Authority is and what it does, to stakeholders and the wider community.



Featuring employees from across the business, the video highlights how Port Authority works 24/7 to ensure the safety of vessels in its ports, the security of the working ports and the protection of the marine environment.

The video also highlights key facts and figures around NSW being home to some of the most economically significant ports in Australia – contributing billions of dollars to the economy and supporting thousands of jobs and countless businesses.

Safety campaign for recreational boaters

Following the successful launch of the ‘Look Out, Ships About’ safety campaign for recreational boaters in 2018, it was released again at the Sydney Boat Show 2019 and in social media and at sailing clubs around Sydney in Spring 2019. The campaign’s key message was about cruise and cargo ships not always having a clear line of sight to recreational boats, Port Authority employees joined the Roads and Maritime Services stall to spread the message on why recreational boaters need to steer clear of large ships in the harbour. This was achieved through a video along with distribution of safety packs containing a flyer, Harbour Master instructions and a sticker. With the daily attendance ranging from 8000 up to 18,033 people on the busiest day, and total visitors for 2019 of 60,149, the safety message reached thousands.



The social media campaign targeted recreational boaters in Sydney Harbour and Port Botany through advertisements on Facebook and Instagram. Commencing in the peak sailing period – December 2019 to March 2020 – the advertisements reached more than 130,000 people and more than 21,000 engagements were recorded.

Information packs were also distributed to the public in Sydney Harbour and Port Botany, and important information was shared at yacht club briefing sessions.

Social media

Port Authority continued to promote activities across the ports of NSW and to increase public understanding of Port Authority's work through its Instagram account @portauthorityNSW.

As of 30 June 2020, the account had organically gained nearly 2000 followers.

Port Authority's LinkedIn account gained over 2000 followers during 2018/19, reaching a total follower base of nearly 6500 by 30 June - an increase of 20 per cent on the previous year. During this time, 77 news updates were posted.

The increase in social media activity during 2019/20 has allowed Port Authority to better engage with community, to showcase its role and responsibilities and to advocate for the value of the working port.



Port Authority website

In the reporting year 2019/20, there were nearly 482,000 visits to portauthoritynsw.com.au, resulting in 2.2 million page views.

During 2019/20, 51 per cent of user sessions were via desktop computers, 41 per cent via mobile devices, and 8 per cent via tablet devices. In the reporting year 2019/20, 45 news and feature stories were published to the website.

The functionality of an alert banner was also introduced on the website. The alert banner can be customised to a specific port or applied to the entire site to better inform stakeholders of major activities occurring at and around the ports. The banner was most recently used for the purpose of notifying mariners of potential debris as a result of the loss of containers from APL *England* on 24 May 2020.

A refresh of the website also commenced in 2020. This will add more dynamic imagery, videos and icons throughout the site while providing improved usability and increasing readability, in particular to the site's navigation and landing pages.

Stakeholder newsletter: *Port Matters*

This financial year, Port Authority published three issues of its quarterly stakeholder newsletter *Port Matters*. The Autumn edition was paused due to the impacts of COVID-19.

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 2019/20 were:

- **Spring 2019:** Women in maritime – meeting the women keeping ships safe in NSW
- **Summer 2019:** Vessel Traffic Services – air traffic control of the sea
- **Winter 2020:** Supporting seafarer welfare in NSW – the unsung heroes of the sea.

Port Matters gained 386 subscribers during 2019/20 to reach a total subscriber base of 1472 – an increase of 35.5 per cent on the previous year. Subscribers are a mix of customers, community, industry and government stakeholders.

The average open rate for *Port Matters* is 58.5 per cent, compared to a benchmark average of 38.5 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 that share common goals. This reporting year Port Authority commenced a three-year sponsorship with the Australian National Maritime Museum. Through a shared goal to promote and advocate for the maritime industry, the sponsorship involves a dedicated space with exhibits that provide opportunities to build brand awareness about key port operations and educate museum attendees on the value of ports in NSW.

In addition, Port Authority sponsored a number of community and industry events including the Surf Life Saving NSW Awards of Excellence 2019 and the Australian Shipping and Maritime Industry Awards 2019, run by *Daily Cargo News*.

19.2 The year ahead

A key focus for the year ahead will be to grow the Port Authority brand by building stronger relationships with our port communities, collaborating more with our stakeholders and advocating for our customers and industry.



Aerial view of Newcastle Harbour

18 Financial statements

Newcastle Port Corporation

(Trading as Port Authority of New South Wales)

Financial statements

For the year ended 30 June 2020

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Director's declaration

For the year ended 30 June 2020

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

DIRECTORS' DECLARATION For the year ended 30 June 2020

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 2020 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* 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: 8 September 2020

Chief Executive Officer and Director
Philip Holliday
Date: 8 September 2020

Independent auditor's report

For the year ended 30 June 2020



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 the 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 2020, the Statement of Financial Position as at 30 June 2020, 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 2020, 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.

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 (including Independence Standards)' (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.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements for the year ended 30 June 2020. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, I do not provide a separate opinion on these matters.

Key Audit Matter	How my audit addressed the matter
Impairment of property, plant and equipment	
<p>At 30 June 2020, the Corporation’s statement of financial position reported \$435 million in property, plant and equipment. This is measured at fair value using the market and cost approach valuation techniques less any impairment.</p> <p>The Corporation calculates the property, plant and equipment ‘value in use’ to measure the extent of any impairment loss. The ‘value in use’ is based on a discounted cash flow (DCF) model.</p> <p>I consider this to be a key audit matter because:</p> <ul style="list-style-type: none"> • property, plant and equipment is financially significant to the statement of financial position • the DCF model used for impairment assessment is complex and involves significant judgements and assumptions • changes in assumptions, such as the discount rate, terminal value, demand growth expectations, price and cost assumptions, can significantly affect the carrying value of property, plant and equipment. 	<p>Key audit procedures included the following:</p> <ul style="list-style-type: none"> • obtained an understanding of management’s approach to assessing impairment of property, plant and equipment • reviewed whether the DCF model incorporated all key assumptions and inputs relevant to assessing impairment of property, plant and equipment and met the requirements of Australian Accounting Standards • reviewed the reasonableness of the key assumptions and sensitivity of the conclusions to changes in the assumptions • reviewed the calculation in the DCF model.
Valuation of defined benefit superannuation liabilities	
<p>At 30 June 2020, the Corporation’s statement of financial position reported defined benefit superannuation liabilities totalling \$14.5 million. This liability balance is provided to the Corporation by the Administrator of the SAS Trustee, based on an independent actuarial assessment.</p> <p>I considered this to be a key audit matter because:</p> <ul style="list-style-type: none"> • the defined benefit superannuation liability is financially significant • the underlying liability valuation model (the model) is complex due to the significant degree of judgement required to determine key assumptions used to value the liability • the total value of the liability is sensitive to minor changes in assumptions. 	<p>Key audit procedures included the following:</p> <ul style="list-style-type: none"> • obtained an understanding of the processes and key controls in place supporting the defined benefit superannuation liability calculation • assessed the completeness and accuracy of the membership data used in the model • with the assistance of actuarial experts, reviewed the methodology and key assumptions for reasonableness • assessed qualifications, competence and objectivity of actuarial experts • evaluated the adequacy of financial statement disclosures against the requirements of applicable Australian Accounting Standards and Treasury Directions.
<p>Further information on the significant actuarial assumptions and sensitivity analysis is disclosed in Note 18.</p>	

Independent auditor's report *continued*

Other Information

The Corporation's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The directors of the Corporation 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 in accordance with Australian Accounting Standards, the PF&A Act and the *State Owned Corporations Act 1989* 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.

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/ar6.pdf. The description forms part of my auditor's report.

Independent auditor's report *continued*

The scope of my audit does not include, nor 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.



Lawrissa Chan
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

8 September 2020
SYDNEY

Statement of comprehensive income

For the year ended 30 June 2020

	Note	2020 \$000	2019 \$000
<u>Continuing operations</u>			
Revenue			
Revenue from port management	3	152,691	155,013
Other revenue	3	24,711	21,081
Total revenue		177,402	176,094
Expenses			
Employee related expenses	4	77,470	74,602
Depreciation and amortisation expenses	4	24,666	22,620
Other expenses	4	56,156	51,741
Finance costs	4	6,199	4,017
Total expenses		164,491	152,980
Net gain on sale of property, plant and equipment		175	46
Other (losses) / gains	5	(340)	35
Profit before income tax equivalent expense		12,746	23,195
Income tax equivalent expense	6	(1,921)	(5,175)
Net profit for the year		10,825	18,020
Other comprehensive income / (expense)			
<i>Items that will not be reclassified to net result:</i>			
Superannuation actuarial gains / (losses)	17(b)	6,884	(11,982)
Income tax equivalent (expense) / benefit on superannuation actuarial gains / (losses)	17(b)	(2,065)	3,595
Fair value revaluation gain on property, plant and equipment	17(a)	192	1,884
Income tax equivalent expense on revaluation of property, plant and equipment	17(a)	(58)	(565)
Other comprehensive income for the year, net of income tax equivalent expense		4,953	(7,068)
Total comprehensive income for the year		15,778	10,952

The accompanying notes form a part of the financial statements.

Statement of financial position

As at 30 June 2020

	Note	2020 \$000	2019 \$000
ASSETS			
Current assets			
Cash and cash equivalents	7	17,351	17,015
Trade and other receivables	8	16,600	14,685
Total current assets		33,951	31,700
Non-current assets			
Receivables	8	105,648	97,992
Property, plant and equipment	9	435,455	441,617
Right of use assets	10	11,435	-
Investment property	11	8,000	7,700
Intangible assets	12	2,290	1,353
Deferred tax equivalent assets	6	13,538	14,209
Total non-current assets		576,366	562,871
TOTAL ASSETS		610,317	594,571
LIABILITIES			
Current liabilities			
Trade and other payables	13	23,581	19,184
Interest-bearing liabilities	15	14,512	-
Income tax equivalent payable	6	3,333	2,111
Dividend payable	16	13,500	9,000
Provisions	14	22,217	20,085
Total current liabilities		77,143	50,380
Non-current liabilities			
Other liabilities	13	1,955	2,068
Interest-bearing liabilities	15	140,239	144,177
Deferred tax equivalent liabilities	6	49,570	53,092
Provisions	14	2,636	2,808
Post-employment benefits	18	14,488	20,038
Total non-current liabilities		208,888	222,183
TOTAL LIABILITIES		286,031	272,563
NET ASSETS		324,286	322,008
EQUITY			
Contributed equity	17	165,768	165,768
Asset revaluation reserves	17	60,223	60,089
Retained earnings	17	98,295	96,151
TOTAL EQUITY		324,286	322,008

The accompanying notes form a part of the financial statements.

Statement of changes in equity

For the year ended 30 June 2020

	Note	Contributed equity \$000	Asset revaluation reserve \$000	Retained earnings \$000	Total \$000
Balance at 1 July 2018		165,768	58,770	95,518	320,056
Net profit for the year	17(b)	-	-	18,020	18,020
Other comprehensive income	17(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	16	-	-	(9,000)	(9,000)
Balance at 30 June 2019		165,768	60,089	96,151	322,008
Balance at 1 July 2019		165,768	60,089	96,151	322,008
Net profit for the year	17(b)	-	-	10,825	10,825
Other comprehensive income	17(a)&(b)	-	134	4,819	4,953
Total comprehensive income for the year		-	134	15,644	15,778
Transaction with owners in their capacity as owners					
Increase in net assets from equity transfer	17	-	-	-	-
Dividend declared	16	-	-	(13,500)	(13,500)
Balance at 30 June 2020		165,768	60,223	98,295	324,286

The accompanying notes form a part of the financial statements.

Statement of cash flows

For the year ended 30 June 2020

	Note	2020 \$000	2019 \$000
Cash flows received from operating activities			
Receipts from customers		184,208	183,690
Payments to suppliers and employees		(143,159)	(141,440)
Interest received		116	309
Finance costs paid		(5,774)	(2,390)
Payment of government guarantee fees		(1,120)	-
Income tax equivalent paid		(5,673)	(6,932)
Net cash flows received from operating activities	7(a)	28,598	33,237
Cash flows used in investing activities			
Payments for capital expenditure		(16,845)	(12,669)
Proceeds from sale of property, plant and equipment		291	139
Net cash flows used in investing activities		(16,554)	(12,530)
Cash flows used in financing activities			
Repayments of lease liabilities		(2,708)	-
Proceeds from borrowings		-	145,000
Dividends paid		(9,000)	(200,000)
Net cash flows used in financing activities		(11,708)	(55,000)
Net increase (decrease) in cash and cash equivalents		336	(34,293)
Cash and cash equivalents at the beginning of the financial year		17,015	51,308
Cash and cash equivalents at the end of the financial year	7	17,351	17,015

The accompanying notes form a part of the financial statements.

Notes to the financial statements

For the year ended 30 June 2020

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 2020 are authorised for issue in accordance with a resolution of the Directors on 8 September 2020.

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) at Rozelle. Other business activities include management of dry bulk facilities at Glebe Island.

COVID-19 Pandemic

On 27 February 2020, the Australian Federal Government declared COVID-19 a pandemic and the country has activated the Australian Health Sector Emergency Response Plan for COVID-19.

In early February 2020, the Corporation commenced measures to strengthen its protection of marine operations staff in the execution of their duties, primarily by providing increased levels of Personal Protective Equipment namely the provision of face masks; eye protection; antibacterial gel and wipes; disposable gloves and protective garments. For non-marine operations staff, the Corporation commenced to test its work from home capabilities. This included reimbursing staff for the additional equipment purchased such as laptops, office chairs, printers, computer monitors and other devices, in order to facilitate them working from home. The Corporation also increased levels of cleaning using existing external contractors throughout the period. On 6 March 2020, a crisis management team was established as part of its Business Continuity Plan.

On 15 March 2020, the Federal Government's temporary ban on the entry of cruise ships initially for 30 days and subsequently extended twice to 17 December 2020 has had the most impact on the Corporation's business and revenue. As a result of the Federal Government ban, all cruise ship calls in the Corporation's booking system were either cancelled or resulted in a "no-show". In normal circumstances, under the Port Charges and cruise booking policy,

any cancelled or no-show calls within six months of the vessel call would allow the Corporation to levy a cancellation fee. This fee is calculated as the vessel's stated passengers capacity multiplied by the Corporation's current site occupation fee per passenger. However, for any cancellation or no-show as a result of the Federal Government ban on cruise ships calling to Sydney Harbour and Eden, neither the Corporation nor the cruise operators are able to perform the contracted service. Accordingly, the contracts have been frustrated, leading to a termination of each of these contracts for the provision of cruise facilities in Sydney Harbour and Eden and an inability to recover cancellation fees. In addition, the Corporation will also not receive navigation and pilotage fees which would normally be derived from these cruise calls. Other trade revenue, particularly container and bulk fuel vessels, also declined due to COVID-19.

With the effective shut down of cruise operations as a result of the Federal Government ban, retail tenants made up of cafés and restaurants at the OPT and the WBCT were also impacted by the NSW Government announced closure of all non-essential services from 23 March 2020. The Corporation has provided all retail tenants at the OPT and the WBCT with rental relief effective 22 March 2020. In addition, the Federal Government released the *National Cabinet Mandatory Code of Conduct – SME Commercial Leasing Principles*, the purpose of which is to impose a set of good faith leasing principles upon landlords and tenants impacted by COVID-19. As a result, the Corporation has also provided rental relief to eligible tenants applying these principles.

The Corporation has assessed these impacts to the business and continues to consider that the COVID-19 pandemic will not impact the Corporation's ability to continue to operate as a going concern.

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, and investment property.

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.

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, the Corporation's functional currency. All values are rounded to the nearest thousand dollars (\$000) unless otherwise stated.

Note 2 *continued*

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.

Several other amendments and interpretations apply for the first time in this financial year, but do not have an impact on the financial statements of the Corporation.

(i) AASB 16 Leases

AASB 16 *Leases* (AASB 16) is effective for reporting periods commencing on or after 1 January 2019. It replaces AASB 117 *Leases*, and related Interpretations. On 1 July 2019, the Corporation has adopted AASB 16 through application of the partial retrospective approach, where only the current year is adjusted as though AASB 16 had always been applied. Comparative information has not been restated, as permitted under the specific transitional provisions in the standard.

Impact of the accounting standard

AASB 16 introduces new or amended requirements with respect to lease accounting. For lease arrangements where the Corporation is the lessee, AASB 16 will result in most lease liabilities being recognised on the statement of financial position, as the distinction (which existed under AASB 117) 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 Corporation elected to use the practical expedient to expense lease payments for lease contracts that, at their commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is valued at \$10,000 or less when new (low-value assets).

Applying AASB 16 for all operating leases, the Corporation:

- Recognises right-of-use (ROU) assets and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments;
- Recognises depreciation of ROU assets and interest on lease liabilities in profit or loss;
- Recognises rental payments as a reduction of lease liabilities and therefore, reduces operating lease rental expenses in profit or loss; and
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of cash flows.

The accounting for lessors under AASB 16 does not significantly change. The Corporation however reviews 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.

Note 2 *continued*

Adjustments recognised on the adoption of AASB 16

On adoption of AASB 16, the Corporation recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the rate implicit in each lease. Where there is no such rate in a lease agreement, a lessee uses their incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 3.21%.

Refer to note 10 for the accounting policy of lease liabilities.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019 as follows:

	\$000
Operating lease commitments disclosed as at 30 June 2019, GST excluded	13,885
Discounted using the Corporation's incremental borrowing rate of at the date of initial application	(1,463)
Add (Less):	
- Short-term and low value leases not recognised on the statement of financial position	(8)
- Adjustments as a result of a different treatment of extension and termination options	1,937
- Adjustments relating to changes in the index or rate affecting variable payments	177
Lease liabilities recognised as at 1 July 2019	14,528
<i>Of which are:</i>	
Current lease liabilities	2,666
Non current liabilities	11,862
	14,528

Refer to note 10 for the accounting policy of ROU assets.

The Corporation has used the practical expedient within AASB 16 which allows the ROU asset values to be taken as equal to lease liabilities at the transition date.

As such, on the initial application date, 1 July 2019, there was no adjustment required to the retained earnings because no prepaid or accrued lease payments or onerous lease contracts were identified.

Note 2 *continued*

The ROU assets relate to the following types of assets:

	30 Jun 2020	1 Jul 2019
	\$000	\$000
Land and buildings	10,513	13,541
Wharves, jetties and breakwaters	521	677
Plant	401	310
Total ROU assets	11,435	14,528

The change in accounting policy affected the following items in the Statement of Financial Position on 1 July 2019:

- ROU assets – increased by \$14,528,000
- Lease liabilities – increased by \$14,528,000

The net impact on retained earnings on 1 July 2019 is nil.

Practical expedients applied

In applying AASB 16 for the first time, the Corporation has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Reliance on previous assessments on whether leases are onerous;
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- The exclusion of initial direct costs for the measurement of the ROU asset at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Corporation has elected not to re-assess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered before the transition date the Corporation relied on its assessment made applying AASB 117 *Leases* and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

New accounting standards and interpretations – issued but not yet 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 financial year ended 30 June 2020.

The Corporation's preliminary assessment of the impact of new standards (to the extent relevant to the Corporation) and interpretations is set out below:

AASB 1059 *Service Concession Arrangements: Grantors*

AASB 1059 *Service Concession Arrangements: Grantors* will be effective and applicable for reporting periods beginning on or after 1 January 2020. It addresses the accounting for a service concession arrangement by a grantor that is a public sector entity by prescribing the accounting for the arrangement from the grantor's perspective. The Corporation has not identified any service concession arrangement as a grantor based on a preliminary

Note 2 *continued*

assessment. Initial application of this standard is not expected to have any material impact to the financial statements of the Corporation.

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 10 Leases
- Note 11 Investment property
- Note 14 Provisions
- Note 18 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, except the change of accounting policies of ROU assets and lease liabilities due to the adoption of AASB 16 *Leases*.

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

	2020 \$000	2019 \$000
Continuing operations		
<i>Revenue from port management</i>		
Port revenue	123,983	128,652
Rental revenue	17,293	15,325
Navigation recharge	11,415	11,036
	152,691	155,013
<i>Other revenue</i>		
Interest from bank and other	168	353
Finance lease income	6,720	6,282
Land tax recoverable from tenants	245	231
Fee for Penrhyn Estuary services	1,285	1,260
Recoverable security	5,220	5,707
Insurance recovery – loss of trade income	5,000	-
Other recoveries	3,379	2,777
Other revenue	2,694	4,471
	24,711	21,081
Total revenue	177,402	176,094

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.

In this financial year, following the effective shut down of cruise operations as a result of the Federal Government ban, retail tenants made up of cafés and restaurants at the Corporation's cruise terminal facilities, the OPT and the WBCT, were also impacted by the NSW Government announced closure of all non-essential services that included cafés and restaurants from 23 March 2020. The Corporation has provided all retail tenants at the OPT and the WBCT with rental relief effective 22 March 2020. In addition, the Federal Government released the *National Cabinet Mandatory Code of Conduct – SME Commercial Leasing Principles*, the purpose of which is to impose a set of good faith leasing principles upon landlords and tenants impacted by COVID-19. As a result, the Corporation has also provided

Note 3 *continued*

rental relief to eligible tenants applying these principles. The Corporation has re-calculated the straight-line operating lease income over the remaining term of impacted leases.

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.

Finance lease income

Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Corporation's net investment outstanding in respect of the finance leases. Refer to note 8 for the nature of the finance leases.

Recoverable security

Recoverable security is recognised when the Corporation satisfies the distinct performance obligation by providing the required security services at the cruise terminals.

Insurance recovery – business interruption claim

An insurance recovery has been recognised as income and was received in June 2020. This interim payment relates to the insurance cover the Corporation has for the loss of revenue resulting from Federal and State Government restrictions on the movement of cruise ships and associated businesses.

Other revenue

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

(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 customers. During the year, revenue recognised at a point in time amounted to \$86.9 million (2019: \$87.6 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 \$66.3 million (2019: \$66.5 million). Key types of revenue recognised over time include the 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.

	2020	2019
	\$000	\$000
Total revenue recognised from contracts with customers	153,221	154,134
Rental revenue	17,293	15,325
Finance lease income	6,720	6,282
Interest from bank and other	168	353
Total revenue	177,402	176,094

Note 4 Expenses

Continuing operations	Note	2020 \$000	2019 \$000
<i><u>Employee related expenses</u></i>			
Salaries and wages		56,287	53,538
Annual leave		6,030	6,467
Long service leave		2,429	2,459
Payroll tax		3,740	3,610
Fringe benefits tax		354	395
Workers compensation insurance		589	787
Salary continuance insurance		1,109	1,092
Retirement benefits – defined benefit		1,358	1,094
Retirement benefits – accumulation		5,574	5,160
		77,470	74,602
<i><u>Depreciation and amortisation expenses</u></i>			
Depreciation of property, plant and equipment	9(c)	21,226	22,195
Depreciation of ROU assets	10(b)	3,058	-
Amortisation of intangible assets	12(a)	382	425
		24,666	22,620
<i><u>Other expenses</u></i>			
Service contractors		20,908	18,051
Repairs and maintenance		8,844	7,083
Indirect taxes		3,912	3,587
Utilities and communications		2,874	2,959
Insurance		1,455	1,369
Legal costs		1,121	851
Materials		1,861	1,714
Operating lease payments		-	2,858
Charges for short term, low value leases and variable lease payments	10(e)	344	-
Directors' remuneration	24(a)	314	372
Auditors' remuneration		242	237
Expected credit losses	8(a)	54	-
Consultant fees	23	63	-
Channel fees		7,216	7,121
Other operations and services		6,948	5,539
		56,156	51,741
<i><u>Finance costs</u></i>			
Finance cost on loans and borrowings		5,677	4,044
Interest expense on lease liabilities	10(c)	455	-
Unwinding of discount on provisions		70	(30)
Other finance costs		(3)	3
		6,199	4,017
Total expenses		164,491	152,980

Note 4 *continued*

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.

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.

Repairs and maintenance

Day-to-day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement or an enhancement of a part or component of an asset, in which case the costs are capitalised and depreciated.

Insurance

The Corporation's insurance activities are conducted through several insurance entities. The expense (premium) is determined based on past claims experience.

Operating lease payments (applicable to the comparative period only)

Where the Corporation is the lessee, operating lease payments are recognised as expenses in profit or loss on a straight-line basis over the lease term.

Borrowing costs

Borrowing costs are expensed as incurred within finance costs in profit or loss 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 (losses) gains

	Note	2020 \$000	2019 \$000
Other (Losses) Gains			
Net revaluation increments - property, plant and equipment	9(c)	-	35
Reversal of impairment of property, plant and equipment	9(c)	33	-
Valuation loss of investment property	11	(373)	-
Total other (losses) gains		(340)	35

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 profit or loss, the increment is recognised as a gain in profit or loss.

Asset revaluation decrements are recognised immediately in profit or loss, 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 profit or loss except for assets under revaluation as the impairment loss will first be recognised through each asset's revaluation reserve prior to recognition in profit or loss.

Investment property revaluation

Investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period of which they arise.

Note 6 Income tax equivalent expense

	2020	2019
	\$000	\$000
Income tax equivalent expense		
Current tax	(6,895)	(6,998)
Deferred tax	4,974	1,823
	<u>(1,921)</u>	<u>(5,175)</u>
Deferred tax		
<i>Deferred income tax equivalent expense included in income tax equivalent expense comprises:</i>		
Increase / (Decrease) in deferred tax assets	1,394	(131)
Decrease in deferred tax liabilities	3,580	1,954
	<u>4,974</u>	<u>1,823</u>
Deferred tax equivalent assets		
Underfunded defined benefits superannuation	4,347	6,012
Leave entitlements	7,281	6,714
Accrued expenses	1,327	1,138
Other	583	345
	<u>13,538</u>	<u>14,209</u>
Deferred tax equivalent liabilities		
<i>The balance comprises temporary differences attributable to:</i>		
Depreciation and revalued property, plant and equipment	49,397	52,677
Other	173	415
	<u>49,570</u>	<u>53,092</u>

Note 6 *continued*

	2020 \$000	2019 \$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	12,746	23,195
Prima facie tax thereon at 30%	(3,824)	(6,959)
Add tax effect of items with differential accounting / tax treatment:		
Add items not deductible	(89)	(77)
Subtract items not assessable	2,016	1,885
Other non-deductible expenses in respect of initial recognition exemption assets	(24)	(24)
Total income tax equivalent expense attributable to operating profit	(1,921)	(5,175)
Amounts recognised directly in equity		
Net deferred tax debited / (credited) directly to equity	2,123	(3,030)
Movement in income tax equivalent payable		
Balance at the beginning of the financial year	2,111	2,045
Current income tax equivalent	6,895	6,998
Payments	(5,673)	(6,932)
Balance at the end of the year	3,333	2,111

<u>Movement in deferred tax equivalent assets</u>				
At 30 June 2020	Opening balance	Charges to income	Charges to equity	Closing balance
	\$000	\$000	\$000	\$000
Leave entitlements	6,714	567	-	7,281
Underfunded defined benefits superannuation	6,012	400	(2,065)	4,347
Accrued expenses	1,138	189	-	1,327
Other	345	238	-	583
	14,209	1,394	(2,065)	13,538

Note 6 *continued*

Movement in deferred tax equivalent assets				
At 30 June 2019	Opening balance	Charges to income	Charges to equity	Closing balance
	\$000	\$000	\$000	\$000
Leave entitlements	6,248	466	-	6,714
Underfunded defined benefits superannuation	2,097	320	3,595	6,012
Accrued expenses	1,484	(346)	-	1,138
Other	916	(571)	-	345
	10,745	(131)	3,595	14,209

Movement in deferred tax equivalent liabilities				
At 30 June 2020	Opening balance	Charges to income	Charges to equity	Closing balance
	\$000	\$000	\$000	\$000
Depreciation, revaluation and derecognition of property, plant and equipment	52,677	(3,338)	58	49,397
Other	415	(242)	-	173
	53,092	(3,580)	58	49,570

Movement in deferred tax equivalent liabilities				
At 30 June 2019	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
	54,481	(1,954)	565	53,092

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 laws 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

Note 6 *continued*

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 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.

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

	2020	2019
	\$000	\$000
Cash at bank	743	2,117
TCorpIM Cash Fund	16,608	14,898
Cash and cash equivalents	17,351	17,015

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.

Note 7 *continued*

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.

Refer to note 20 for details of credit risk and market risk arising from financial instruments.

(a) Reconciliation from the net profit for the year to the net cash flows received from operating activities:

	2020	2019
	\$000	\$000
Net profit for the year	10,825	18,020
Adjustments for:		
Depreciation and amortisation expenses	24,666	22,620
Investment property valuation decrement	373	-
Amortisation of discount on borrowings	(1,211)	(823)
Net revaluation increments of property, plant and equipment	-	(35)
Net gain on sale of property, plant and equipment	(175)	(46)
Reversal of impairment of property, plant and equipment	(33)	-
Write-off of property, plant and equipment	851	42
Finance lease income	(6,720)	(6,282)
	28,576	33,496
Changes in assets and liabilities applicable to operating activities		
Increase in trade and other receivables	(2,478)	(1,841)
(Increase) / Decrease in deferred tax equivalent assets	(1,394)	131
Decrease in deferred tax equivalent liabilities	(3,580)	(1,954)
Increase in income tax equivalent payable	1,222	66
Increase in trade and other payables	2,958	749
Increase in provisions	1,960	1,522
Increase in other liabilities	1,334	1,068
Net cash flows received from operating activities	28,598	33,237

Note 7 *continued***Significant non-cash activities**

All payments from finance leases were received upfront. No further payments will be received, therefore finance lease income represents the movement in finance lease receivables as a non-cash activity. Refer to note 8(b) for details of finance lease receivables.

Non-cash investing and financing transactions

The Corporation has no significant non-cash investing and financing transactions in both years.

Note 8 Trade and other receivables

		2020	2019
		\$000	\$000
Current			
Trade receivables		8,405	7,003
Other receivables		3,709	3,175
		12,114	10,178
Allowance for expected credit loss	8(a)	(54)	-
		12,060	10,178
Prepayments		939	1,015
Lease incentive receivable		290	117
Accrued income		3,311	3,375
		16,600	14,685
Non-current			
Lease incentive receivable		2,479	1,478
Other non-current receivable		-	65
Finance lease receivable	8(b)	103,169	96,449
		105,648	97,992

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 losses (ECLs) 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.

Note 8 *continued*

Lease incentives – as lessor

Payments made by a lessor to a lessee associated with a lease, or the reimbursement or assumption by a lessor of costs of a lessee.

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 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
2020	12,114	7,915	1,609	922	428	179	1,061
ECLs	0.45%	0.02%	0.02%	0.30%	2.23%	3.21%	3.21%
2019	10,178	8,600	1,240	205	85	48	-
ECLs	0%	0%	0%	0%	0%	0%	0%

Movements in the allowance for ECLs are as follows:

	Note	2020 \$000	2019 \$000
Balance at 1 July		-	-
Current year charges	4	54	-
Closing balance		54	-

The Corporation trades only with recognised creditworthy third parties. Customers who wish to transact on credit terms are subject to credit verification procedures which may result in obtaining bank guarantees. In addition, trade and other receivable balances are monitored on an ongoing basis.

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

Note 8 *continued*

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. The Corporation recognised allowance for ECLs on its financial assets in the amount of \$54,000 (2019: nil).

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 \$1.8 million (2019: \$1.7 million) and is 1.28% of total financial assets (2019: 1.34%).

Refer to note 20(c) for further details of credit risk of trade receivables that are neither past due nor impaired.

(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 License 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 2020 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 2020, the Corporation has recognised \$2.9 million (2019: \$2.7 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 2020 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 2020, the Corporation has recognised \$2.2 million (2019: \$2.1 million) finance lease income from the accretion of the finance lease receivable.

Note 8 *continued*

(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 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 2020 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 2020, the Corporation has recognised \$1.6 million (2019: \$1.5 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 owned property, plant and equipment at fair value

At fair value	2020 \$000	2019 \$000
Land and buildings (gross carrying amount)	320,351	319,997
Accumulated depreciation	(24,915)	(20,738)
Net carrying amount	295,436	299,259
Roadways and bridges (gross carrying amount)	16,328	13,374
Accumulated depreciation	(4,361)	(3,484)
Net carrying amount	11,967	9,890
Wharves, jetties and breakwaters (gross carrying amount)	87,588	87,588
Accumulated depreciation	(44,930)	(37,649)
Net carrying amount	42,658	49,939
Plant (gross carrying amount)	128,358	112,599
Accumulated depreciation	(52,171)	(45,991)
Net carrying amount	76,187	66,608
Construction in progress		
- Land and buildings	4,594	1,811
- Roadways and bridges	229	2,556
- Wharves, jetties and breakwaters	2,946	422
- Plant	1,438	11,132
Total construction in progress	9,207	15,921
Total property, plant and equipment at fair value (net carrying amount)	435,455	441,617

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. Property, plant and equipment is subsequently revalued at fair value less accumulated depreciation and impairment. 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 profit or loss.

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

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 the asset's 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, the 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.

No asset impairment loss was recognised in the current financial year (2019: nil).

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

Note 9 *continued*

are valued at market buying price, the best indicator of which is the replacement cost of the 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 19 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. Infrastructure assets are subject to a comprehensive valuation at least every 5 years. Where the Corporation revalue 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) conducted a comprehensive review and provided gross values for land and buildings at 30 June 2018. Interim reviews have been conducted by Aon since 2018 in order to assist management applying indices to assets. In the financial year ended 30 June 2020, Aon has considered the impact of COVID-19 to the value of land and buildings and recommended no index be applied to the value of these assets. Management has considered this recommendation and applied no index to land (2019: 0%), and buildings (2019: 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. From the last comprehensive review, these assets were appropriately indexed by 2.2% and 2.0% at 30 June 2018 and 30 June 2019 respectively. In the financial year ended 30 June 2020, MDA advised management that the impact of COVID-19 to the index applicable to these assets was uncertain. Management has considered this advice and applied no index to the values of wharves, jetties and breakwaters, roadways and bridges.

Note 9 *continued*

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.

(c) 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 2019		299,259	9,890	49,939	66,608	425,696
Additions		-	-	-	3	3
Revaluation increments recognised in other comprehensive income	17(a)	187	5	-	-	192
Reversal of impairment	5	-	-	-	33	33
Transfer from construction in progress	9(e)	171	2,954	-	19,392	22,517
		299,617	12,849	49,939	86,036	448,441
Depreciation charge	4	(4,181)	(882)	(7,281)	(8,882)	(21,226)
Write-offs		-	-	-	(851)	(851)
Disposals		-	-	-	(116)	(116)
Balance at 30 June 2020		295,436	11,967	42,658	76,187	426,248

	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	17(a)	449	177	1,258	-	1,884
Revaluation increments recognised in profit or loss	5	8	22	5	-	35
Transfer from construction in progress	9(e)	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 9 *continued*

(d) 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	2020 \$000	2019 \$000
Land and buildings (gross carrying amount)	259,920	259,748
Accumulated depreciation	(22,874)	(19,141)
Net carrying amount	237,046	240,607
Roadways and bridges (gross carrying amount)	14,846	11,892
Accumulated depreciation	(4,279)	(3,669)
Net carrying amount	10,567	8,223
Wharves, jetties and breakwaters (gross carrying amount)	74,832	74,832
Accumulated depreciation	(49,710)	(42,158)
Net carrying amount	25,122	32,674
Plant (gross carrying amount)	129,119	113,360
Accumulated depreciation	(52,395)	(46,454)
Net carrying amount	76,724	66,906
Construction in progress	9,207	15,921
Total property, plant and equipment	358,666	364,331

Note 9 *continued*

(e) Movement in construction in progress

	Note	2020 \$000	2019 \$000
Balance at 1 July		15,921	5,145
Additions		17,122	13,966
		33,043	19,111
Transfers to property, plant and equipment	9(c)	(22,517)	(2,899)
Transfers to intangible assets	12(a)	(1,319)	(291)
Closing balance		9,207	15,921

There was no borrowing cost capitalised in either year.

Note 10 Leases

(a) Carrying amounts of right-of-use assets

At cost	Note	2020 \$000	2019 \$000
ROU - Land and buildings		13,329	- ^(*)
Accumulated depreciation		(2,816)	-
Net carrying amount		10,513	-
ROU – Wharves, jetties and breakwaters		574	-
Accumulated depreciation		(53)	-
Net carrying amount		521	-
ROU – Plant		590	-
Accumulated depreciation		(189)	-
Net carrying amount		401	-
Total ROU assets		11,435	-

(*) AASB 16 *Leases* was adopted on 1 July 2019 as disclosed in note 2. Accordingly, the carrying amount of ROU assets was nil as at 30 June 2019.

Recognition and measurement

Right-of-use assets

The Corporation recognises ROU assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). ROU assets are initially measured at the amount of initial measurement of the lease liability, adjusted by any lease payments made at or before

Note 10 *continued*

the commencement date and lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site.

The ROU assets are subsequently measured at cost. They are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- | | |
|--|---------------|
| ▪ ROU - Buildings | 5 to 12 years |
| ▪ ROU - Wharves, jetties and breakwaters | 12 years |
| ▪ ROU - Plant | 3 to 5 years |

Impairment testing of ROU assets

ROU assets are subject to impairment testing. The Corporation assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when the annual impairment testing for an asset is required, the Corporation estimates the asset's recoverable amount. When the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. After an impairment loss has been recognised, it is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset shall be increased to the lower of its recoverable amount and the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in profit or loss.

No impairment loss was recognised in the current financial year.

The Corporation's leasing activities

The Corporation leases various properties and equipment. The duration of property lease contracts is typically fixed for periods of 3 to 10 years. These contracts may also include extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease arrangements do not impose any covenants, but leased assets cannot be used as security for borrowing purposes.

Critical judgements in determining the lease term

In determining the lease term, the Corporation considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs that affects this assessment and that is within the control of the lessee.

The value of ROU assets will increase / decrease if the lease terms increase / decrease. Any change in the estimate of the remaining lease terms impacts directly on the value of the ROU assets, and correspondingly in the lease liabilities.

Note 10 *continued*

The Corporation as a lessee

(b) Movements in ROU assets

	Note	ROU - Land and buildings \$000	ROU - Wharves, jetties and breakwaters \$000	ROU - Plant \$000	Total ROU \$000
At 1 July 2019		13,541	677	310	14,528
Additions		-	-	291	291
Depreciation charge	4	(2,816)	(53)	(189)	(3,058)
Changes in index or rates affecting variable payments		(212)	(103)	(11)	(326)
Balance at 30 June 2020		10,513	521	401	11,435

(c) Lease liabilities

The following table presents liabilities under leases.

	Note	2020 \$000	2019 \$000
At 1 July 2019		14,528	(*)
Additions		291	-
Interest expenses	4	455	-
Rental payments		(3,163)	-
Changes in the index or rates affecting variable payments		(326)	-
Balance at 30 June 2020	15	11,785	-

(*) AASB 16 *Leases* was adopted on 1 July 2019 as disclosed in note 2. Accordingly, lease liabilities were nil as at 30 June 2019.

Lease liabilities

Lease liabilities include the net present value of the following lease payments:

- Fixed payments, less any lease incentive receivables;
- Variable lease payments that are based on an index or a rate. Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the ROU asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in profit or loss;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option, if any, if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Corporation's leases, the

Note 10 *continued*

lessee's incremental borrowing rate inclusive of the government guarantee rate is used, being the rate that the Corporation would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment with similar terms, security and conditions.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Corporation does not face a significant liquidity risk with regard to its lease liabilities. Its lease liabilities are included in the interest-bearing liabilities note 15.

(d) Lease liabilities maturity analysis

	Note	2020 \$000	2019 \$000
Lease liabilities			
Current	15	2,827	-
Non current	15	8,958	-
		11,785	-
Maturity analysis			
Not later than one year		2,827	-
Later than one year and not later than five years		8,209	-
Later than five years		749	-
Total lease liabilities		11,785	-

(e) Lease amounts recognised in profit or loss

The following amounts were recognised in profit or loss for the year ended 30 June 2020 in respect of leases where the Corporation is the lessee:

	Note	2020 \$000
Depreciation of ROU assets	4	3,058
Interest expense on lease liabilities	4	455
Charges for short term, low value leases, and variable lease payments, not included in the measurement of lease liabilities	4	344
Total amount recognised in profit or loss		3,857

The Corporation had total cash outflows for leases of \$2.708 million, net of interest, for the year ended 30 June 2020.

Note 11 Investment property

	2020	2019
	\$000	\$000
At fair value		
Land and building	8,000	7,700

At fair value		2020	2019
Movements	Note	\$000	\$000
Balance at 1 July		7,700	7,700
Additions		673	-
Loss on valuation	5	(373)	-
Closing balance		8,000	7,700

During the financial year, there were capital works undertaken to the investment property. Following the completion of capital works, the investment property carrying value is consistent with the fair value assessment 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 19.

The following amounts have been recognised in the net result:

	2020	2019
	\$000	\$000
Rental income	619	628
Direct operating expenses that generated rental income	(411)	(386)
Direct operating expenses that did not generate rental income	-	-
	208	242

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 profit or loss in the period in which they arise.

Note 11 *continued*

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 profit or loss in the period in which the property is derecognised.

No depreciation is charged on an investment property.

Note 12 Intangible assets

	2020	2019
	\$000	\$000
Carrying amounts (at cost)		
Software	5,463	4,144
Accumulated amortisation	(3,403)	(3,021)
Net carrying amount	2,060	1,123
Easements	230	230
Total intangible assets at cost (net carrying amount)	2,290	1,353

(a) Movements in intangible assets

	Note	2020	2019
		\$000	\$000
Balance at 1 July		1,353	1,487
Additions		769	291
Software development in progress		550	-
Transfer from construction in progress	9(e)	1,319	291
		2,672	1,778
Amortisation charge	4	(382)	(425)
Closing balance		2,290	1,353

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.

Note 12 *continued*

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.

Impairment of intangible assets

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to the recoverable amount and the reduction is recognised as an impairment loss.

Note 13 Trade and other payables

	Note	2020 \$000	2019 \$000
Current			
Trade payables		1,247	1,097
Accrued employee benefits	14(d)	4,138	3,417
Accrued borrowing costs		2,925	2,480
Accruals for assets under construction		4,626	3,675
GST payable		1,152	1,008
Other payables and accruals		6,344	4,614
Maintenance funds liability		1,088	917
Income received in advance		2,061	1,976
		23,581	19,184
Non-current			
Income received in advance		1,955	2,068
		1,955	2,068

Recognition and measurement

Trade and other payables

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.

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in note 20(d).

Accrued employee benefits

Accrued employee benefits include salaries and wages, payroll tax, fringe benefits tax, and retirement benefits that are expected to be paid wholly within 12 months after the end of the period in which the employees render the service. These amounts are recognised and measured at the undiscounted amount of the benefits. Aggregate employee benefits and related on-costs are disclosed in note 14(d).

Note 13 *continued***Income received in advance**

Income received in advance relates to consideration received in advance from customers for the performance obligations to be delivered in future periods.

Note 14 Provisions

	Note	2020 \$000	2019 \$000
Current			
Annual leave		8,610	7,674
Long service leave		13,047	11,922
Other employee benefits		560	489
	14(d)	<u>22,217</u>	<u>20,085</u>
Non-current			
Long service leave	14(d)	2,053	2,295
Provision for make good	14(a)	583	513
		<u>2,636</u>	<u>2,808</u>

(a) Movements in provision for make good

	Opening balance \$000	Adjustment to profit or loss \$000	Payments made \$000	Closing balance \$000
Non-current				
Provision for make good	<u>513</u>	70	-	<u>583</u>

(b) Annual leave obligations expected to be taken after 12 months

	2020 \$000	2019 \$000
Annual leave obligations expected to be taken after 12 months	<u>3,516</u>	<u>1,618</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 12 months.

Note 14 *continued*

(c) Long service leave obligations expected to be taken within 12 months

	2020	2019
	\$000	\$000
Long service leave obligations expected to be taken within 12 months	1,546	1,513

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 12 months.

(d) Aggregate employee benefits and related on-costs

	Note	2020	2019
		\$000	\$000
Provisions – current		22,217	20,085
Provisions – non current		2,053	2,295
Accrued employee benefits	13	4,138	3,417
		28,408	25,797

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. 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.

Note 14 *continued*

(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.

(iv) Consequential on-costs

Consequential costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes outstanding amounts of payroll tax, workers' compensation insurance premiums and superannuation. They are included in the provision for annual leave and long service leave.

(v) Salaries and wages

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Note 15 Interest-bearing liabilities

Current	Note	2020 \$000	2019 \$000
NSW TCorp borrowings	15(a)	11,685	-
Lease liabilities	10(c)	2,827	-
		14,512	-
Non Current			
NSW TCorp borrowings	15(a)	131,281	144,177
Lease liabilities	10(c)	8,958	-
		140,239	144,177

Recognition and measurement

Interest-bearing liabilities

Interest-bearing liabilities 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 year 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 (2019: \$245.0 million).

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.

Debt as at 30 June 2020 is classified in accordance with the intended repayment profile. Debt which is forecast to be repaid within 12 months of the reporting date is classified as current. The nominal contractual cash flow maturity profile of the debt portfolio is disclosed in note 20(d).

Note 15 *continued*

(a) Financial facilities

The Corporation had the following financing facilities in place at 30 June 2020 and 30 June 2019.

	2020	2019
	\$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	(142,966)	(144,177)
- Amount unused	102,034	100,823
(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 (2019: \$170,000) with the Commonwealth Bank of Australia with the balance cleared monthly.

The Corporation also had a purchasing card facility of \$50,000 (2019: \$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 20.

Note 16 Dividend payable

	2020 \$000	2019 \$000
Dividend payable	13,500	9,000

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 financial 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 2020, 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 \$13.5 million (2019: \$9.0 million) was recognised, with 50% to be paid prior to 1 August 2020 and the remaining balance prior to 1 December 2020.

Note 17 Equity

	Note	2020 \$000	2019 \$000
Contributed equity		165,768	165,768
Asset revaluation reserve	17(a)	60,223	60,089
Retained earnings	17(b)	98,295	96,151
		324,286	322,008

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 2020, 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 17 *continued*

Equity transfer on 30 June 2020

On 30 June 2020, assets at Eden were transferred to the Corporation from Crown Lands. These assets included an existing wharf, wharf extension, berthing box, mooring dolphins, breakwater and land adjoining the wharf area. An equity transfer, applying NSW Treasury guidelines and accounting standards, was agreed in writing in June 2020 between the Minister for Transport and Roads, representing the Corporation, and the Minister for Water, Property and Housing, representing Crown Lands. These assets were equity transferred to the Corporation from Crown Lands at \$1.

In accordance with NSW Treasury Policy TPP09-03 *Contributions by Owners made to Wholly-Owned Public Sector Entities*, the assets were transferred to the Corporation at the recipient's valuation. The fair value assessment conducted by the Corporation prior to the assets transfer concluded that the transferred assets would result in net negative cash flows which was mainly attributable to future maintenance costs being greater than incremental income. The transferred assets have been recognised at their fair value of \$1.

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	2020 \$000	2019 \$000
Balance at 1 July		60,089	58,770
Fair value revaluation of property, plant and equipment	9(c)	192	1,884
Income tax equivalent expense on revaluation of property, plant and equipment		(58)	(565)
Total other comprehensive income		134	1,319
Closing balance		60,223	60,089

Note 17 *continued*

(b) Movements in retained earnings

	Note	2020 \$000	2019 \$000
Balance at 1 July		96,151	95,518
Net profit for the year		10,825	18,020
Superannuation actuarial gains / (losses)	18(q)	6,884	(11,982)
Income tax equivalent (expense) / benefit on superannuation actuarial gains / losses		(2,065)	3,595
Other comprehensive income (expense)		4,819	(8,387)
Transaction with owners in their capacity as owners			
Dividend declared	16	(13,500)	(9,000)
Closing balance		98,295	96,151

Note 18 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

Note 18 *continued*

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 as 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;
- 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.

Note 18 *continued*

Amounts in the statement of financial position

	2020	2019
	\$000	\$000
Defined benefit liability	14,488	20,038

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.

(a) Reconciliation of the net defined benefit liability/(asset)

	SASS	SANCS	SSS	Total
	\$000	\$000	\$000	\$000
At 30 June 2020				
Opening net defined benefit liability/(asset)	8,712	1,196	10,130	20,038
Current service cost	348	119	301	768
Net Interest on the net defined benefit liability	257	35	298	590
Actual return on Fund assets less Interest income	87	4	749	840
Actuarial (gains) / losses	99	141	(7,964)	(7,724)
Employer contributions	-	-	(24)	(24)
Closing net defined benefit liability	9,503	1,495	3,490	14,488

Note 18 *continued*

	SASS	SANCS	SSS	Total
At 30 June 2019	\$000	\$000	\$000	\$000
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

(b) Reconciliation of the defined benefit obligation

	SASS	SANCS	SSS	Total
Year ended 30 June 2020	\$000	\$000	\$000	\$000
Present value of defined benefit obligations at beginning of the year	31,154	3,562	124,932	159,648
Current service costs	348	119	301	768
Interest costs	856	96	3,600	4,552
Contributions by participants	230	-	116	346
Actuarial (gains) / losses	99	141	(7,964)	(7,724)
Benefits paid	(3,132)	(452)	(5,680)	(9,264)
Taxes, premiums & expenses paid	(116)	(1)	245	128
Present value of defined benefit obligations at end of the year	29,439	3,465	115,550	148,454

	SASS	SANCS	SSS	Total
Year ended 30 June 2019	\$000	\$000	\$000	\$000
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 18 *continued*

(c) Reconciliation of the fair value of Fund assets

	SASS	SANCS	SSS	Total
Year ended 30 June 2020	\$000	\$000	\$000	\$000
Fair value of Fund assets at beginning of the year	22,442	2,366	114,802	139,610
Interest income	599	61	3,302	3,962
Actual return on Fund assets less Interest income	(87)	(4)	(749)	(840)
Employer contributions	-	-	24	24
Contributions by participants	230	-	116	346
Benefits paid	(3,132)	(452)	(5,680)	(9,264)
Taxes, premiums & expenses paid	(116)	(1)	245	128
Fair value of Fund assets at end of the year	19,936	1,970	112,060	133,966

	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

(d) Reconciliation of the effect of the asset ceiling

There is no change in the effect of the asset ceiling.

Note 18 *continued*

(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	1,889,512	2,206,787	-	4,096,299
Australian fixed interest	-	1,066,448	-	1,066,448
International fixed interest	30,408	1,879,015	-	1,909,423
Australian equities	6,901,927	392,284	-	7,294,211
International equities	11,487,308	463,022	-	11,950,330
Property	644,805	16,266	2,691,395	3,352,466
Alternatives	23,408	4,337,075	6,162,350	10,522,833
Total	20,977,368	10,360,897	8,853,745	40,192,010

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 cashflow 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 18 *continued*

The percentage invested in each asset class at the reporting date is:

	2020	2019
Cash	10.2%	9.6%
Australian fixed interest	2.7%	5.4%
International fixed interest	4.8%	4.7%
Australian equities	18.1%	19.8%
International equities	29.7%	27.0%
Property	8.3%	8.5%
Alternatives	26.2%	25.0%
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 2020 include \$36.9 million (2019: \$99.5 million) in NSW government bonds.

(g) Significant actuarial assumptions

	2020	2019
Discount rate	2.85% pa	2.95% pa
Salary increase rate (excluding promotional increases)	3.20% pa	3.20% pa
Rate of CPI increase	Refer (i) below	Refer (i) below
Pensioner mortality	Refer (ii) below	Refer (ii) below

(i) Rate of CPI increase used by independent fund managers

For 2020, a range of CPI increase assumptions was used as follows:

- 2019/20: 1.00% pa
- 2020/21: 0.25% pa
- 2021/22: 1.50% pa
- 2022/23: 1.25% pa
- 2023/24: 1.75% pa
- 2024/25 and 2025/26: 2.00% pa
- 2026/27 to 2029/30: 2.25% pa
- 2.50% pa thereafter.

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.

(ii) 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 18 *continued*

(h) Sensitivity analysis

The Corporation's total defined benefit obligation as at 30 June 2020 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 2020.

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.

		Scenario A	
	Base case	-0.5% discount rate	Scenario B +0.5% discount rate
Discount rate	As above	As above -0.5%pa	As above +0.5%pa
Rate of CPI increase	As above	As above	As above
Salary inflation rate	As above	As above	As above
Defined benefit obligation \$'000	148,454	158,059	139,709
		Scenario C	Scenario D
	Base case	+0.5% rate of CPI increase	-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	148,454	157,667	139,995
		Scenario E	Scenario F
	Base case	+0.5% salary increase rate	-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	148,454	149,008	147,919
		Scenario G	Scenario H
	Base case	Lower mortality (*)	Higher mortality (**)
Defined benefit obligation \$'000	148,454	150,708	146,700

Note 18 *continued*

(*) Assumes the short term pensioner mortality improvement factors for years 2020-2023 also apply for years after 2023.

(**) Assumes the long term pensioner mortality improvement factors for years post 2023 also apply for the years 2020 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 2020 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 2020				
Accrued benefits (*)	23,495	2,786	76,112	102,393
Net market value of Fund assets	(19,936)	(1,970)	(112,060)	(133,966)
Net (surplus) / deficit	3,559	816	(35,948)	(31,573)
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)

(*) 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 18 *continued*

(m) Economic assumptions

The economic assumptions adopted for the 30 June 2020 in accordance with AASB 1056 *Superannuation Entities*:

Weighted-Average Assumptions	2020	2019
Expected rate of return on Fund assets backing current pension liabilities	7.0% pa	7.4% pa
Expected rate of return on Fund assets backing other liabilities	6.0% pa	6.4% pa
Expected salary increase rate	3.2% pa	3.2% pa
Expected rate of CPI increase	2.0% pa	2.2% pa

AASB 1056 Sensitivity analysis

In light of the current environment due to COVID-19, there is increased volatility in terms of expected outcomes especially in the short to medium term. The information on sensitivities for Paragraph 145 provides a guide to how this could affect the defined benefit obligation.

For AASB 1056, separate sensitivities are not included. However, we note that the assumptions for CPI, Salary and demographics are broadly the same under both reporting standards. While the underlying liability amounts for AASB 1056 are lower than for AASB 119, the sensitivity of results under AASB 119 gives an indication to the directional and proportional impact of the changes in these assumptions.

The one assumption that differs substantially under the two standards is the expected rate of return on the fund assets (discount rate). Due to this variation and the potential for material variation in the rate of return on fund assets in current financial conditions, the sensitivities to this assumption for the AASB 1056 results in the table shown below.

Scenarios A and B relate to the sensitivity of the Total Accrued Benefits figure shown in the AASB 1056 results.

	Base case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate
Expected rate of return on Fund assets backing current pension liabilities (discount rate)	7.0% pa	6.5% pa	7.5% pa
Expected rate of return on Fund assets backing other liabilities (discount rate)	6.0% pa	5.5% pa	6.5% pa
Rate of CPI increase	2.0% pa	As base case	As base case
Salary inflation rate	3.2% pa	As base case	As base case
Accrued benefits \$'000	102,393	106,292	98,773

Note 18 *continued*

(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 11.8 years (2019: 11.5 years).

(p) Profit and loss impact

	SASS	SANCS	SSS	Total
2020	\$000	\$000	\$000	\$000
Current service cost	348	119	301	768
Net interest	257	35	298	590
Profit and loss component of the defined benefit cost	605	154	599	1,358

	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

(q) Other comprehensive income

	SASS	SANCS	SSS	Total
2020	\$000	\$000	\$000	\$000
Actuarial losses on liabilities	99	141	(7,964)	(7,724)
Actual return on Fund assets less Interest Income	87	4	749	840
Total remeasurement in Other Comprehensive Income	186	145	(7,215)	(6,884)

	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

Note 19 Financial risk management objectives and policies

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, the entity categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques.

(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 2020

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Land and buildings (note 9(a))	-	-	295,436	295,436
Roadways and bridges (note 9(a))	-	-	11,967	11,967
Wharves, jetties and breakwaters (note 9(a))	-	-	42,658	42,658
Investment property (i)	-	8,000	-	8,000
Total	-	8,000	350,061	358,061

At 30 June 2019

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Land and buildings (note 9(a))	-	-	299,259	299,259
Roadways and bridges (note 9(a))	-	-	9,890	9,890
Wharves, jetties and breakwaters (note 9(a))	-	-	49,939	49,939
Investment property (i)	-	7,700	-	7,700
Total	-	7,700	359,088	366,788

There were no transfers between any levels in either year.

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.

Note 19 *continued*

- 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(c).

(i) Investment Property

The assets contributing to earning rental income and held for capital appreciation are recognised as investment property (refer to note 11). The fair value of the investment property was revalued during the year and resulted in a loss of \$0.4 million (2019: nil) recognised in profit or loss in this financial year (refer to note 5). Refer to note 11 for the 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 11.

(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 \$10.6 million (2019: \$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.

A +/- 5% sensitivity on the estimates of the remaining useful lives or estimates of rate per square metre would result in the carrying value of the buildings being varied by \$4.6 million (2019: \$4.7 million).

Note 19 *continued*

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 and the estimate of cost per unit times per metre would result in the carrying value of:

- the roadways and bridges being varied by \$0.5 million (2019: \$0.5 million); and
- the wharves, jetties and breakwaters being varied by \$2.2 million (2019: \$2.5 million).

Note 20 Financial risk management objectives and policies

The Corporation's principal financial instruments comprise cash, funds on deposit in the 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 has a Memorandum of Understanding (MOU) in place with TCorp to assist with the management of its debt portfolio. TCorp acts as an agent for the Corporation in accordance with the MOU.

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 20 *continued*

(a) Financial instrument categories

			2020 \$000	2019 \$000
Financial assets				
Cash and cash equivalents	7	Not applicable	17,351	17,015
Trade and other receivables*		Debt instrument at amortised cost	14,702	13,274
Lease incentive receivable	8	Debt instrument at amortised cost	2,769	1,595
Finance lease receivable	8	Debt instrument at amortised cost	103,169	96,449
			<u>137,991</u>	<u>128,333</u>

			2020 \$000	2019 \$000
Financial liabilities				
Trade and other payables*		Financial liabilities measured at amortised cost	18,904	15,714
Lease liabilities	10	Financial liabilities measured at amortised cost	11,785	-
Borrowings	15	Financial liabilities measured at amortised cost	142,966	144,177
			<u>173,655</u>	<u>159,891</u>

*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.

Note 20 *continued*

(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.

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 or 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 2020					
Financial assets					
Cash and cash equivalents	17,351	121	121	(121)	(121)
Net exposure	17,351	121	121	(121)	(121)
At 30 June 2019					
Financial assets					
Cash and cash equivalents	17,015	119	119	(119)	(119)
Net exposure	17,015	119	119	(119)	(119)

Note 20 *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 TCorpIM Cash Fund. 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.

Facility	Investment sectors	Investment Horizon	Note	2020 \$000	2019 \$000
TCorpIM Cash Fund	Cash, Money market instruments	Up to 1.5 years	7	16,608	14,898

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. TCorp has also leveraged off internal expertise to manage certain fixed income assets for the TCorpIM funds. A significant portion of the administration of the funds is outsourced to an external custodian.

TCorp has adopted a new approach of applying a flat 10% sensitivity across all funds, including the above fund, which is consistent with best market practice for investment funds. 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)	
		2020 \$000	2019 \$000
TCorpIM Cash Fund	+/-10%	1,163	1,043

(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 ECL).

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 to receive the outstanding contractual amounts in full before taking into account any credit

Note 20 *continued*

enhancements held by the Corporation. The Corporation did not identify a significant increase in credit risk amid the COVID-19 pandemic.

(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. 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 2020		<u>Interest rate exposure</u>					<u>Contractual Maturity Dates</u>		
	Weighted average effective interest rate	Carrying Value \$000	Nominal amount \$000	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	18,904	18,904	-	-	18,904	18,904	-	-
Lease liabilities	3.21%	11,785	12,913	11,785	-	-	3,199	8,487	1,227
Interest bearing liabilities	3.95% (*)	142,966	168,077	142,966	-	-	16,859	61,240	89,978
		173,655	199,894	154,751	-	18,904	38,962	69,727	91,205

(*) The interest rate is inclusive of an average government guarantee fee of 1.09% (2019: 0.78%) on borrowings from TCorp.

Note 20 *continued*

At 30 June 2019		Interest rate exposure					Contractual Maturity Dates		
Weighted average effective interest rate	Carrying Value \$000	Nominal amount \$000	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	3.64% (*)	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

(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	2020	2020	2019	2019
	Carrying amount \$000	Fair value \$000	Carrying amount \$000	Fair value \$000
NSW TCorp borrowings	142,966	157,796	144,177	155,370

The fair values have been calculated by discounting the expected future cash flows at prevailing market rates varying from 0.363% to 1.402% (2019: from 1.209% to 2.001%).

(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 20 *continued*

Financial assets at fair value		Level 1	Level 2	Level 3	Total
		\$000	\$000	\$000	\$000
TCorplM Cash Fund	2020	-	16,608	-	16,608
TCorplM Cash Fund	2019	-	14,898	-	14,898

No financial liabilities were measured at fair value in the statement of financial position at 30 June 2020 and 30 June 2019.

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 ratios at 30 June 2020 and 30 June 2019 were as follows:

Gearing ratio

	Note	2020	2019
		\$000	\$000
Total debt	15	154,751	144,177
Total debt and total equity		479,037	466,185
Gearing ratio		32.30%	30.93%

Note 21 Commitments

(a) Capital expenditure commitments

Forward obligations under major contracts committed at 30 June 2020 but not otherwise brought to account have been assessed at \$10.8 million including GST (2019: \$8.0 million). The \$10.8 million includes GST input tax credits of \$1.0 million that are expected to be recoverable from the Australian Taxation Office (ATO).

Capital commitments contracted at balance date, for the Corporation, are as follows:

	2020	2019
	\$000	\$000
Not later than one year	10,818	8,046
Later than one and not later than five years	13	-
Total including GST	10,831	8,046

(b) 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:

	2020	2019
	\$000	\$000
Receivable		
Not later than one year	12,643	16,088
Later than one and not later than five years	37,018	38,017
Later than five years	51,224	56,902
Total including GST	100,885	111,007

The above total includes GST output tax of \$9.2 million (2019: \$10.1 million) that is expected to be paid to the ATO. These lease receivables relate to property leases with remaining terms of between one and 18 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 *continued*

(c) 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:

Payable	2020 \$000	2019 \$000
Not later than one year	1,052	3,466
Later than one and not later than five years	1,251	11,223
Later than five years	6	584
Total including GST	2,309	15,273

The above total includes GST input tax credits of \$0.01 million (2019: \$1.4 million) that are expected to be recoverable from the ATO. The expenditure commitment relates to rental of land and motor vehicles. These leases have remaining terms of between one and 16 years. Pursuant to the adoption of AASB 16 on 1 July 2019, most liabilities relating to leases where the Corporation is a lessee are now recognised on the statement of financial position.

Note 22 Contingencies

Contingent liabilities

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.

Contingent assets

The Corporation has submitted a business interruption claim for the financial impact resulting from Federal and State Government restrictions on the movement of cruise ships and associated businesses due to the COVID-19 pandemic. There are three financial categories being analysed and reviewed:

- Cruise ship revenues (i.e. pilotage, navigation, site occupancy)
- Rental losses from impacted tenants; and
- Additional costs incurred to manage NSW Health and Safety directives.

Based on the preliminary review analysis undertaken by the insurance company, an interim insurance recovery payment has been approved and received by 30 June 2020. Refer note 3.

In addition to the approved interim insurance recovery payment, the Corporation may receive further insurance recovery payments. However, as the full financial impact of the COVID-19 pandemic is still uncertain, the Corporation is not able to reliably estimate the amount of any future insurance recovery payments which is dependent on the period of the Federal Government ban on cruise ships and any offsetting cost savings the insurer may take into consideration in calculating these future payments. Accordingly, a contingent asset has not been recognised.

Note 23 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.

Total fees paid and payable to consultants during the year was \$63,000 (2019: nil).

Note 24 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	2020 \$000	2019 \$000
Short term employee benefits	3,225	3,816
Post-employment benefits	184	202
Other long term benefits	34	55
Termination benefits	447	464
Total	3,890	4,537

Directors' remuneration includes emoluments and other benefits paid, or due and payable, to Directors. Included in the above is the Directors' remuneration \$0.3 million (2019: \$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 24 *continued*

The following arm's length transactions have been identified as individually significant for disclosure in the financial statements.

Related Entity	Transaction	Transaction Value *	
		2020 \$000	2019 \$000
Transport of NSW	Expense for channel fee	7,216	7,121
	Rental income for various leases	1,931	1,305
Sydney Metro	Rental income for various leases	923	1,135
TCorp	Interest expenses	4,112	2,924
NSW Treasury	Government guarantee fees	1,564	1,120
*Transaction value excludes GST			

Related Entity	Transaction	Outstanding balance	
		2020 \$000	2019 \$000
TCorp	Interest-bearing liabilities	142,966	144,177
	Accrued interest	1,361	1,360
NSW Treasury	Government guarantee fee payable	1,564	1,120
Transport of NSW	Channel fee payable	1,421	1,720

Note 25 Events after the reporting period

Asset valuations

Subsequent to 30 June 2020, the Corporation considered that there was continuing valuation uncertainty due to the COVID-19 pandemic. Given the continuation of COVID-19, both of the Corporation's independent valuers, Aon and MDA, were requested by management to provide an update to their valuations as at 30 June 2020. In August 2020, both valuers confirmed that their valuations as at 30 June 2020 remained unchanged.

Non-adjusting subsequent event on the collection from a debtor

Subsequent to 30 June 2020, the Corporation has negotiated and agreed a reduction in an amount outstanding of a debtor. This agreement was reached in advance of a proposed legislative change in order to finalise the collection of the reduced amount.

Other than for these items noted above, 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 2020

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 2020 \$000
Land and buildings	
Land	204,391
Buildings	91,045
Total land and buildings	295,436
Other	
Roadways and bridges	11,967
Wharves, jetties and breakwaters	42,658
Plant	76,187
Construction in progress	9,207
Total other	140,019
Total property, plant and equipment	435,455

21 Statutory disclosures

21.1 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* 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.

21.2 Guarantee of service – Port Safety Operating Licence

Under section 12(2) of the *Ports and Maritime Administration Act*, 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
- maintaining a towage licence system for the ports of Botany Bay, Sydney Harbour, Newcastle, Port Kembla and Eden.

The licence is for a five-year term (which commenced 19 December 2018 and remains in force until 31 December 2023) 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 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 PSOL were complied with in 2019/20.

21.3 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.

21.4 Changes in Acts and subordinate legislation

Amendments to the *Protection of the Sea (Prevention of Pollution from Ships) Act 1983* (Cth) came into force on 1 January 2020 to implement Australia's international obligations in relation to sulphur fuel emissions from ships under Annex VI of the *International Convention for the Prevention of Pollution from Ships, 1973, as modified by the Protocol of 1978 relating thereto* (MARPOL). These changes implemented a global cap of 0.5 per cent mass/mass of the sulphur content of fuel oil used on board ships.

The Australian and NSW governments introduced new laws in response to the global COVID-19 pandemic to protect public health and prevent the spread of infectious disease. On 18 March 2020, the Governor General of the Commonwealth of Australia declared that a human biosecurity emergency existed, giving powers to the Australian Government Minister for Health to issue directions to combat the outbreak

of COVID-19. The *Biosecurity (Human Biosecurity Emergency) (Human Coronavirus with Pandemic Potential) (Emergency Requirements for Cruise Ships) Determination 2020* (Cth) commenced on 18 March and imposed restrictions on the entry of cruise ships into Australian territory and Australian ports.

The Public Health (COVID-19 Maritime Quarantine) Order 2020 (NSW) came into force on 28 March 2020 and imposed quarantine requirements on persons arriving in NSW on vessels that had come from a port outside of NSW. A second order commenced on 24 June 2020.

The NSW Government made four public health orders - Public Health (COVID-19 Restrictions on Gathering and Movement) Order 2020 (NSW) - imposing restrictions on gatherings and movement of people, including directions in relation to requirements for employees to work from home unless it was not possible for them to do so.

21.5 Economic or other factors affecting achievement of operational objectives

COVID-19 has impacted the achievement by Port Authority of its operational objectives for 2019/20. (See Section 11.3 for details.).

21.6 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 2019/20 Statement of Corporate Intent. Earnings before interest, taxes, depreciation, and amortisation (EBITDA) for the year were \$36.8 million compared with a budget of \$36.4 million

21.7 Exemptions for the reporting period provisions

Section 41B(1)(c)(va) of the *Public Finance and Audit Act 1983* (NSW) (ARSBA) and 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 ARSBA, the ARSBR, the Public Finance and Audit Regulation 2015 (PF&AR) 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, amongst other things, commercial sensitivities.

There have otherwise been no exemptions, omissions, modifications or variations for the reporting period.

21.8 Response to significant issues raised by the Auditor General

There were no significant issues raised by the Auditor General in the 2018/19 financial year audit. Port Authority of New South Wales' response to any significant issues raised by the Auditor General in the 2019/20 financial year audit will be included in the 2020/21 Annual Report.

21.9 Government Information (Public Access) Act 2009

Port Authority is required to report annually on its obligations under the *Government Information (Public Access) Act 2009* (NSW) (the Act). The following information is required to be reported under the Act for the period 1 July 2019 to 30 June 2020.

During the reporting period, Port Authority received 20 formal access applications. No applications were transferred to other agencies and one remains in progress as at 30 June 2020.

Therefore, Port Authority decided 19 applications during the year, a 72 per cent increase from 2018-19 (11 applications). Port Authority was also consulted by other agencies on five applications.

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	1	0	0	0	0	0	0
Members of Parliament	0	0	1	0	0	0	0	0
Private sector business	1	1	2	0	0	0	0	0
Not-for-profit organisations or community groups	0	1	0	0	0	0	0	0
Members of the public (application by legal representative)	3	2	1	1	0	0	0	0
Members of the public (other)	1	2	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*	0	0	0	0	0	0	0	0
Access applications (other than personal information applications)	4	6	5	0	1	0	0	0
Access applications that are partly personal information applications and partly other	1	1	0	1	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)	1
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	1
Invalid applications that subsequently became valid applications	1

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	5
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	4
Law enforcement and security	2
Individual rights, judicial processes and natural justice	1
Business interests of agencies and other persons	5
Environment, culture, economy and general matters	5
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)	17
Decided after 35 days (by agreement with applicant)	0
Not decided within time (deemed refusal)	2
Total	19

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	0	0
Internal review following recommendation under section 93 of the Act	0	0	0
Review by Administrative Decisions Tribunal	0	0	0
Total	0	0	0

*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	0
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	0
Applicant-initiated transfers	0

21.10 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 2019/20.

21.11 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**.

21.12 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 2019/20:

- Audit and Risk Committee
- People and Culture 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 2020 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 2020 were 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 2019/20. A copy of the Audit and Risk Committee Charter is available in the Corporate Governance section of the **Port Authority website**.

People and Culture Committee

The Chair of the People and Culture Committee (formerly known as the Remuneration and Human Resources Committee) as at 30 June 2020 was Zorana Bull.

Zorana is an independent non-executive Director, who is not the Chair of the Board. The other member of the Committee as at 30 June 2020 was Robert Dunn, also an independent, non-executive Director.

Following the expiry of Penny Bingham-Hall's and Gerard Sutton's terms as Directors on 31 December 2019, no new Director appointments were made in the period to 30 June 2020. The Committee has not had the required level of membership to operate during that six-month period and the duties of the Committee were undertaken by the full Board during that time.

The People and Culture Committee was established by the Port Authority Board on 1 July 2014. The 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
- 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 2019/20, the People and Culture Committee reviewed executive salaries and performance arrangements, including those of the Chief Executive Officer. The Committee considered and recommended the Corporate Goals for 2019/20, and reviewed and evaluated the performance of the Chief Executive Officer and the executive management team against agreed performance goals for the 2018/19 year. The Committee oversaw HR management including HR metrics, diversity matters and initiatives and enterprise bargaining agreement updates. It also reviewed the outcomes from a staff engagement survey and reviewed the Committee Charter.

The Committee met twice during 2019/20. A copy of the People and Culture Committee Charter is available in the 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 once during 2019/20. A copy of the Nominations Committee Charter is available in the Corporate Governance section of the **Port Authority website**.

21.13 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 of the Code, 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**.

21.14 Risk management

Port Authority has adopted an enterprise-wide and integrated risk-management approach consistent with the Australian/New Zealand Standard of Risk Management (AS/NZS/ISO 31000:2009). Risks are considered and assessed at different levels within the organisation, across functions and activities. All risk assessments, including the risk identification, controls, likelihood, consequence, and controlled risk rating are documented consistently across Port Authority.

The Port Authority of New South Wales ('Port Authority') Enterprise Risk Management Framework outlines Port Authority's approach to managing risk throughout the organisation. It aims to:

- support effective decision-making and achievement of organisational goals
- ensure compliance with regulatory requirements
- ensure a consistent and effective approach to risk management while allowing innovation and development
- assist in identifying opportunities and strategies to improve the management of key risks
- provide an evaluation of the adequacy of existing controls over risks
- foster and encourage a risk-aware culture where risk management is embedded across all operations and seen as a positive attribute of decision-making rather than a corrective measure.

Port Authority's Enterprise Risk Management Framework includes the following:

- Risk Appetite Statement (including Tolerances)
- Risk Management Policy
- Risk Management Procedure
- Strategic, Operational and Project Risk Registers.

21.15 Insurance activities

Port Authority holds insurance policies with iCare (the NSW Government insurance provider) for Port Authority's general insurance: Motor Vehicle, Property and Assets, Public Liability, Worker's Compensation and Miscellaneous. Port Authority also holds additional cover with TTClub, which specialises in international transport and logistics (including Marine), in the form of Landlord Port Authorities insurance, and additional Directors' and Officers' Liability Coverage through Jardine Lloyd Thompson.

Insurance activities include notifying insurers as new projects are initiated (to ensure coverage is maintained) and briefing the Audit and Risk Committee and Board on significant incidents and claims.

Annually, Port Authority reviews and confirms that appropriate insurance coverage is held and that all relevant assets and liabilities are included. That review, and renewal of insurance, is referred to the Audit and Risk Committee and approved by the Port Authority Board.

21.16 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 2020 was Robert Dunn. Robert was an independent Director and his role was clearly separated from the role of the Chief Executive Officer, Philip Holliday. 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.

21.17 Chief Executive Officer

Philip Holliday was appointed as Chief Executive Officer of Port Authority effective 18 December 2019. He was previously the Chief Operating Officer and Harbour Master, Sydney.

As set out in the *State Owned Corporations Act 1989* (NSW), the Chief Executive Officer was appointed by Her Excellency the Honourable Margaret Beazley AC QC Governor of New South Wales 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.

Philip Holliday was separately appointed as a Director on 27 November 2019.

21.18 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.

Philip Holliday, as both a Director and the Chief Executive Officer, is not considered independent. All other Directors are considered independent.

21.19 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 qualify the Director. There have been no related-party transactions between Port Authority and any Director during the year.

21.21 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.

21.22 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 2019/20, the Board met nine 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 21.23 and 21.24.

21.23 Attendance at board meetings 2019/20

	Board meetings		Term of appointment
	A	B	
R. Dunn	9	9	1 July 2018 – 30 June 2021
P. Holliday	5	5	27 November 2019 – 26 November 2024
P. Bingham-Hall	4	4	1 January 2017 – 31 December 2019
Z. Bull	9	9	13 February 2019 – 12 February 2022
G. Gilfillan	2	2	2 November 2016 – 1 November 2019 (ceased as Director on the expiry of contract as CEO on 30 September 2019)
M. Irwin	9	9	13 February 2019 – 12 February 2022
G. Sutton	4	4	1 January 2017 – 31 December 2019

A: number of meetings eligible to attend during year.

B: number of meetings attended.

21.24 Attendance at committee meetings 2019/20

	Audit and Risk Committee		Remuneration and Human Resources Committee		Nominations Committee	
	A	B	A	B	A	B
R. Dunn	5	5	2	2	1	1
P. Holliday	-	-	-	-	-	-
P. Bingham-Hall	3	3	2	2	1	1
Z. Bull	5	5	2	2	1	1
G. Gilfillan	-	-	-	-	-	-
M. Irwin	5	5	-	-	1	1
G. Sutton	-	-	2	2	1	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.

21.25 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.

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:

- visits to Port Authority sites
- AICD Cyber for Directors (M Irwin).

The remuneration for Directors of Port Authority is determined by the Voting Shareholders.

21.26 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 2020.

21.27 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
- commits to measuring and monitoring its diversity progress.

The policy is complemented by the Bullying and Harassment Policy, which defines unacceptable behaviours and the potential consequences if such behaviour occurs in the workplace. All staff are required to complete Professional Workplace Behaviour training 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, 36 employees were recruited externally 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. A further 14 employees were promoted internally.

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 2020		
	Benchmark	2019	2020
Women	50%	23.3%	23.5%
Aboriginal and Torres Strait Islander peoples	3.3%	0.6%	1.4%
People whose first language as a child was not English	19%	6%	6.4%
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 2020		
	Benchmark	2019	2020
Women	100	79	84
Aboriginal and Torres Strait Islander people	100	1	5
People whose first language as a child was not English	100	22	23
People with a disability	N/A	1	1
People with a disability that required work-related adjustments	N/A	N/A	N/A

Tables of diversity measures (above) represent total staff of 358 at 30 June 2020 (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.

21.28 Work Health and Safety

The business safely navigated through the COVID-19 pandemic working collaboratively across the ports and offices. A COVID-19 Crisis Management Team and WHS sub-committees were formed to make decisions in consultation with employees. (See Section 11 for details.)

There were four significant Near Misses in 2019/20. Three were marine related and one landside. These were all thoroughly investigated, with actions implemented and lessons learnt shared across Port Authority.

There were no prosecutions against Port Authority relating to any breach of the *Work Health and Safety Act 2011* (NSW) during the year.

The Port Authority WHS performance for 2019/20 is summarised in the following table.

Port Authority Work Health and Safety statistics

	2018/19	2019/20
Total number of incidents and hazards reported	207	149
Number of Lost Time Injuries	2	4
Number of Medical Treatment Injuries	4	3
Lost Time Injury Frequency Rate (LTIFR)	6.25	6.06
Total Recordable Injury Frequency Rate (TRIFR)	12.5	10.61
Workplace Inspections	174	126
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.

21.29 Overseas travel by Port Authority employees

Name	Date	Destination	Purpose
Jeanine Drummond, Harbour Master, Newcastle	6-14 September 2019	London, UK	To attend the annual Council meeting of the International Association of Ports and Harbours (IAPH) in association with her appointment as Chair of the IAPH Women's Forum. Whilst in London, Ms Drummond also attended the Maritime Innovation Seminar, Women in Shipping Summit, International Chamber of Shipping - Shaping the Future of Shipping and London International Shipping Week 2019 Conference.

21.30 Funds granted to non-government community organisations

There were no funds granted to non-government community organisations in 2019/20.

21.31 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@portauthoritiesw.com.au

21.32 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 2018/19
- Schedules of Port Charges effective 1 July 2019
- Statement of Corporate Intent 2019/20
- "Look out ships about"

Port Authority's website portauthoritiesw.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 portauthoritiesw.com.au/newsletter.

21.33 Annual Report cost

The total cost of producing (editing and design services) the Port Authority of New South Wales Annual Report 2018/19 was \$27,456. The report is available at www.portauthoritynsw.com.au.

21.34 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.

21.35 Executive positions

At 30 June 2020, there were eight executives with remuneration equal to or exceeding the equivalent NSW Public Service Commission Senior Executive Service (SE) band 1: five males and three females.

The Chief Executive Officer received remuneration in > SE Band 4 max, which is in greater than \$562,650 and less than the upper limit of \$1,000,000.

As at 30 June 2020, the gender ratio of male to female is 5:3.

Executives with remuneration equal to or exceeding the equivalent of SES level 1

SES level	30 June 2019	30 June 2020	Gender 2020		Average total remuneration package in band
			Male	Female	
SE BAND 1 Director	0	0	0	0	0
SE BAND 2 Executive Director	1	3	1	2	\$317,310
SE BAND 3 Deputy Secretary	5	4	3	1	\$399,957
SE BAND 4 Secretary	1	0	0	0	\$0
>SE Band 4 Max	1	1	1	0	\$612,499
Gender ratio, male to female	7:1	5:3	5	3	

21.36 Public interest disclosures

Under section 6D of the *Public Interest Disclosures Act 1994*(NSW), 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 (NSW), the information below must be included in a public authority's Annual Report.

	1 July 2019 – 30 June 2020
Number of public officials who made PIDs	0
Number of PIDs received	0
Of PIDs received, number primarily about:	
Corrupt conduct	0
Maladministration	0
Serious and substantial waste	0
Government information contravention	0
Local government pecuniary interest contravention	0
Number of PIDs finalised	0

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 Nobbys Headland, Newcastle Harbour

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