

Statement of Corporate Intent 2021–22

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| Table of contents

[Port Authority of New South Wales Shareholder Agreement](#)

[1. Objectives](#)

[2. Business overview](#)

[3. Vision and Strategic Plan 2020-25](#)

[4. Strategic summary](#)

[5. Financial summary](#)

[6. Performance target summary](#)

[7. Representation and commitment statement](#)

[Glossary](#)



| Port Authority of New South Wales Shareholder Agreement

The Statement of Corporate Intent 2021-22 is agreed between Port Authority of New South Wales and its Ministerial voting shareholders:



Robert Dunn

Chair for and behalf of
Port Authority of New South Wales

Date: 1 September 2021



The Hon. Matt Kean, MP

Treasurer

Date: 23.11.21



Philip Holliday

Chief Executive Officer and
Director for and on behalf of
Port Authority of New South Wales

Date: 1 September 2021



The Hon. Damien Tudehope, MLC

Minister for Finance and Small Business

Date: 22/11/21

1. Objectives

Port Authority of New South Wales (Port Authority) is a statutory state-owned corporation established under the *State Owned Corporations Act 1989* and *Ports and Maritime Administration Act 1995*, and operates in accordance with those Acts.

The principal objectives of Port Authority reflect the provisions of both Acts.

Port Authority's principal objectives which derive from the *State Owned Corporations Act 1989* are:

1. To be a successful business and, to this end:
 - a) To operate at least as efficiently as any comparable businesses.
 - b) To maximise the net worth of the State's investment in the State Owned Corporation.
2. To exhibit a sense of social responsibility by having regard to the interests of the community in which it operates.
3. Where its activities affect the environment, to conduct its operations in accordance with the principles of ecologically sustainable development contained in section 6(2) of the *Protection of the Environment Administration Act 1991*.
4. To exhibit a sense of responsibility towards regional development and decentralisation in the way in which it operates.

(The *State Owned Corporations Act 1989* states that each of these principal objectives is of equal importance.)

Port Authority's principal objectives, which derive from the *Ports and Maritime Administration Act 1995*, are:

1. To promote and facilitate trade through its port facilities.
2. To ensure that its port safety functions are carried out properly.
3. To promote and facilitate a competitive commercial environment in port operations.
4. To improve productivity and efficiency in its ports and the port-related supply chain.



2. Business overview

Port Authority 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,

This includes 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 (PSOL).

Port safety functions include:

- The provision and maintenance of aids to navigation.
- Marine pollution emergency response and investigation and administration of the *Marine Pollution Act*.
- Administration of the legislation concerning the handling, transportation and storage of dangerous goods within the ports' jurisdiction.
- Administration of marine safety licenses and towage licenses.
- Provision of port communications systems and vessel arrival system for the Port of Newcastle.

NEW SOUTH WALES

6
PORTS

PORT OF YAMBA

NEWCASTLE HARBOUR

SYDNEY HARBOUR

PORT BOTANY

PORT KEMBLA

PORT OF EDEN

2. Business overview continued...

Port Authority performs the functions of Harbour Master for the minor ports of NSW for visiting cruise ships and larger commercial ships.

In Sydney Harbour, Port Authority 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 White Bay Cruise Terminal (WBCT) in White Bay.

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

Port Authority also plays a governance function of the Hunter Coal Export Framework and a participant in the Hunter Valley Coal Chain Co-ordinator (HVCCC).

Underpinning all of Port Authority's activities is the Vision and Strategic Plan 2020-25, a commitment to integrate sustainability and a strong safety culture across every aspect of the organisation.

HOW WE KEEP
OUR PORTS
**SAFE,
SECURE**
AND OPEN TO
THE WORLD

OUR ROLE

Port Authority of New South Wales manages the navigation, security and operational safety needs of commercial shipping in Sydney Harbour, Port Botany, Newcastle Harbour, Port Kembla, Eden and Yamba.

AIDS TO NAVIGATION

Operating a network of lighthouses and buoys to help vessels navigate safely through our harbours.

PILOTAGE

Transferring our highly skilled marine pilots to large commercial vessels to help them navigate safely in and out of our ports.

24/7

EMERGENCY RESPONSE

Responding 24/7 to marine emergencies and environmental incidents such as oil spills, pollution, fire or vessels needing assistance.

**\$100
BILLION
IN TRADE**
PASS THROUGH NSW'S
PORTS EACH YEAR

**212M
TONNES
OF CARGO**
PASS THROUGH NSW'S
PORTS EACH YEAR

**6,000
COMMERCIAL
VESSELS**
(TRADE AND CRUISE)
VISIT OUR WORKING
PORTS EACH YEAR

CRUISE

Facilitating hundreds of cruise ship visits to NSW each year and operating Sydney's two cruise terminals and cruise facilities in Eden.

99%

OF AUSTRALIA'S IMPORTS
AND EXPORTS ARRIVE AND
LEAVE BY SEA

HYDROGRAPHIC SURVEY

Scanning the seabed to create charts that inform users of the depths of our shipping channels.

VESSEL TRAFFIC SERVICES

Communicating timely and important information to assist mariners to navigate their vessels safely.

SUSTAINABILITY

Creating a sustainable future for our ports by considering the environment, our people and our community in our operations.

PORT MANAGEMENT

Managing and developing key port and marine assets.

HARBOUR MASTERS

Setting the safety regulations for shipping in all of our ports.

DANGEROUS GOODS

Ensuring that dangerous and hazardous goods are handled appropriately and transit safely through our ports.

* Source: Maritime Australia sea freight 2015-16
(Department of Infrastructure, Regional Development and Cities)

| 3. Vision and Strategic Plan 2020–25

In 2020, Port Authority launched a strategic plan to refine and define its vision, values and purpose, identify its long-term strategic goals and priorities, and set out its commitment to sustainability.

Port Authority's vision

Navigating a safe and prosperous future together.

Port Authority's values

Care • Accountability • Integrity • Collaboration

Port Authority's purpose

To provide safe, efficient and sustainable maritime services and port assets for our customers and stakeholders.

See [Port Authority's Vision and Strategic Plan 2020-25](#)

www.portauthoritynsw.com.au/corporate/about-us/vision-and-strategic-plan-2020-25

Strategic goals

Port Authority's plan identifies the long-term business-wide goals that are key to a successful and sustainable future.

- One Port Authority
- A professional and engaged workforce
- A consistent and strong safety track record
- Efficient, growing, commercial ports that support engaged customers
- A focus on embedding sustainability across our organisation
- Recognised by key customers, stakeholders and port communities as ethical, responsive and collaborative
- A strong balance sheet, strengthening our return on assets



3. Vision and Strategic Plan 2020–25 continued...

Port Authority's strategic plan outlines five organisational priorities to ensure activities always contribute to its strategic goals.

Strategic priorities

Port Authority's strategic priorities provide a framework for supporting its strategic goals and improving outcomes for its customers, stakeholders, port communities and people.

Each financial year, the strategic priorities inform upcoming initiatives and align activities across the organisation.

Commitment to sustainability

Underpinning Port Authority's strategic plan is a commitment to embedding sustainable practices across the business.

Port Authority's Sustainability Plan will deliver sustainable initiatives across four core focus areas:

- People and culture
- Operations and ways of working
- Our environment and places
- Communities and partnerships.



One Team, One Culture, One Port Authority

Aligning ways of working across ports to become a more efficient, consistent organisation that capitalises on its strengths as a single entity.



Commitment to Customer Service Delivery

Delivering a higher level of service to our customers and to work together to identify and develop new opportunities across our ports.



Operational Excellence

Embedding continuous improvement, innovation and performance measurement across operations to increase service quality and reliability.



Optimised and Sustainable Port Assets

Ensuring port assets are safe, efficient and sustainable, and optimised to capitalise on future opportunities.



Stakeholder and Community Engagement

Engaging with communities to advocate and foster support for the critical role of working ports and their value to NSW.

4. Strategic summary: one team, one culture



Port Authority's diverse teams work together to provide safe, efficient and sustainable port and marine services across NSW.

Our people are harbour masters protecting our ports, navigation experts keeping ships safe, marine pilots operating on the open water; operations teams maintaining vessels and marine assets, project planners building for the future and the corporate and IT teams who bring it all together.

Port Authority has developed a workforce plan to drive the 'People' actions and activities for the next five years in line with our Strategic Plan. The plan aims to develop and improve:

- Attraction and retention
- Skillsets for future workforce needs
- Strong organisational culture
- Performance
- Career development
- Reward and recognition
- Employee relationships and industrial relations
- Diversity and inclusion
- Systems and processes.

Work, health and safety

Port Authority strives for the safety and wellbeing of its people. Its safety professionals provide advice, leadership, and practical and technical guidance to continually aim for safety excellence.



4. Strategic summary: cruise



In the decade preceding COVID-19, cruise operations had consistently been Port Authority's fastest growing business sector. The industry is now focusing on the operational plans for 'cruise restart'.

While uncertainty around the start, form and pace of restriction roll-backs remains, bookings for the 2021-22 and 2022-23 seasons confirm Port Authority's expectation that demand is still strong, and activity is likely to recover within two to three years from restart.

During this transitional time, Port Authority will continue to improve cruise infrastructure and customer experience at its Sydney terminals, address the future need for additional capacity to service Sydney, and support the development of regional hubs such as Eden.

At the OPT, the Berth Infrastructure Project, which will provide a long-term engineering solution to protect and enhance the berth and seawall infrastructure - also supporting the berthing of larger cruise ships - is currently in progress and due for delivery in mid 2022.

At White Bay, the Noise Attenuation Project, which involves mitigation treatments to residences in the surrounding area, will be coming to completion after a period of three years.



Regional cruise in NSW

Port Authority is leading a NSW regional port development project with support from several NSW Government agencies. Port Authority is continuing a port viability study to scope the marine capabilities and potential for cruise visitation at a number of NSW regional ports and will continue working with key stakeholders to promote and facilitate cruise tourism in established regional cruise ports such as Eden.

| 4. Strategic summary: Bays



Port Authority will continue to work with the Department of Planning, Industry and Environment (DPIE) and others to realise the Government's vision for the Bays West precinct, particularly in relation to Glebe Island and White Bay.

The integration of port and working harbour uses with urban renewal outlined in the Bays West Draft Place Strategy presents a real long-term opportunity for innovation.

Supporting construction in NSW

At Glebe Island 1/2, Port Authority is focusing on projects to service the concrete supply chain over the medium to long term that will optimise existing assets. This includes establishment of a multi-user facility (MUF).

Construction of the MUF commenced in August 2020 and was paused after three months to allow for design improvements to strengthen its foundations and improve capacity and efficiency. The project is suspended pending a review of options with construction scheduled to recommence in mid-2023. Target dates for completion and operation are the end of 2024 and early 2025 respectively.

The project allows for a façade treatment, which will be designed with feedback from the community. Key themes put forward in late 2020 included greenery in the form of a living green wall, links to Indigenous history, maritime and cultural heritage, and colours and features that harmonise with the surrounding area.



Glebe Island: a working port

The establishment of a dry bulk hub on Glebe Island 1/2 brings significant economic, environmental and social benefits.

It addresses the shortage of local sand and fine aggregates supplies and the increasing demand for construction material by the infrastructure and urban renewal projects in the surrounding area.

The marine importation of dry bulk product directly into central Sydney provides a lower cost, lower impact and more sustainable alternative to road, while the relocation of Hanson mitigates economic impacts from the closure of its Blackwattle plant.

4. Strategic summary: Bays continued...

Concrete Batching Plant

Another core element of Port Authority's strategy is around the infrastructure supply chain and intended long-term lease with Hanson. Port Authority has granted Hanson permission to lodge a development application for the construction and operation of a concrete batching plant and aggregate storage facility at Glebe Island 1. Hanson's state significant development is subject to Government planning approval.

The lease is anticipated to start in January 2022 and the marine import of aggregates in January 2024.

Within a mid-term horizon, Port Authority is pursuing a strategy of extending the lease terms of its long-standing tenants and operators whilst also accommodating the high demand by the major infrastructure projects operating in the wider area and needing to use port land for staging and storage.

Traffic conditions in the area are being tightly monitored to ensure the local roads do not become blocked to community traffic at peak periods.

Managing Noise Impacts

Port Authority will continue to focus on its newly implemented Port Noise Policy, which aims to manage noise in a way that is acceptable to the community, port users, and others while recognising the precinct's ongoing status as a working port.

Significant investment is this year being made on the installation of permanent noise loggers and development of a noise monitoring system that will accurately identify actual noise generated by vessels and landside port activities.



| 4. Strategic summary: marine assets



Port Authority is progressing with programmes to renew its marine assets base.

New vessels

Over the next two years, Port Authority will oversee the design, construction and delivery of two new multi-purpose firefighting vessels to be based in Sydney Harbour and Port Botany, replacing the firefighting tugs Ted Noffs and Shirley Smith, which are at the end of their useful lives.

The purpose-built vessels are being constructed in Port Macquarie by NSW-based shipbuilding company, Birdon. Port Authority is pleased to partner with an expert, local business to deliver this important project working and investing for the State.

Upgrading Aids to Navigation

Aids to Navigation (AtoNs) include lighthouses, day markers, buoys and pile structures, both in the water and on land, guiding commercial vessels through designated channels and safely to and from the berth.

A comprehensive improvement programme is underway to upgrade Port Authority's AtoNs over the coming years, increasing their reliability and operational efficiency.



4. Strategic summary: port systems and services



Port Authority is consolidating its port systems and services.

Vessel Traffic Services (VTS) facilitate the safe navigation of commercial shipping throughout the ports. They are based in local centres, equipped with advanced technologies, and provide communication and visual coverage within port limits.

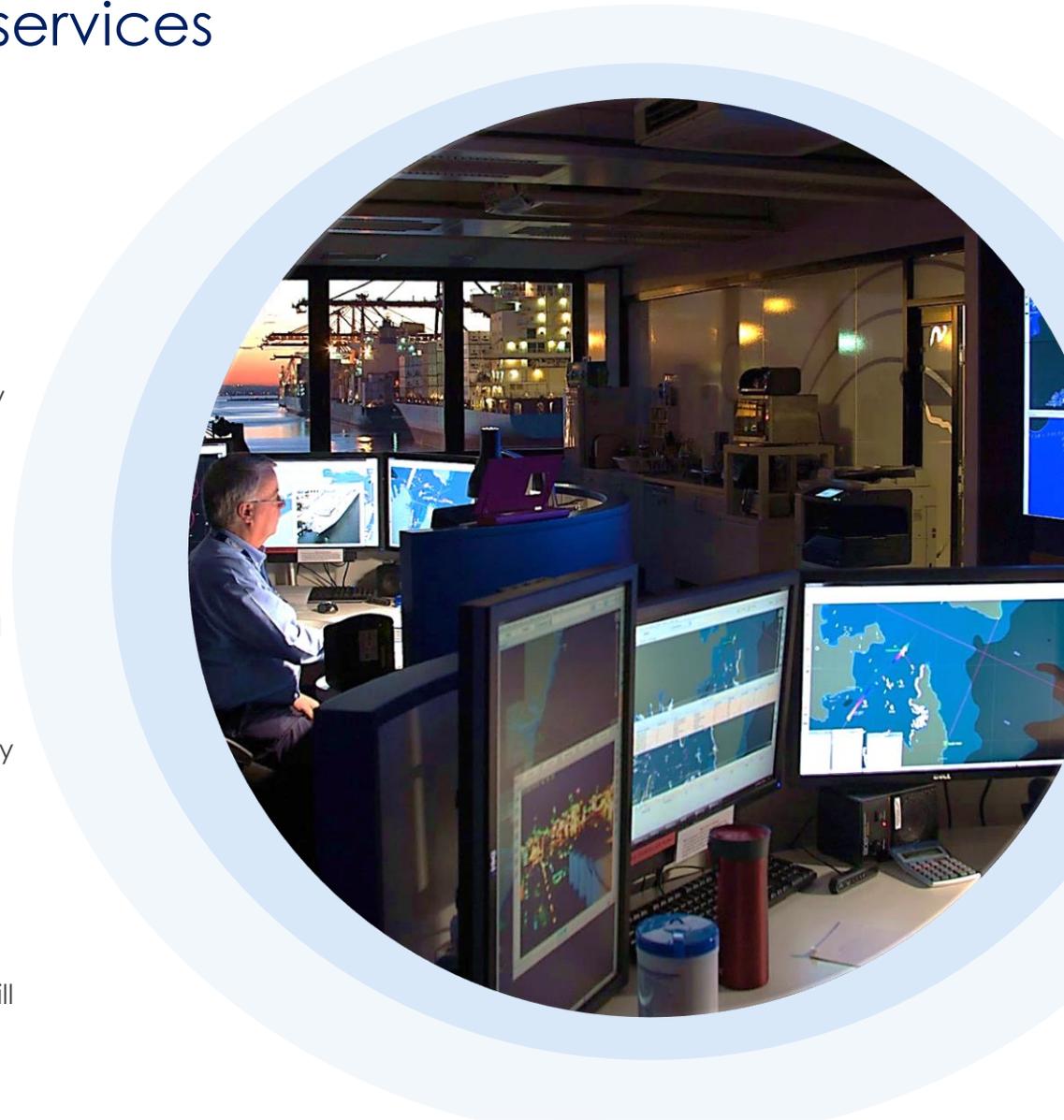
The VTS centres for Sydney Harbour/Port Botany and Port Kembla are currently certified by the Australian Maritime Safety Authority (AMSA), while the centre at Newcastle Harbour is on track to achieve certification in 2021-22.

Port Authority will undertake a programme to fully integrate common VTS systems across all ports by 2024 to align with our strategic priority of *One Team, One Culture, One Port Authority*. This move will better utilise technologies and improve port resource management and customer service by representing a common operating platform for all involved.

Port Authority delivers a series of services and transactions online to port stakeholders. Its port management systems are accessed by more than 1,000 business customers nationally and internationally.

During 2021-22, Port Authority will progress a key project to consolidate its port management systems to a single consistent platform, servicing all NSW port customers, service providers and internal operational units.

Work will also commence with relevant port stakeholders to create standards and platforms for data sharing and process automation. The new port management system will provide the platform for inbound and outbound data sharing to any port stakeholders wanting to participate.



| 4. Strategic summary: sustainability



In 2020, Port Authority launched its Sustainability Plan, developed concurrently and in alignment with the Strategic Plan 2020-25.

Work is continuing embedding sustainability across the organisation at the process, policy and people levels, but also through the development and implementation of specific sustainability initiatives.

Key focus areas for 2021-22 include:

- Embedding agreed sustainability metrics in the procurement process.
- Investigating and embedding sustainability in the management and development of assets.
- Agreeing and setting carbon emissions reduction targets for Port Authority and developing a strategy to meet the targets.
- Implementing Indigenous awareness initiatives and developing a Reconciliation Action Plan.



| 4. Strategic summary: community and stakeholders



Community and stakeholder engagement

Port Authority is resetting the way we engage with our port communities and stakeholders. We are increasingly customer focussed and want to be more open and accessible to all.

We recognise meaningful engagement with our stakeholders is crucial to achieving our vision of navigating a safe and prosperous future together. Effective engagement will help us make better decisions, drive innovation, improve our relationships and mutual understanding and enhance our reputation.

Ultimately, better engagement will result in better outcomes for all.

Key focus areas for 2021-22 include:

- Stakeholder **research** to inform our work – we want to listen and learn
- Publishing an **engagement framework**- so we are consistent and transparent in our approach
- Setting a **community engagement index** to benchmark our performance
- Setting a **stakeholder engagement index** to benchmark our performance
- **Sharing more information** about what we do via our channels and in the media
- Introducing **new modes and methods** of engagement – so we are more accessible.



5. Financial summary

\$M	FY22 SCI	FY23	FY24
1. Financial Performance Indicators			
EBITDA excluding extraordinary items ¹	36.04	48.39	61.38
EBITDA	34.62	48.58	61.93
EBIT	10.15	22.70	35.20
Net Profit (Loss) After Tax	10.81	20.11	28.82
Capital Expenditure	39.25	23.85	19.21
2. Shareholder Returns Indicators			
Income Tax Equivalent Paid	5.43	9.26	10.53
Dividends Paid	11.00	20.00	48.00
Government Guarantee Fees Paid	1.87	1.59	2.10
3. Profitability Ratios (%)²			
Growth in Operating Costs	13.9%	1.3%	2.1%
Return on Fixed Assets	1.9%	4.1%	6.2%
EBITDA Margin	20.9%	27.0%	31.6%
Dividend Payout Ratio (%) ³	185.1%	238.7%	149.2%

Numbers quoted in this table may be affected by rounding errors, without material impact.

Note 1: Excludes non-cash items, Recoverable Expenses (security, cleaning and novated leases) and extraordinary costs (Noise Attenuation Program).

Note 2: All Profitability Ratios exclude asset revaluation adjustments, Finance Lease Income and Finance Lease Receivable

Note 3: 'Dividend Payout Ratio' is calculated based on the NPAT including the financial lease income divided by the Declared Dividend of the period. This ratio relates to the year in which dividends are provided for (not the year in which they are paid).

Port Authority is included in the National Tax Equivalent Regime (NTER). NTER and any dividend payments to the Government are consistent with taxation rulings and the NSW Financial Distribution Policy for Government businesses.

Port Authority's financial distribution policy is consistent with NSW Treasury's Policy and Guidelines Paper TPP16-03 *Capital Structure Policy for Government Businesses*.

Fitch Ratings Australia assessed the Port Authority's credit rating in February 2021 and awarded it a 'Credit Opinion' of BBB.

This rating is equivalent to Moody's Baa2 and Standard & Poor's BBB. It represents no change to the Port Authority's previous rating and has been assumed for the three year forecast period.

The financial projections assume the retention of borrowings and a sufficient level of working capital funds resulting in maximum dividend payouts.

Should whole of Government initiatives result in a requirement for the Port Authority to fund major port infrastructure, it may be required to borrow additional funds.

6. Performance target summary

	5-Year Strategic Goals	Measures (Outcomes)	2021-22 Targets
One Team, One Culture, One Port Authority	<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 focussed service culture. 	<ul style="list-style-type: none"> Safe and healthy employees, contractors, and visitors. Innovation and continuous improvement in WH&S systems and processes. Engaged employees. Diversified workforce. 	<ul style="list-style-type: none"> Number of serious injuries, dangerous occurrences, or high potential near misses. Current year WH&S Strategic Plan initiatives delivered. Employee Engagement Index – ≥75% - survey. Monitor - Increased balance of age distribution of employees. Monitor - Increased female representation in marine operations.
Commitment to Customer Service Delivery	<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. 	<ul style="list-style-type: none"> Positive customer experience Increased cruise vessel bookings – post COVID-19. Increased utilisation of capacity at Glebe Island and White Bay. 	<ul style="list-style-type: none"> Implement Customer Experience Index – (procure Customer resource management system CRM) ≥ forecast annual cruise vessel bookings. ≥ forecast WB / GI vessel visits, tenants, commodities.
Operational Excellence	<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. 	<ul style="list-style-type: none"> Profitable operations. Controlled discretionary expenditure. Marine pilots available to service the shipping schedule. 	<ul style="list-style-type: none"> EBITDA \$36.0m excluding extraordinary items. OPEX \$129.5m excluding extraordinary items. Delivery of trainee marine pilots development program in all Ports achieved.
Optimised and Sustainable Port Assets	<ul style="list-style-type: none"> Provide safe, reliable and efficient assets in our ports. Embed sustainability in the management, and development our assets. Develop our land assets for future growth and viability. 	<ul style="list-style-type: none"> Optimised asset renewal Improved sustainability. Port Authority operational requirements in medium to long term port related precinct plans. 	<ul style="list-style-type: none"> Capex program delivered on budget. Develop the Sustainability Plan Initiatives Program and deliver on agreed initiatives. Board support for the DPIE Port / Bays Integration Innovation Plan. GI/WB Precinct Plan endorsed by Board.
Stakeholder and Community Engagement	<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. 	<ul style="list-style-type: none"> Engaged stakeholders. Engaged community. 	<ul style="list-style-type: none"> Stakeholder Engagement Index – establish baseline. Community Engagement Index – establish baseline.

7. Representation and commitment statement

The Board of Port Authority confirms that:

- a) Key performance targets within the 2021-22 SCI are based on and supported by the Port Authority's Business Plan.
- b) The voting shareholders will be provided with financial and other information, including information on major capital expenditure projects, on a quarterly basis to assess the performance against commitments in this SCI and to assess the value of the shareholders' investment in the business.
- c) Asset maintenance policies and processes are adequate and appropriate to manage and control risks associated with physical assets.
- d) All known 'key risks' and 'major emerging contingent liabilities' which could materially impact the current and future results of Port Authority for the coming year have been disclosed.
- e) Internal audit and risk management practices are consistent with standards recommended for Australian Securities Exchange (ASX) listed companies and where appropriate, has applied any additional requirements that are set out in *Internal Audit and Risk Management Policy* (TPP15-03) for the NSW Policy Sector.
- f) The Chief Executive Officer has an employment contract and performance agreement. The employment contract is appraised annually with the next appraisal due to occur between 1 June and 31 August 2021. The current contract expires on 18 December 2024.
- g) Port Authority adheres to Commercial Policy Framework policies, as listed in *State Owned Corporations: Applicable TPPs under the Commercial Policy Framework* (issued November 2020).
- h) Port Authority complies with NSW Treasury accounting circulars and policies applicable for SOCs, as listed in the *State Owned Corporations Mandatory Accounting Policies – NSW Treasury Circulars and Treasury Policy Papers* (issued November 2020).
- i) Port Authority agrees to provide information during the year to NSW Treasury, as the representative of the Voting Shareholders, as specified in the *State Owned Corporation Reporting Obligation Requirements* (issued November 2020).
- j) Port Authority has agreed to comply with the requirements of *Premier's Memoranda M2021-09 Application of NSW Public Sector Wages Policy 2021 to State Owned Corporations* and further guidance contained in the Treasurer's January 2014 letter.
- k) Port Authority has agreed to comply with the requirements of:
 - I. Premier's Memoranda M2012-08 Application of Biofuels.
 - II. New South Wales Industrial Relations Guidelines: Building and Construction Procurement July 2013 (Updated Sept 2017) [previously referred to as Premier's Memoranda M2013-04].

| Glossary

Item	Description
AtoNs	Aids to navigation, such as lighthouses, day markers, buoys and pile structures, both in the water and on land.
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
NPAT	Net Profit After Tax
OPT	Overseas Passenger Terminal at Circular Quay
PSOL	Port Safety Operating Licence
VTS	Vessel Traffic Services that facilitates the safe navigation of commercial shipping throughout the ports
WBCT	White Bay Cruise Terminal