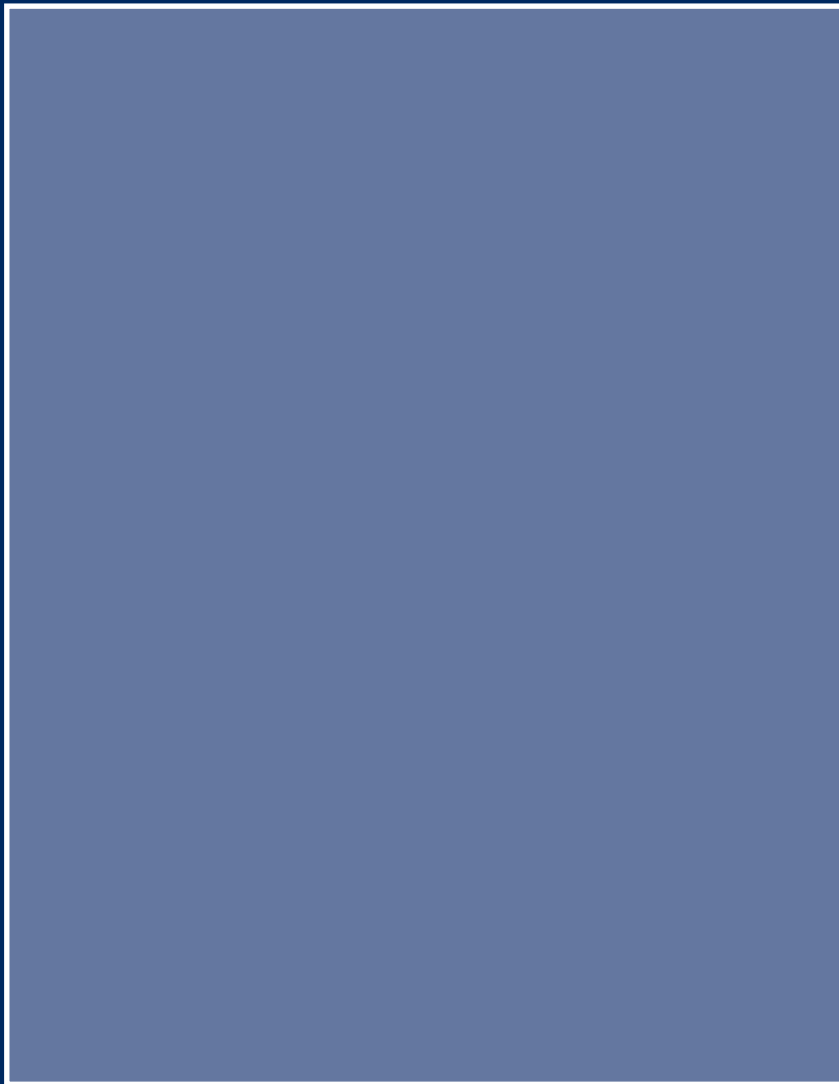


Marine Ministerial Holding Corporation

Annual Report 98-99



Marine Ministerial Holding Corporation

CHARTER AND FUNCTION

The Marine Ministerial Holding Corporation (MMHC) is a NSW statutory body created on 1 July 1995 under the *Ports Corporatisation and Waterways Management Act 1995*. It has no staff of its own. Its affairs are managed and controlled by staff from the Maritime Assets Division on behalf of the NSW Minister for Transport.

The MMHC is the legal successor to the former Maritime Services Board of NSW (MSB). It inherited the assets, rights and liabilities of the former MSB that were not transferred to the Newcastle, Port Kembla or Sydney Ports Corporations or the Waterways Authority on 1 July 1995.

The main function of the MMHC is to carry out any activity or business that relates to its assets (which are substantially property holdings and investment funds) and its liabilities (which are substantially lease commitments and provisions such as workers' compensation payments to former MSB employees). Due to the nature of its assets, the MMHC is responsible for a mix of regulatory functions (such as development control of wetlands) and commercial functions (as owner of income-producing commercial properties).

LEGISLATION

The MMHC operates under the following legislation:

Navigation Act 1901

Maritime Services Act 1935

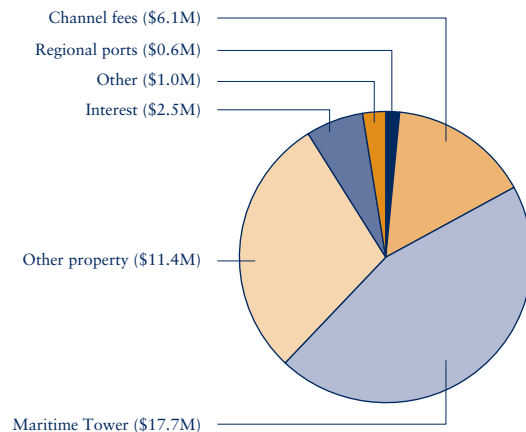
Environmental Planning and Assessment Act 1979

Ports Corporatisation and Waterways Management Act 1995

FINANCIAL SUMMARY

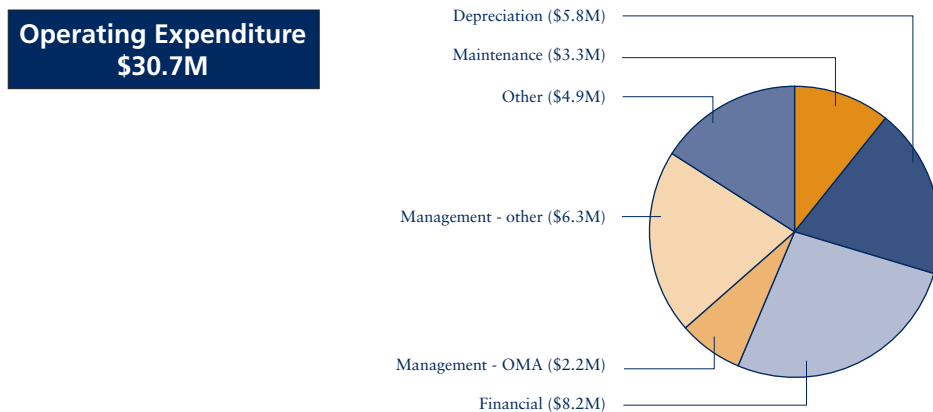
Operating income for the year totalled \$39.3M before abnormal items. The main sources of income were from property rentals, particularly from the site and tenancies of the of the Maritime Trade Towers. Income was received as follows:

Operating Income
\$39.3M



Operating income was \$1.6M below last year, due to a drop in rental income for the year from the Maritime Trade Tower at 207 Kent St and because a government contribution towards Walsh Bay, provided in 1997/98, was not passed on to the MMHC before the close of 1998/99.

Operating expenditure for the year totalled \$30.7M. The main items of expenditure were fees paid to manage its properties and financial expenses for the Maritime Trade Tower sub-lease of 207 Kent St. Expenditure comprised the following:



Operating expenditure was \$2.8M above last year mainly due to the commencement of the maintenance program at Circular Quay, greater consultant and legal costs and a higher management fee paid to the Maritime Assets Division.

The MMHC recorded an operating surplus before abnormal items of \$8.7M, down \$4.3M from last year. However there was a deficit of \$14.4M from abnormal items due to the write off of obsolete plant and buildings and a one-off \$7.0M compensation payment to the Sydney Ports Corporation for the relocation of the Darling Harbour Passenger Terminal to wharf 8 Darling Harbour.

As a result, the MMHC recorded an operating deficit for the year of \$6.7M after abnormal items, down \$25.4M from last year's corresponding result.

PROPERTY PORTFOLIO

The MMHC property portfolio comprises:

- former commercial shipping wharves such as Walsh Bay, Woolloomooloo Bay, 9/10 Darling Harbour and Rozelle Bay which are being redeveloped for other uses
- commercial properties such as the Maritime Trade Towers and industrial lands at Homebush Bay
- lands set aside for future port development, mainly at Port Botany and Port Kembla
- a large number of public wharves and jetties in Sydney Harbour, the Parramatta River and Newcastle

- wetlands below the mean high water mark, on which there are commercial shipping facilities owned by BHP, Port Waratah Coal Services, Shell, Caltex and Alcatel
- wetlands on which there are some 2,030 commercial leases including marinas, boatsheds and restaurants
- the beds of the major ports of Sydney Harbour, Botany Bay, Newcastle and Port Kembla
- navigation aids and wharf facilities in the regional ports of Yamba and Eden.

The size of the MMHC property portfolio excluding seabeds is around 335 hectares. Most property management tasks such as rental collection, maintenance, cleaning and lease administration are carried out on a fee for service basis by the port corporations and the Waterways Authority, which also administers most of the foreshore leases on behalf of the MMHC. Total value of the property portfolio at 30 June 1999 was \$407.6M.

LAND DISPOSAL

The MMHC sold or disposed of fourteen properties during 1998/99 for a total amount of \$9.048M.

There was one property sold for more than \$5 million. The proceeds from the direct sale of 7.5 hectares of vacant land at Port Botany to the Sydney Ports Corporation totalled \$5.4M. The land will be leased out by the Corporation for port related purposes.

Other properties sold were at Banksmeadow, Millers Point, Newcastle and Woolloomooloo, while a compensation payment was received from the Department of Land and Water Conservation for a former pilot's cottage at Ballina. Four small parcels of reclaimed land around Sydney Harbour were sold to adjoining property owners. Three sites were divested to other government agencies at no charge.

The portfolio Minister approved the sale or disposal of all properties. There were no known transactions involving any family connection or business association between any party who acquired the properties and any staff member associated with the disposal of the properties.

Proceeds from disposal of the Port Botany property were used to partly fund the MMHC's payment for the relocation of the Darling Harbour Passenger Terminal to wharf 8. Proceeds from other property sales were forwarded to the NSW Treasury.

Applications for access to documents concerning details of property disposals may be made in accordance with the *Freedom of Information Act*.

LAND ACQUISITION

Under a Deed of Agreement made for the remediation of Homebush Bay, the MMHC acquired a 10 hectare site at Rhodes and a 39.53 hectare parcel of land at Brooklyn on the Hawkesbury River in March 1999.

A small parcel of land was transferred from the Department of Land and Water Conservation at Carrington, Newcastle in June 1999 for future leasing to the coal industry.

MAJOR WORKS

1. Capital works

Capital works expenditure for 1998/99 totalled \$3.133M. Expenditure fell short of the 1998/99 budget of \$12.9M for the following reasons:

- reduced scope of works and delay in commencement of the revitalisation of retail outlets at the Sydney Cove commuter wharf precinct
- the decision not to construct a new jet cat landing at Wharf 3 Circular Quay
- no work undertaken for site remediation of Walsh Bay wharves
- delay in the calling of tenders for the upgrading of Rozelle Bay wharves.

Details of major capital works projects funded by the MMHC during 1998/99 are listed below:

Completed Works

Project	Description	1998/99 cost	Total cost	Project cost overrun	Completion date
Wharf 3 Circular Quay	Provision of five new steel twin-pile fender pile assemblies on the western side of the wharf	\$0.282M	\$0.282M	nil	October 1998
Port Kembla boat harbour	Provision of new boat ramp, breakwaters and boat mooring jetty (funded 70% by the MMHC, 30% by the Waterways Authority)	\$1.897M (MMHC funding)	\$2.195M (MMHC funding)	\$0.595M (due to need to import additional breakwater material and to redesign mooring piles)	December 1998

Work in Progress

Project	Description	1998/99 cost	Estimated total cost	Cost overrun for the year	Estimated date of Completion
Sydney Cove retail revitalisation	Upgrading of retail outlets along Circular Quay wharves	\$0.911M	\$7.7M	nil	June 2000

Including property acquisitions and the Waterways Authority share of the Port Kembla boat harbour construction costs, asset acquisitions for the year totalled \$5.074M.

2. Maintenance works

Maintenance expenditure for the year totalled \$3.337M. Details of major maintenance works are listed below:

Project	Description	1998/99 cost	Estimated total cost	Cost overrun for the year	Estimated date of Completion
Maritime Trade Tower improvements	Refurbishment of carpets and toilets and air conditioning upgrade	\$0.340M	\$0.340M	nil	June 1999
Sydney Cove major wharf maintenance	Renewal and refurbishment of wharves at Circular Quay	\$2.177M	\$14.0M	nil	June 2000
Homebush Bay remediation	Removal of contaminated sediments on the bed of Homebush Bay	\$0.32M (for consultants and call for proposals)	\$21M	nil	June 2002



The MMHC funded the new Port Kembla boat harbour which was opened in December 1998.

KEY FINANCIAL INDICATORS

	1997/98	1998/99	Comment
Total assets at 30 June	\$475.4M	\$457.8M	There has been a reduction in total assets resulting from property sales and a write-off of obsolete plant and buildings.
Return on operating assets before abnormal items	4.07%	3.46%	The reduced return on operating assets for 1998/99 reflected higher maintenance costs and a drop in rental income from 207 Kent Street.
Return on equity	4.71%	-1.79%	A negative result was recorded due to the \$6.7M operating deficit, which was caused by the write off of obsolete assets and the one-off \$7.0M payment to relocate the Darling Harbour Passenger Terminal.
Debt/equity	0.160	0.162	This ratio increased marginally due to the decrease in the MMHC's net assets.
Dividend payout ratio	2.16	-1.78	Ratio of distribution to Government to operating surplus is negative for 1998/99 as an operating deficit was recorded.

MSB RESIDUAL FUNCTIONS

1. Significant judicial decisions

With one exception, outstanding litigation against the former MSB current at the start of the year continued without decision.

In February 1999 an appeal by the MMHC on liability, damages and costs in the case of Rosser vs MSB was unsuccessful. Liability for breach of contract and assessment of damages in relation to dredging of the Clarence River at the Port of Yamba had previously been decided in favour of the plaintiff in August 1996.

2. Workers' compensation

The MMHC has legal liability and responsibility for the remaining workers' compensation claims of the former MSB.

Payments to providers and weekly benefits to workers during 1998/99 totalled \$437,863, twenty per cent above the previous year's payments due to two large individual payments made during the year.

At 30 June 1999, there were 35 open claims with an actuarial estimated liability of \$2.71M, for which a provision of \$2.98M has been made. There are also 11 claims for accidents pre-dating 1 July 1989, when the MSB became a self-insurer, which are managed by and are the liability of the GIO. These claims are closely monitored by the Maritime Assets Division to minimise the risk of liability being transferred to the MMHC.

NEXT YEAR

The MMHC is forecast to record a significantly higher surplus of \$36.0M for 1999/2000. The increased surplus is almost entirely due to cash and assets provided by the private sector developer of wharves 9/10 Darling Harbour.

In addition, further income is expected from rental agreements for the Maritime Trade Tower at 207 Kent St, and from new commercial leases, as well as additional maintenance expenditure in order to complete the refurbishment of the Sydney Cove wharf precinct by June 2000.

FOUR YEAR PERFORMANCE SUMMARY

Financial performance indicators

		1995/96	1996/97	1997/98	1998/99
Total assets at 30 June	\$M	539.3	493.6	475.4	457.8
Total liabilities at 30 June	\$M	124.5	86.5	90.0	91.2
Total equity at 30 June	\$M	414.8	407.1	385.4	366.6
Operating income	\$M	35.7	39.8	40.9	39.3
Operating surplus after abnormal items	\$M	8.8	10.6	18.7	-6.7
Financial charges	\$M	6.9	7.2	7.7	8.2
Dividends paid or provided	\$M	0.0	19.2	40.3	12.0
Debt at 30 June	\$M	66.1	64.0	61.8	59.3
Capital expenditure	\$M	0.8	0.3	1.4	3.1
MSB workers' compensation exposure	\$M	3.3	2.9	3.0	2.7
Return on operating assets (before property sales)		2.5%	2.7%	4.1%	3.5%
Return on equity		2.1%	2.6%	4.7%	-1.89%
Current ratio		1.41	2.39	2.08	1.91
Dividend payout ratio		0.00	1.82	2.16	-1.78
Debt to equity		0.159	0.157	0.160	0.162

Operational performance indicators

		1995/96	1996/97	1997/98	1998/99
Properties sold or divested	no.	22	21	13	14
Parcels divested for community use or open space	no.	4	5	3	3
Contaminated wetland sites in Sydney Harbour committed for clean-up	no.	0	3	2	1
Government support for major developments	no.	1	2	2	2
Tenant occupancy of the Maritime Tower		100.0%	85.9%	89.7%	93.2%
Trade through regional ports	thousand mass tonnes	798	767	879	645
Vessel visits to regional ports	no.	70	87	81	100
Foreshore development applications determined by the Maritime Assets Division	no.	46	49	65	92
Development consent turnaround time	days	74	77	70	68

STATUTORY REQUIREMENTS

1. Freedom of Information

No Freedom of Information requests regarding the MMHC were received during the year.

2. Management

Prior to 8 April 1999, the MMHC was managed by the Office of Marine Administration, part of the former Ministry for Forests and Marine Administration. Between 8 April and 30 June 1999, it has been managed by the Maritime Assets Division of the NSW Department of Transport.

3. Risk management and insurance

The MMHC is a general government agency which is exposed to business risks - the risk that the business will fail to meet its planned outcomes, targets and financial projections. It is also faced with risks in the areas of occupational health and safety, information technology, buildings and equipment, and financial exposure.

The Risk Management Plan for the MMHC was updated in February 1999. The Plan outlines the general risk exposure and provides a highest risk exposure analysis, as well as strategies for minimisation and contingencies, for the following areas of MMHC activity:

- asset management (particularly the Maritime Trade Tower at 207 Kent St)
- major development projects
- regional ports management
- statutory and land use planning
- environmental management
- MSB residual responsibilities.

During 1998/99, the insurance cover for MMHC property and public liability was effected through the NSW Treasury Managed Fund.

4. Energy management

A number of energy management initiatives have been introduced into the Maritime Trade Tower at 207 Kent St to control energy use and costs. These have included energy supply under government contract 777 stipulating 6% of energy sourced from green power sources, time-switch controlled lighting, power factor correction and use of the Building Management Computer System (BMCS) to control heating and air conditioning.

Although energy consumption for common areas of the building during 1998/99 increased by almost 15% to 622.2 megajoules per square metre due to an increased occupancy rate of the building and significantly increased after-hours usage, MMHC energy costs were reduced by 4% for the period, being the first full year of a more competitive energy contract. Energy consumption for the year was 8% below 1995/96 levels.

5. Year 2000 compliance

Equipment in the Maritime Trade Tower at 207 Kent St was reviewed by building manager Knight Frank and found to be largely Year 2000 compliant. Upon completion of the replacement of the BMCS, to be funded by the owner BT Australia and at no cost to the MMHC, the building will be fully Year 2000 compliant.

6. Contracting and market testing policy

A two-year Service Level Agreement was signed on 18 March 1999 with the NSW Department of Public Works and Services' Central Corporate Services Unit (CCSU) formalising the provision of general ledger support functions from 1 July 1998.

Other service functions such as insurance, property management and disposal and project management continued to be largely outsourced during the year.

7. Heritage items

In December 1998 the MMHC issued a Heritage and Conservation Register for the Sydney region in accordance with the *Heritage Act 1977*. The Register classifies 71 wharves, buildings, navigation aids, industrial and aboriginal sites, submerged objects and natural features of Sydney Harbour using the State Heritage inventory database program. The Register will be extended to cover MMHC owned heritage items in the remainder of the State.

The Register contains some properties that are on 99 year leases. The lessees are responsible for maintaining these properties.

The remaining properties are administered according to Heritage Council guidelines, pending sale or adaptive re-use and are managed to a reasonable standard of weatherproofing, fire protection and security. Wherever possible they are tenanted. Most are managed by the Waterways Authority on behalf of the MMHC; those considered surplus or targeted for adaptive re-use are managed by the Maritime Assets Division.

Except for the finger wharves at Walsh Bay, where significant site remediation work is required as part of the proposed refurbishment and redevelopment of this precinct, the items listed on the Register are in adequate to good condition.

8. Research and development

No funds were spent on research and development during the year.

9. Funds granted to non-government community organisations

No funds were granted by the MMHC during the year.

10. Publications

MMHC publications for the year were:

- 1998 Annual Report (included in the Annual Report of the Ministry for Forests and Marine Administration)
- Land Owner's Consent Manual

11. Payment performance

Tables 1 and 2 demonstrate payment performance by the MMHC for trade creditors for the four quarters of 1998/99. There was no penalty interest paid to suppliers during the year.

An objective of the MMHC is to pay all trade creditors within their credit terms.

Table 1 – Schedule of accounts payable per quarter (\$000)

	Sept 1998	Dec 1998	Mar 1999	Jun 1999
Current (within due date)	3,733	1,283	1,554	854
< 30 days overdue	18	189	131	199
30-60 days overdue	56	0	147*	0
60-90 days overdue	2	1	86*	0
> 90 days overdue	0	0	389*	0
Total payable	3,809	1,473	2,307	1,053

*reflects agreed late payments to the Department of Public Works and Services

Table 2 – Accounts paid per quarter

	Sept 1998	Dec 1998	Mar 1999	Jun 1999
% of accounts paid on time	81.5%	92.3%	89.1%	91.0%
Total amount of accounts paid on time (\$000)	3,733	1,283	1,554	854
Total amount of accounts paid (\$000)	3,809	1,473	2,307	1,053
% of \$ amounts paid on time	98.0%	87.1%	67.4%	81.1%

12. Investment management performance

Throughout the year, the MMHC held funds that were either generated from operations, provided by developers, forwarded by government or were a residual of the former MSB. The MMHC requires funds to cash back certain MSB legal contingencies and a workers' compensation provision. Funds were set aside for major maintenance that will take place in the following years.

During the year, all MMHC surplus funds were invested in the NSW Treasury Corporation's 'Hour-Glass' facility. Funds were in both the Cash and Cash-Plus facility.

The returns for the year were:

	T-Corp	Benchmark
Cash facility	5.01%	5.04%
Cash-Plus facility	5.07%	5.04%

13. Liability management performance

The only MMHC long term debt is for a sub-lease of the Maritime Trade Tower at 207 Kent St, for which a total of \$354.5M in annual rental payments over a twenty-five year period and thereafter \$1 per annum until expiration of the lease on 29 September 2084 is being paid. The 1998/99 payment of \$2.423M and \$8.590M interest was made in March 1999.

14. Ethnic Affairs Priorities Statement

A combined Ethnic Affairs Priorities Statement for the former Office of Marine Administration and the MMHC was prepared in November 1997.

Work is in hand to review signage of public areas on MMHC property. This review involves consideration of the language mix of the local community and the identification of any suitable changes to existing signage required to assist the public.

During 1999/2000 action will be taken to upgrade relevant signage to be in either multiple languages reflecting the local community needs or in symbolic pictorial communication similar to international signage. For example, appropriate signage will be installed at the commuter wharves at Circular Quay as part of the overall wharf refurbishment program.

15. Disability Plan

As part of the disability plan, parking arrangements for disabled visitors and suitable wheelchair access have been provided at offices owned or sub-leased by the MMHC.

Current and proposed major redevelopments on the MMHC properties, such as Woolloomooloo Bay and the charter boat facilities at Wharves 9 and 10 Darling Harbour, have been approved with appropriate disabled access.

16. Action Plan for Women

As the MMHC has no staff, it does not have an Action Plan for Women.

17. Equal Employment Opportunity

As the MMHC has no staff, it does not have an Equal Employment Opportunity (EEO) Plan, nor can it provide EEO statistics.

18. Consultants

Consultancy payments over \$30,000

Project title	Consultant	Expenditure
Preparation of the master plan for Blackwattle and Rozelle Bays	Devine Erby Mazlin	\$111,832
Risk assessment for Homebush Bay remediation	EVS Environment Consultants	\$90,228
Technical advice for Homebush Bay remediation	Sinclair Knight Merz	\$57,254
Maritime industries' demand for foreshore land and water space on Sydney Harbour and the Parramatta River	J T Rolls Pty Ltd	\$53,374
Monitoring study of Parramatta River foreshores	Patterson Britton & Partners	\$46,776
The future of Sydney's working harbour - analysis of potential use sites	J T Rolls Pty Ltd	\$39,804
Geotechnical Report for the upgrading of Rozelle and Blackwattle Bay wharves	Golder Associates	\$39,365
Sub-total		\$438,633
Consultancy payments \$30,000 or less There were 21 such consultancies totalling		\$130,816
Total for consultants		\$569,449

Note 1: Consultancy and project management costs totalling \$3.034M, which were paid to the Department of Public Works and Services for the longer term projects of Circular Quay refurbishment, 9/10 Darling Harbour redevelopment and Homebush Bay remediation, have been excluded.

Note 2: There were three further consultancies under \$30,000, for which the MMHC was reimbursed.

Note 3: The Waterways Authority also contributed to the Parramatta River foreshore monitoring consultancy.

19. Response to matters raised by the Auditor-General in outgoing Audit Reports

The MMHC financial statements have been qualified in two areas – the accounting treatment for the lease liability for the Maritime Trade Tower at 207 Kent St and the liability for the removal of contaminated sediments in Homebush Bay. These issues have been addressed in notes 17 and 21 to the financial statements respectively.

