Department of Transport

Port Improvement Rate Policy

1. Policy Statement

1.1. The *Port Authorities Act 1999* (the Act) specifies port charges that a port authority may levy; a Port Improvement Rate (PIR) is one such charge.

1.2. This Policy sets out the requirements for a port authority developing and implementing a PIR.

1.3. A PIR will be dividend-neutral when implemented in accordance with the requirements of this Policy.

2. Parameters of a Port Improvement Rate levied under this Policy

2.1. A PIR is based on a 'user pays' approach to the funding of port capital works. The purpose of a dividend-neutral PIR is to fund capital improvements that benefit all users of a Port, or a class of users by reference to a common characteristic.

2.2. Eligible capital improvements are those required to provide and sustain safe, efficient and effective infrastructure and services for customers of the State's ports (including, for example, dredging, port road works, and the installation of navigation aids). The capital works must be for a port's activities, facilities, works, or services as they pertain to the functions and powers of a port authority under the Act.

2.3. A PIR is to be collected and used for a particular project, or group of projects, and is therefore not to operate indefinitely.

2.4. A PIR is not to:

(a) be implemented without prior Government approval;

(b) be used to supplement recurrent (operational) expenses; or

(c) affect any legislated or contractual provisions within State Agreements or pre-existing commercial instruments.

2.5. The proceeds of approved PIRs are liable for tax in accordance with the National Tax Equivalent Regime.

2.6. As a port charge based on fee-for-service, GST will apply to any PIR.

2.7. Dividends collected from approved PIRs will be held by the Government in a separate account and returned in full to the relevant port authority for expenditure on approved PIR capital projects at the port where the PIR was levied.

3. Development and Approval of a Port Improvement Rate

3.1. In developing a proposal for Government to approve a PIR, a port authority must:

(a) identify and develop, in consultation with port users, a proposed PIR capital investment program consisting of common user capital improvements projects - such as dredging, port road works, or the installation of navigation aids - that are required to sustain efficient and effective infrastructure and services to port customers; and

(b) provide in the consultation process an opportunity for port users to put forward potential PIR projects.

3.2. In its proposed PIR capital investment program, a port authority must:

(a) identify and justify the quantum and expected duration of the proposed PIR (noting a PIR only operates as long as is required to meet the costs of an approved capital program, after which it must cease);

(b) report the extent of consultation with port users undertaken by the Port Authority, and the degree to which the port users support the proposed PIR capital investment program;

(c) identify how the PIR will be applied (e.g. on shipping or cargo) equitably to port users, or particular groups of port users, who are to benefit from the proposed capital investment program;

(d) demonstrate that the PIR will not be used in a manner that adversely affects the port authority's financial position or the State's net debt; and

(e) set out how the PIR project will be managed, including:

- establishment of a PIR project steering committee;
- project delivery method(s), including project management procedures to be adopted; and
- method(s) for providing port users and other key stakeholders with progress updates on the planning and delivery of the proposed PIR project.

4. Implementing a Port Improvement Rate Program

In implementing an approved PIR and PIR capital investment program, a port authority must:

4.1. use funds for capital investment at the same port where the PIR is levied and not use the funds to subsidise other ports. In this way port users paying the PIR will directly benefit from improvements funded by their PIR payments;

4.2. submit Strategic Asset Management Framework (SAMF) compliant business cases, in accordance with State Treasury requirements, for the approval of Government. This is required before funding can be released and the project can commence;

4.3. include in the business case for the PIR project:

(a) how the PIR will be applied to port users or class of port users; and

(b) feedback from port users on the project;

4.4. obtain Government approval for any material changes, variations or substitutions for approved PIR projects (and consult port users and the Department of Treasury prior to seeking that approval);

4.5. manage cash-flow variations within the approved PIR capital program;

(a) in the case of a potential or actual overrun of an approved PIR project budget, a port authority wishing to vary the quantum or duration of a PIR must consult with affected port users about the proposed variation, and apply to government for approval:

- providing justification for the proposed PIR variation;
- reporting on the extent of its consultation with affected port users, and the degree to which its customers support the variation; and
- identifying how the variation to the PIR will be equitably applied

4.6. provide regular updates to port users on the progress of PIR projects, and the PIR revenue collected, via port user group meetings or similar;

5. Monitoring and Review

5.1. A port authority with an approved PIR must:

(a) as a part of an annual audit program, provide for an independent audit of the collection and application of its PIR funds; and

(b) report on the audit findings, and compliance with this Policy, in in its Annual Report.

5.2. This policy will be reviewed by the Department of Transport, on behalf of the Minister for Ports, five years after implementation to verify its effectiveness.

Signed

HON ALANNAH MACTIERNAN MLC
MINISTER FOR PORTS

24 / 4 /2019