



Department of
Transport

A vision for

Western Australia's Ports



Foreword by Minister for Transport



I am pleased to announce the completion of the Western Australian Ports Governance Review. The State Government's action plan to respond to the findings and recommendations of this comprehensive review will bring about the most wide sweeping reform of the State's ports in decades.

The current commercialised port authority governance model has served the State well since it was introduced in 1999 by the Court Government. WA's ports have handled massive increases in the State's exports over the past 10 years, with WA's share of the nation's merchandise exports rising from 26 per cent to 46 per cent over that period.

The strong and rapidly growing demand for Western Australian commodities and export capacity at our ports, however, means we must have a model to ensure that our ports, and future ports, have the most effective governance framework to continue to meet the needs of WA's rapidly growing economy.

The State Government is committed to ensuring that the wealth generated by increasing commodity exports delivers greater benefits to the wider Western Australian community. Greater efficiency of key State infrastructure such as our ports means that more of this wealth can be returned to the community through improved health, education, police, transport and other services.

Accordingly, a high level, wide-ranging review of the governance of WA's ports was commissioned by the State Government in late 2010 and steered by the Department of Transport (DoT) in extensive consultation with a wide range of customers and stakeholders.

Under the State Government's response plan, seven of the State's eight port authorities will be consolidated into four regional port authorities. Also, the 13 non port authority ports currently controlled by the DoT will come under the jurisdiction of these regional port authorities. The Fremantle Port Authority will remain as a stand-alone port authority.

This consolidation will take place in stages and will require some legislative amendments, which will be drafted this year and presented to State Parliament in 2013. There will be extensive consultation with port customers and industry, and the timing and extent of the amalgamations will take into account current contracts and the potential impact on port customers and industry.

There are a number of other changes to which the State Government has committed, and it will take several years to roll out all of the reforms. A multi-agency committee led by DoT will oversee reform implementation, with staged port authority consolidation commencing in 2014.

I am confident that the State Government's actions arising from this review will allow our ports to improve the effectiveness, efficiency and economy of their operations, for the benefit of all Western Australians.

Troy Buswell

Minister for Transport, Housing, Emergency Services

Background

Western Australia's ports, as crucial trade infrastructure, are essential to the State's continuing economic prosperity. Western Australia's booming economy relies upon efficient passage of our commodity exports and imports through our ports.

Port Hedland is the highest tonnage port in Australia and the largest bulk commodity export port in the world. The State's other ports handle important trade spanning the export of minerals and energy commodities, livestock, agricultural products and the import of general cargo and energy.

Figure 1 below shows Western Australia's major trading ports. There are eight port authorities governed by the Port Authorities Act 1999 (shown in red) and thirteen non port authority ports governed by the Shipping and Pilotage Act 1967, and the Marine and Harbours Act 1981 (shown in blue).

Port authority ports are established as semi-autonomous government trading enterprises with their own boards of directors and management structures. The port authority boards report directly to the Minister for Transport. Ports governed under the Shipping and Pilotage Act 1967 (SPA ports) are overseen by the DoT's Marine Safety and Coastal Infrastructure business units.



Figure 1 – Trading Ports of Western Australia

Since 2000, the value of WA's exports has risen from \$25 billion to \$112.2 billion, or from 26 per cent to 46 per cent of the nation's total. The State's exports are now greater in terms of value than Queensland, New South Wales, Victoria, Tasmania and the Northern Territory combined.

In 2010-11 Western Australia's ports handled a total of 501 million tonnes of exports and 16 million tonnes of imports. In terms of volume, these figures represent 57 per cent of national exports and 18 per cent of national imports.

The current port authority governance model has coped well with these increases since introduced by the Court Government in 1999. The bottlenecks that have restricted commodity exports, particularly coal, through ports in New South Wales and Queensland and led to long queues of ships waiting to berth, have been absent from WA ports.

In late 2010, however, the State Government decided that a comprehensive and high level review of port governance should be conducted to ensure that our ports could continue to meet the increasing demand for port services resulting from our rapidly growing economy, particularly the resources sector.

The State Government also needed to take into account governance arrangements for the new and proposed ports in the State's north as a result of resource developments, including Ashburton North, Cape Preston, Anketell and James Price Point.

Other factors prompting the review included:

- Large projected increases in shipping visits particularly in the Pilbara; as well as a large increase in the demand for port facilities.
- Ensuring that port developments are well planned, do not create a barrier to entry for other potential users and that the risks associated with the operation of ports and shipping are appropriately managed.
- There would be a proliferation of stand-alone ports and additional port authorities if the existing governance practices were extended to new ports. This would result in more boards and make it increasingly difficult to create management structures and organisations with the necessary resources for overseeing ports and shipping across the State.
- The need for coordinated planning and effective participation in the Commonwealth Government's development of a National Ports Strategy and National Freight Strategy.
- The increased demand on State and Commonwealth governments for infrastructure funding.

The review was not conducted because of any major shortfall in past port management; rather it was concerned with how governance arrangements could best be arranged to respond to and meet current and future challenges.



The scope of the review encompassed all matters concerning port governance and effectiveness that are the responsibility of the Minister for Transport. This includes all trading ports managed under the Shipping and Pilotage Act 1967, the Port Authorities Act 1999 and the Marine and Harbours Act 1981.

As the review has important implications for economic development, infrastructure management, capital funding, fiscal management and environmental management, a cross agency steering committee, chaired by the DoT, was formed to manage the review.

The review terms of reference were:

- To examine the respective roles and responsibilities of State Government agencies including the Department of Transport, Department of Treasury and Finance, Department of State Development, and the port authorities to ensure ports are able to deliver effective and efficient outcomes for the State.
- To provide recommendations for structural or legislative changes to improve the effectiveness of ports and ensure key government objectives and outcomes are achieved.
- To provide guidance in relation to current processes for port planning and investment including examining the process for capital works approvals, funding models and competition between ports for freight.
- To comment on whether the port authorities and Shipping and Pilotage Act 1967 governance and ownership model is still appropriate for delivering the State Government's policy objectives.

The review involved face to face consultations with a number of key stakeholders including the Minister for Transport; all WA port authorities, Ports WA, major port customers and key industry representatives such as the WA Freight and Logistics Council.

Participating State Government agencies included the departments of Treasury and Finance, Premier and Cabinet, Transport, and State Development.

Following the release of an issues paper calling for submissions from interested parties, 27 submissions to the review were made by port customers and stakeholders.

These submissions, the outcomes of consultations, the results of an independent consultant's desktop research project that examined governance practices in other Australian jurisdictions and to a lesser extent internationally, were all taken into account to produce the review report.

The Premier and the Minister for Transport announced the main findings of the review report, and the government's planned response, in February 2012.



Findings and recommendations of the review and the government's response.

The review has confirmed that trade facilitation should remain as WA ports' primary objective and made recommendations aimed at improving the effectiveness and efficiency of our ports.

The review also confirmed that the commercialisation model set out in the Port Authorities Act 1999 is the appropriate governance model.

Consolidation of the port authorities

A major reform arising from the review will be the consolidation of seven of the eight port authorities and the SPA ports, to ensure safety, better planning and coordination of port development, economies of scale and provide opportunities for the smaller regional ports to be better resourced.

This will involve the creation of the following port authorities:

- Kimberley Ports Authority comprising the ports of Broome, Derby, Wyndham, Cockatoo Island, Koolan Island and the proposed port at James Price Point.
- Pilbara Ports Authority comprising the ports of Port Hedland and Dampier, proposed ports at Anketell and Ashburton North, and the SPA ports at Port Walcott, Cape Preston, Varanus Island, Barrow Island, Airlie Island, Thevenard Island and Onslow.
- Mid West Ports Authority comprising the port of Geraldton, proposed port of Oakajee, and SPA ports at Cape Cuvier and Useless Loop.
- Southern Ports Authority comprising the ports of Bunbury, Albany and Esperance.

Fremantle Port Authority will remain as a stand-alone port.

The consolidation of ports will take into account existing agreements and contracts governing a number of the State's SPA ports, which currently operate under the jurisdiction of the DoT, as well as agreements with companies that are operating within existing port authorities.

It is expected there will be minimal impact on most of the current operators of non port authority ports and their existing rights to operate will be preserved.

Where new port authorities assume land currently vested in the DoT, it is likely the port authority will become the new landlord and will become the lessor when old leases expire and new ones are signed.

The new port authorities will assume overall responsibility for safe navigation and marine safety across all sites that come under their control, and the relevant port authority will need to appoint harbour masters and approve pilots that operate within their port waters.

Similarly the amalgamated port authorities will be expected to make sure that systems are in place to protect the environment of all port sites.

Amalgamations will also require some amendments to the Port Authorities Act 1999, the Shipping and Pilotage Act 1967 and the Marine and Harbours Act 1981.

The consolidation will also involve:

- Removing customer representation from port authority boards to manage challenges with potential conflict of interest; and
- Providing discretion over the number of directors that can be appointed to the port boards. Some of the bigger port authorities will require a broader range of expertise and experience than available within the current limit of five directors.

In the amalgamated ports, management of day to day operations is expected to remain at the individual port level through the appointment of general managers. Local community input will continue through port community consultation committees and port user groups. It will ultimately be up to the newly created port authorities to work out how best to structure themselves and manage operational issues.

No decision has been taken on which will be the first regional port authority to be formed. Extensive consultation will be undertaken in 2012 over the formation of the amalgamated port authorities. The amendments to legislation to enable the phased consolidation will be drafted in 2012-13 and presented to State Parliament in 2013. The first regional port authority is expected to be formed in 2014 and a staged implementation process of other port authorities will follow.

Other key initiatives

Other key review recommendations that will be implemented include:

- Developing, for the first time, a State port strategic plan following on from the Regional Freight Transport Plan and the Metropolitan Freight Plan, both of which are nearing completion by the Department of Transport.
- Improving port planning by requiring all ports to develop long term master plans, consistent with the State and national ports strategies.
- Strengthening the WA buffer zone policy to ensure that the development of our ports is not constrained by inappropriate urban encroachment.
- Requiring ports to better align their port strategic development plans with the broader objectives of government.
- Requiring that ports should identify and actively pursue opportunities for the private sector to invest in port infrastructure and to deliver port services.
- Improving board member selection, training and performance assessment to ensure that members have the experience and skills to achieve port authority objectives in what will be a more complex and challenging environment.
- Requiring boards to undertake regular formal performance appraisals.
- Improving channels of communication between the port authorities and government agencies.
- Developing an environmental approval regime for ports that takes into consideration the longer term development of ports and provides approvals for a program of port development rather than individual port projects.
- Continued development of improved frameworks, mechanisms and accountability to control safety and environmental performance of tenants and port service providers.
- Working with the port authorities' association, Ports WA, to strengthen its role as a forum for the exchange of best practice ideas and as a vehicle for coordinating port authority initiatives and responses.
- Financial targets for ports will continue to be set as a rate of return on assets with the target rate to be achieved over the medium term.

Implementation process and timing

It will take several years to roll out all of these reforms, particularly those concerning the consolidation of the port authorities and SPA ports.

A multi-agency committee led by the DoT with significant input from port authority representatives will oversee the implementation of the reforms. The steering group will also include representation from port authorities and key government agencies and will ensure stakeholders are kept up to date with progress.

Timing of the reforms is planned as:

- 2012 – Consultation with industry and port customers, draft legislation, development of policy framework.
- 2013 – Present legislation to Parliament, consultation continues.
- 2014 – Implementation begins with a staged approach, the announcement of the first regional port authority depending on current contracts and impacts on industry and port customers.



For more information

Questions and requests for further information regarding the scope and likely impact of the proposed changes can be directed to:

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