



# The role of ports in Western Australia





# Contents

Minister's message	4
Facilitation of trade	6
Improving port governance	8
Commercial focus	10
Safety, security and environmental responsibilities	11



# Minister's message

**Western Australia's ports play a vital role in the State's economy and have done an extraordinary job in coping with the massive increases in the State's exports over the past decade.**

Our economy is in a period of unprecedented growth and our ports must be able to deliver effective and efficient outcomes for the State. It is important the authorities that manage our ports have clearly defined roles and responsibilities. It is equally important that those roles and responsibilities are understood by all port stakeholders.

Western Australian port authorities are governed under the *Port Authorities Act 1999* and operate as corporatised entities with a board of management that reports to the Minister for Transport.

Port authorities are both landlords and strategic managers of the ports under their control. It is the port authorities' obligation to ensure efficient operational management as well as future development of trade and commerce for the economic benefit of the State.

Over the past decade, port authorities have expanded their role to meet increasingly complex commercial, environmental, community, planning and policy demands. The extraordinary expansion of the Western Australia's resources sector is resulting in significant increases in demand for port facilities and shipping activities.

The current port governance model has served Western Australia well since it was introduced by the Court government in 1999. Nevertheless, in 2010 the Liberal-National Government commissioned a review of Western Australian ports governance - not because of any major shortfall in past port management but because it was concerned with how governance arrangements could best be arranged to respond to and meet current and future needs.

Factors prompting the review included:

- Large projected increases in shipping visits particularly in the Pilbara, and increased demand for port facilities within existing ports as well as for the construction of new ports.
- A concern that 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 to ensure 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.
- The increased demand on State government for infrastructure funding and need to attract private sector investment.

The review made recommendations on the respective roles and responsibilities of State Government agencies and the port authorities, recommended structural and legislative changes to improve the effectiveness of ports, and provided guidance in relation to current processes for port planning and investment.

A key recommendation of the review is to consolidate the State's seven port authorities into four regional port authorities, with Fremantle remaining a stand-alone

port authority. In addition, the larger non-port authority ports/facilities currently controlled by the Department of Transport under the *Shipping and Pilotage Act 1967* (SPA) will come under the jurisdiction of the new regional port authorities.

This document summarises for port authorities, stakeholders and port customers the Government's priorities on port roles and responsibilities concerning port governance and effectiveness during this period of port expansions.



# Facilitation of trade

The *Port Authorities Act 1999* describes trade facilitation as undertaking or arranging for activities that will encourage the development of trade and commerce through the use of port and related facilities.

## Port authorities to take a leadership role in the facilitation of trade within and through their ports in a commercial and efficient manner.

Strategies for trade facilitation include:

- managing ports by overseeing or providing cost effective services and facilities;
- long term planning of infrastructure, services and facilities to accommodate trade growth;
- liaising with industry and relevant government agencies to plan for and protect port access corridors and other port related facilities;
- ensuring a sustainable approach to port management and development with due consideration to the concerns of the community and other key stakeholders; and
- marketing of ports to promote trade and development.

Port authorities will work in cooperation with other government agencies and industry to fulfil their trade facilitation role. Government agencies will involve the relevant port authorities in processes to facilitate trade in their regions.

## Port authorities to identify and actively pursue opportunities for the private sector to invest in port infrastructure and to deliver port services.

It is expected that the private sector will pay for private use of infrastructure and single user facilities as port authorities focus more on the provision of common user infrastructure.

With the increasing demand on Government funds, however, port authorities may seek expression of interest from the private sector to provide common user infrastructure. As the ports' supply chains involve long-life assets and optimal private investment, continuing private sector investment will heavily depend on Government assurances regarding the provision and use of port lands, as well as road and rail systems.

To ensure equitable access for all port users, the State will continue to own all common user infrastructure irrespective of who funds their construction and improvement. This includes the sea bed and land within the port boundaries, roads, shipping channels, breakwaters, navigational aids, swing basins, general cargo facilities and related infrastructure.

## Port authorities to provide fair and equitable access to port services and facilities.

Port authorities will facilitate fair and equitable access to their port facilities and services. It is not considered necessary to impose an access regime on Government-owned port facilities as publicly owned ports have little incentive to restrict access to the services they provide and facilities they own.

To facilitate fair and equitable access, port authorities will:

- ensure that the benefits of access to common user facilities are shared among port users and do not unfairly advantage an individual port user;
- support competition in the provision of port services within the port, such as towage and stevedoring;
- facilitate the entry of new suppliers of port and related infrastructure services; and
- encourage access to surplus capacity in privately owned port infrastructure is made available to other users at a reasonable cost.

**Port authorities to manage their activities as a part of the ports supply chain and relate the performance of the port to the performance of the inland transport and logistics system.**

Port authorities and government agencies will work cooperatively with external partners to influence the efficiency and effectiveness of the supply chain and improve the provision of port services.

Port authorities will be able to undertake investments outside of the port precinct, provided they comply with provisions of the *Port Authorities Act 1999* and the 1995 Competition Principles Agreement.

**Port authorities to work with key players in the ports supply chain, along with port customers and relevant government agencies, to plan and provide for existing and future trade growth.**

Ports are an essential and integral component in regional economic activity and in most cases there are few cost effective opportunities for relocating port infrastructure. There is therefore a need to ensure that port developments are integrated as smoothly as possible into the surrounding areas' development plans.

Long term planning for port operations needs to consider the encroachment and/or consolidation of urban development in the immediate vicinity as well as the responsibility for increased environmental management in terms of risk, dust, noise, etc. emanating from the ports. These constraints can impact on other infrastructure, such as road and rail that provide access to the ports.

Strategies to strengthen planning processes around ports need to include:

- a three-tiered transport planning framework that includes a State-level plan covering all relevant ports, regional-level plans and port precinct-level plans;
- the Department of Transport working with government agencies, port authorities, industry and the community, to develop and implement state-wide strategic plans, including a state ports strategy and freight transport plans;
- port authorities' long term development strategies communicated to relevant government agencies, port customers and the community; and
- the Government ensuring land use planning processes provide appropriate buffer zones at all ports and along critical freight corridors and maritime access routes, to strengthen implementation of the State's buffer zone policy and protect ports from the encroachment of urban development and other incompatible land uses.



## Improving port governance

The commercial model in the *Port Authorities Act 1999* provides for the establishment of port authorities with governing boards, clear accountabilities, and well defined functions, and will continue to be the governance model for port authorities.

### Port authorities to be amalgamated, to improve outcomes for port customers.

In February 2012, the State Government announced a number of reforms to improve port governance, including the establishment of four regional port authorities:

- Kimberley Ports Authority – comprising the Port of Broome, Port of Derby, Port of Wyndham, Port of Yampi Sound (includes facilities at Cockatoo Island, Koolan Island and potential port facilities for Irvine Island) and the proposed port at James Price Point;
- Pilbara Ports Authority – comprising the Port of Port Hedland, Port of Dampier (includes facilities at Ashburton), Port Walcott (includes facilities at Cape Lambert and Anketell), Port of Onslow (includes facilities at Thevenard, Airlie and Onslow Salt operations), Port of Varanus Island, Port of Barrow Island, and Port of Cape Preston;
- Mid-West Ports Authority – comprising the Port of Geraldton, Port of Carnarvon (includes facilities at Useless Loop and Cape Cuvier) and proposed Port of Oakajee; and
- Southern Ports Authority – comprising the Port of Bunbury, Port of Albany and Port of Esperance.

Fremantle will remain as a stand-alone port.

Management arrangements for the non-port authority ports/facilities will be brought under the control of the appropriate regional port authority. This will help address the difficulties and risks of a centralised management model that controls operations away from the site of activity.

Anticipated outcomes to be achieved include:

- optimising use of port infrastructure;
- improving investment decisions;
- enhancing corporate governance via strategic, operational and financial planning, risk management, human resource and skills management, stakeholder management, safety management, and environmental management;
- reducing expenditure through efficiency gains and reduced duplication of effort;
- improving commercial practices and skills, acumen and capability;
- providing consistency of port views on regional issues; and
- extending economy of scale benefits for service provision.

A number of changes will also be made to board memberships, which will form the basis for appointments made by the Minister for Transport. Port customers will continue to have input through port user groups, but there will be no legislated customer representation on port authority boards.

**Port authorities have the power to act at their discretion within the boundaries of the strategic direction and broad policy objectives of the State Ports Strategic Plan.**

The State is responsible for the strategic direction of Western Australian ports. This responsibility is vested in the Minister for Transport and administered by the Department of Transport.

To gain greater efficiencies and reduce costs, the Government sets the strategic direction of ports by various means, including:

- providing a ports policy framework;
- developing a State Ports Strategy; and
- ensuring port authorities' precinct level port plans, Strategic Development Plans (SDPs) and Statements of Corporate Intent (SCIs) are consistent with the broader direction of government.

Port authorities are also guided by government policies and financial targets on matters such as rate of return, dividends, taxation, pricing and capital structure. This maintains a balance on competitive port charges and increased trade while safeguarding port authorities' long term commercial viability.

SDPs and SCIs provide a focus and framework for fulfilling port authorities' roles and obligations. They are the mechanisms through which port authorities and the State agree on the future direction, objectives, targets and performance indicators of each port.



## Commercial focus

Port authorities, as government trading enterprises, are required to act in accordance with prudent commercial principles, and endeavour to make profits.

**Port authorities to focus on commercial effectiveness. To achieve commercial effectiveness, port authorities will need to be market driven, cost-conscious, responsive and flexible in meeting the needs of port customers.**

Port authorities will continue to improve port services, whether they are provided by the port authority or by the private sector. Service improvements can be achieved by paying attention to issues such as service quality, capital investment, labour practices, and systems efficiency.

Port authorities must manage costs and facilitate investments to advance port facilities while ensuring that their customers receive better service and value for money. In all instances, they are to act fairly and transparently in dealings with port customers.

Being commercially effective will enable port authorities to recover the full cost of port infrastructure and its operational costs as well as an appropriate return on the capital invested.

To give port authority customers confidence that they are receiving efficient and cost-effective services, port authorities will regularly benchmark their services and facilities against national and international best practices.

The State, as the owner of the port authorities, will from time to time require a port authority to build facilities or provide services that are not considered strictly commercial. Should such a decision be reached, it will be made or supported by the Government and identified as such, in the same manner as a community service obligation.



## Safety, security and environmental responsibilities

The present statutory framework requires port authorities to develop environmental management plans as part of their strategic development plans for approval by the Minister for Transport. Port authorities are also required to raise a separate marine safety plan under the *Port Authorities Act 1999* for approval by the Minister. Safe operation of the port is a functional requirement for port authorities and security requirements are regulated by the Commonwealth legislation.

### **Port authorities to manage their ports and port operations in a safe, secure and environmentally responsible manner.**

Ports will have frameworks and mechanisms to complement the regulatory requirements that already apply to port operators and service providers under safety and environmental legislation (e.g. marine safety, workplace safety, dangerous goods and environment protection legislation) to ensure the safety and security of port activities and help protect the port environment.

Although the primary responsibility for port safety, security and environmental management is with those undertaking each activity and those agencies that regulate such activities, port authorities will play a central point of coordination through their leases, licences, management plans and the powers under the *Port Authorities Act 1999* to ensure that this responsibility is embraced by lessees, private operators and third parties to minimise impacts on the port environment.

Under separate Commonwealth legislation, ports are also required to have maritime security plans in place to manage the potential risks of terrorism to its critical facilities.

Western Australia will develop an environmental management regime and strategic assessment process for ports. This will take into consideration the longer term development of ports to obtain timely approvals for a program of port development, rather than individual port projects.

### **Port authorities to ensure that there is continuing engagement between the Minister and port authority boards, and between ports and affected government agencies, with all parties working to build an environment of enhanced understanding and improved cooperation.**

Ports WA, the industry body comprising port authority and Department of Transport membership, will be expected to provide an effective voice on matters of common concern, a forum for the exchange of best practice ideas and a vehicle for coordinating port authority initiatives and responses.

Appropriate mechanisms will need to be established and maintained at individual port level to ensure ongoing dialogue with local communities at each of the constituent ports.

## Contact

Department of Transport  
140 William Street  
Perth WA 6000  
Telephone: (08) 6551 6000  
Website: [www.transport.wa.gov.au](http://www.transport.wa.gov.au)