1. Report from the steering committee

The third steering committee meeting was held on 23 August 2012 to consider the progress of the working groups and discuss ongoing issues. The steering committee members include the Chairs of the Port Hedland and Bunbury port authorities, Chief Executive Officers (CEO) of the Dampier and Albany port authorities, and Deputy Director Generals of the Department of Transport (DoT) and the Department of State Development (DSD).

Working group implementation plans

Working groups are reminded that implementation plans are due for steering committee consideration at the 22 November 2012 meeting. As per the approved working group terms of reference, each plan should determine for their new port authority:

- the organisational intent, structure and strategy;
- the scope of operations;
- the location of staff and the head office;
- the corporate functions, such as finance and budgeting, administration, human resources and information technology;
- how technical operations such as the management of common user berths, harbour master powers, and the implementation of marine safety and security, and port environmental protection will be performed across the sites that the port authority controls; and
- how the risks to the amalgamation process will be managed.

The steering committee considered the Southern Ports working group’s proposed structure of its implementation plan as a good format for such a plan.

Although there are differences in the work being undertaken by each working group, the steering committee asked that this format be followed by all working groups to the extent possible to ensure that there is some consistency in the structure of the implementation plans.

Workshop to discuss suitable transitional arrangements

Committee members endorsed a workshop to be held in October to discuss the timing and approach of establishing the new regional port authorities.

The discussion would guide how the transitional provisions in the amending legislation will be drafted. These provisions cover board member appointments, existing property, assets, employees, liabilities and contractual obligations of the merged port authorities.

The outcome of the workshop would also assist working groups in finalising their implementation plans.

Protocol when addressing State agreement and/or Shipping & Pilotage Act (SPA) facilities related issues

A Port Governance Review reform principle is for “clear community engagement with stakeholder communication related to the work of the working groups to be through existing port authority chair/CEO”.
Although the agreed Communications Strategy outlined a number of communication protocols, committee members identified the need for a clearly understood process when dealing with stakeholders on port amalgamation matters concerning State Agreements and/or SPA issues. This will ensure that an accurate and consistent message is provided.

The steering committee has further endorsed the following protocol.

- Ports working groups, prior to any formal port amalgamation discussion with customers:

<table>
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<th>On matters relating to:</th>
<th>Contact:</th>
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</table>
| State Agreements       | Milka Klobucar, Executive Director Project Facilitation, DSD  
Email: milka.klobucar@dsd.wa.gov.au  
Phone: 08 9222 0904 |
| SPA facilities         | Donna West, Coastal Facilities Manager, DoT  
Email: donna.west@transport.wa.gov.au  
Phone: 08 9435 7541 |

- For all port amalgamation discussions in relation to State Agreements and/or SPA facilities issues, whether initiated by a stakeholder, a Ports working group or a port, the Ports working group or port are to provide feedback on the discussion to Milka Klobucar and/or Donna West.

2. May to August reports from the Southern Ports working group

The Southern Ports working group met three times during this period, with meetings scheduled approximately once a month. Ernst & Young facilitated the meetings and workshops. The working group completed a risk assessment workshop and developed general principles and a functional structure for the new port authority. Further work needs to be done on the amalgamation strategy and an implementation plan.

3. May to August reports from the Mid West Ports working group

The Mid West Ports working group met twice in this period. The group is undertaking a cost review to enable the development of a model for cost recovery and a return on service, as well as developing a responsibilities plan to allow discussion with Rio Tinto and Mitsui. The DSD representative on the working group is assisting with the examination of State Agreements. The group is also working through SPA port issues with DoT Coastal Infrastructure.

4. May to August reports from the Pilbarra Ports working group

The Pilbara Ports working group met five times over the period, with meetings scheduled approximately every two to three weeks. The group conducted a workshop to identify the in-scope and out-of-scope items for consideration, developed establishment charts based on functionality, and set up eight sub-groups to expand each functional component. The working group also completed a risk assessment workshop. DoT Coastal Infrastructure is assisting on SPA port issues.

5. May to August reports from the Kimberley Ports working group

The Kimberley Ports working group have met twice since May. Briefings were provided to Tony Chafer, CEO of Cambridge Gulf, who attended the working group’s inaugural meeting; Elsia Archer, Shire President, and Gary Martin, A/CEO of the Shire of Derby/West Kimberley, who attended the second meeting. DoT Coastal Infrastructure is
assisting with SPA port issues. A facilitated session is being organised to develop a physical and legislative project framework and to assess the implementation risks.

6. **May to August reports from the SPA Amalgamation, State Agreement and Contractual Review, and Legislation working group**

During this period, the chair of the SPA working group met twice with the chairs of the three SPA sub-groups. The State Agreement sub-group, chaired by DSD, met once to review the progress of the detailed review of State Agreements. The working group conducted a financial issues workshop (refer to item 9 in Communiqué).

7. **Cabinet submission of the Ports Governance Review implementation plan and drafting instructions to amend the Port Authorities Act 1999**

A submission for Cabinet to endorse the implementation plan to the amalgamation of port authorities and drafting of required legislative changes was prepared for the Minister for Transport.

The drafting instructions included amendments recommended from previous reviews and reports, including the five-year Ministerial review of the *Port Authorities Act 1999*, the Western Australian Education and Health Standing Committee’s report to the Inquiry into the Cause and Extent of Lead Pollution in the Esperance Area, and the Council of Australian Governments Review of Western Australian Ports.

Not included are drafting instructions to effect changes required to other acts to bring port authority ports and SPA ports under the control of the new regional port authorities. These amendments will be determined over the next 12 months through reviewing State Agreements and contractual obligations operating within the port authorities and SPA ports, and will be submitted as a separate Cabinet submission for approval.

8. **Initiative being reviewed by the Australian Competition and Consumer Commission**

In May, DoT received advice from the State Solicitor’s Office that the amalgamation of the State’s port authorities will potentially be a merger that could breach the anti-competitive acquisition provisions of the *Competition and Consumer Act 2010* (CCA), as port authorities are constitutional corporations and subject to the provisions of the CCA.

The Department has since written to the Australian Competition and Consumer Commission (ACCC) to establish whether the amalgamation requires ACCC clearance and if so, the process to obtain that clearance. Discussions with the ACCC are ongoing.

9. **Financial issues workshop**

DoT organised a workshop in late June to enable the SPA working group to get an understanding of some of the financial implications, issues and potential treatments around the port amalgamation process, particularly in relation to the transfer of assets between the State (central government) and the ports (as government trading enterprises).

The resulting workshop discussion notes were forwarded to the four regional working groups for information.

Emerging from the workshop was the suggestion that the Metropolitan Redevelopment Authority (MRA), which was created early this year from the amalgamation of the East Perth Redevelopment Authority, the Subiaco Redevelopment Authority, the Midland Redevelopment Authority and the Armadale Redevelopment Authority, would provide a good case study and useful information on lessons learnt.

The Department has obtained a copy of the MRA Transition Operations Checklist and
their Gantt Chart for information. It is also exploring the possibility of a presentation by the MRA to the working groups.

10. Strategic and operational risks identified

In completing its risk management assessment based on the workshop discussion, the steering committee has identified the strategic risks as:

- inadequate scope definition;
- failure to ensure a timely transition;
- failure to ensure effective use of parallel processes;
- inadequate legal and statutory framework;
- inadequate resources/funding;
- misalignment between (multiple) stakeholders objectives and outcomes;
- a lack of political acceptance, direction and commitment;
- inadequate change management;
- a lack of stakeholder buy-in, commitment, acceptance and communication;
- detrimental harm to port users;
- failure to ensure the positive benefits of transition are realised; and
- failure to retain capacity and capability during transition.

All regional working groups are working to complete the identification and analysis of their operational risks. Common risks noted across the working groups include:

- delays in appointment of Board and CEO;
- a change to Government policy and/or strategy;
- a divergence from present corporate strategy;
- a disruption to current operations and existing reforms;
- an extended process and appointment delays;
- a loss of talent during implementation process;
- an excessive costs to implementation;
- an ineffective integration process (cultural, organisational, technology);
- an ineffective communications (external and internal);
- an inadequate wind-up of the amalgamated entities;
- union concerns and demands;
- a transition of SPA ports to new structure; and
- ACCC issues impact operations and timing.

11. Consultation with stakeholders

DoT and DSD jointly provided briefings to the Chamber of Commerce and Industry and the Chamber of Minerals and Energy Infrastructure Committee.

A letter informing State Agreement customers of the amalgamation was sent by DSD. A similar letter is being prepared by DoT to non-State Agreement SPA facility operators. The Department has also written to relevant Commonwealth agencies to advise them of the amalgamation.

12. Contacts for more information
If more information is required, please contact:

- Ms Alison Coates, Executive Director, Major Transport Projects, Department of Transport
  (email: alison.coates@transport.wa.gov.au, phone: 08 6551 6128)
- Mr Bruce Chan, Project Director, Major Transport Projects, Department of Transport
  (email: bruce.chan@transport.wa.gov.au, phone: 08 6551 6508)

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