

PERTH MARKET (DISPOSAL) BILL 2015

Introduction and First Reading

Bill introduced, on motion by **Dr M.D. Nahan (Treasurer)**, and read a first time.

Explanatory memorandum presented by the Treasurer.

Second Reading

DR M.D. NAHAN (Riverton — Treasurer) [12.18 pm]: I move —

That the bill be now read a second time.

Following a thorough due diligence process undertaken by the Department of Treasury and supported by the lead financial adviser Ernst and Young—also known as EY—and Jones Lang LaSalle, the government has decided to sell the assets and operations of the Perth Market Authority, collectively referred to as “Market City”. This decision has been made in light of the challenging fiscal circumstances facing the state. It should be acknowledged that Western Australia’s finances have been under pressure since the government came to office in 2008, a time when the global financial crisis was an emerging issue, and revenue and savings measures have been a feature of every budget and mid-year review since that time. The recent 2015–16 budget was framed against the most challenging economic and fiscal environment the state has faced in the last two to three decades.

In accordance with sound budget management, members will recall that the government first announced that it would pursue an orderly program of asset sales in the 2014–15 budget speech to Parliament, with sales proceeding only when demonstrated to be in the interests of Western Australian taxpayers. In the 2015–16 budget speech, the government reaffirmed its commitment to the asset sales program, and announced a significant expansion to the program. The asset sales program is an important element of the state government’s fiscal management strategy, with proceeds generated from sales to be used to reduce the state’s debt levels. It is noted that the forward estimates make no provision for the anticipated asset sales proceeds, which will be reflected only after sale transactions are completed.

I will now provide members with a brief overview of the first asset to be sold, the Market City facility at Canning Vale. It is situated 16 kilometres south of the Perth central business district and is currently owned and operated by the Perth Market Authority. The authority was established by the Perth Market Act 1926 to create a fruit and vegetable wholesale market in the Perth metropolitan area. The overarching objectives for the sale of Market City are to ensure the sustainable continued operation and growth of the market function; facilitate private sector investment for the future; maximise transaction proceeds and the financial return for the state; and minimise residual financial risks and liabilities for the state.

The current Market City site was opened in 1989 and occupies a significant landholding of 50.9 hectares, of which over 13 hectares is vacant and available for development. The site represents the largest industrial land holding in Canning Vale and one of the largest freehold industrial sites in the Perth metropolitan area. Canning Vale is widely recognised as one of Perth’s prime metropolitan industrial sites. Market City’s strategic location is reinforced by its proximity to major arterial road networks and key industrial infrastructure that allows swift access to the wider Perth metropolitan area, Perth airports, Kewdale freight terminal and Fremantle port.

As Western Australia’s only wholesale fresh produce market, it is one of the primary distribution channels for fruit and vegetables in the state. Each year, more than 200 000 tonnes of fresh produce, valued at approximately \$500 million, is traded through Market City. Market City’s position in the industry supply chain provides a strong activity base and tenant demand for the site. Market City currently accommodates over 100 tenants, who provide a secure and diverse income stream. It has operated at an average occupancy rate of 99 per cent over the past 10 years, reflecting both stable and strong tenant demand. The central trading area, which is the only designated area from which to buy and sell wholesale fresh fruit and vegetables on the site, is currently operating at full occupancy.

The attributes of Market City make a compelling investment opportunity for a range of potential buyers. The current financial position of the Perth Market Authority is sound. The primary driver of revenue is rental income received from tenants, with additional income received via management functions, including the operation of weekend markets for the general public. The sale of Market City offers a significant opportunity for private sector investment in the fruit and vegetable industry. The transition to private sector ownership will allow the new owner to unleash the potential of the site by investing in expansion and upgrades to deliver greater levels of efficiency and productivity to tenants. This has been demonstrated in the precedent cases of the Sydney and Brisbane markets, which successfully transferred to private ownership in 1997 and 2002 respectively. Both markets continue to support the industry and have enjoyed strong growth following their sales.

The diverse range of bidders and the high level of interest in response to the government's invitation for expressions of interest provides assurance of a competitive sale process that will deliver outcomes to benefit both the state and the industry. The request for detailed proposals stage will commence shortly, with shortlisted bidders invited to demonstrate their commitment to the continuity of the market and vision for the future of Market City.

The government will implement a number of control measures to support the sustainable operation of the wholesale market, and continued growth of the state's fruit and vegetable industry. This bill contains two key measures to ensure continuity of the market function, namely a requirement to continue to operate the central trading area exclusively as a wholesale fruit and vegetable market for a period of at least 20 years; and a requirement to maintain a minimum level of warehouse storage for market-related purposes for a period of at least 20 years. Other control measures that will be implemented through transaction documentation include a requirement for the new owner to prevent a single wholesaler from controlling more than 20 per cent of the available floor space within the central trading area; a requirement for the existing key market trading rules to be retained for a minimum period of two years from sale; and a requirement for the new owner to formally indicate to government its intention for the site five years before the 20-year restricted use period expires.

The government acknowledges that a change of ownership will impact on tenants. A number of contractual measures will be introduced to assist tenants with the transition to private ownership, including limitations on the new owner's ability to charge tenants for the recovery of land tax over a period of six years and to profit from the distribution of electricity to tenants.

I turn now to the structure of the bill. The bill has been drafted with a degree of flexibility to allow for varying scenarios in the transaction structure and legal entities that may be employed, while ensuring sufficient certainty and protections in executing the sale. The bill consists of 55 clauses, which broadly provide for the disposal of the assets and liabilities; continuation of the wholesale market function; and post-sale transitional arrangements and administrative wind-up of the Perth Market Authority. The bill is divided into seven parts and one schedule. Part 1 relates to the usual preliminary matters and specifies that the bill will come into operation on the day after it receives Royal Assent. Part 2 deals with the authorising powers and related limitations for the disposal, including the 20-year limitation to ensure the continuation of a public market. Part 3 provides for the administrative mechanics of implementing the disposal, including, but not limited to, the making of transfer orders; access to records; registration of documents; disclosure of confidential information; and the payment of proceeds. Part 4 relates to specific provisions for the use of corporate vehicles in a disposal, ensuring that relevant laws will apply to the operation of the market assets while temporarily held in a corporate vehicle prior to disposal. Part 5 covers a range of miscellaneous matters, including, but not limited to, the optional exemption of the disposal from state taxes; and restrictions on local governments in relation to the creation of other public markets, thereby maintaining the status quo of the current exclusivity arrangements contained within the Perth Market Act 1926. Part 6 deals with the repeal of the Perth Market Act 1926 and the transitional arrangements after repeal. Part 7 deals with a suite of consequential amendments of other acts following the disposal of the assets and repeal of the Perth Market Act 1926. Schedule 1 provides a detailed survey plan identifying the areas of land that form the boundaries of the central trading lot and central trading area.

I reiterate that the sustainable operation of the wholesale market has been, and remains, a priority for the government. I have outlined the measures that the government will enforce to safeguard the continuity of the wholesale market and to limit the potential impact of the sale on tenants. It is important to recognise that Market City is on schedule to be the first asset sold under the state government's asset sales program, and completion of its divestment hinges on the enactment of the bill.

I commend this bill to the house.

Debate adjourned on motion by **Mr D.A. Templeman**.