

Fremantle Port Authority —

Mr T.J. Healy, Chair.

Mr D.A. Templeman, Minister for Local Government representing the Minister for Ports.

Ms C. Wallace, Executive Director, Freight, Ports, Aviation and Reform, Department of Transport.

Ms T. Haria, General Manager, Commercial and Corporate Services.

Mr R. Pergoliti, Manager, Finance.

Mr C. Thurley, Chief of Staff, Minister for Ports.

Mr G. Hamley, Chief of Staff, Minister for Local Government.

[Witnesses introduced.]

The CHAIR: This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available the following day. Members may raise questions about matters relating to the operations and budget of the off-budget authority. Off-budget authority officers are recognised as ministerial advisers. It is the intention of the Chair to ensure that as many questions as possible are asked and answered and that both questions and answers are short and to the point.

The minister may agree to provide supplementary information to the committee, rather than asking that the question be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information he agrees to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the principal clerk by Friday, 31 May 2019. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice through the online questions system.

I give the call to the member for Scarborough.

Mrs L.M. HARVEY: When I was comparing the capital works program in this year's budget with last year's budget, I noticed that it was expected that \$10.24 million would be expended on stage 1 of the deepening of the inner harbour in 2020–21, which has now been pushed out to 2021–22. I would like an explanation for why that has been delayed by a year?

Mr D.A. TEMPLEMAN: Ms Haria.

Ms T. Haria: That project is linked to a potential berth extension, which is subject to commercial arrangements. If the berth extension were to proceed, based on agreement from the stevedores or the tenants, then we would possibly need to deepen certain pockets of the harbour, so the two projects are linked.

Dr M.D. NAHAN: What berth is being considered to be extended?

Mr D.A. TEMPLEMAN: I am happy to get Ms Haria to answer that.

Ms T. Haria: That would be berth four onwards—four to five.

Dr M.D. NAHAN: Would that increase the throughput capacity of the port?

Ms T. Haria: We have capacity already, but that would possibly increase efficiency, if the stevedores were to agree to the contractual arrangements.

Dr M.D. NAHAN: In this budget there is substantial investment in the Kwinana bulk jetty and terminal over the forward estimates. Can the minister explain what is being done here? Why? Is demand increasing for those facilities or are these things just getting old?

Mr D.A. TEMPLEMAN: I am happy for the general manager to respond.

Ms T. Haria: We have an ageing asset base. Predominantly, most of the expenditure is related to replacement of plant and equipment, and to meet customer needs.

Dr M.D. NAHAN: Through the bulk facilities in the outer harbour, are there increases in export throughput through the jetty?

Ms T. Haria: We are predicting that throughput will increase moderately, but we are handling imports and exports, so that is dependent upon customer requirements and demands.

Mrs L.M. HARVEY: I understand that this investment was in last year's budget and was part of last year's deliberations, with the expectation that \$2 million would be expended in the 2018–19 financial year and \$17.5 million would be expended this year. I note that that expenditure is now \$5 million for this budget year. Will the works actually commence this financial year or is this planning money? What stage is that infrastructure project up to?

Ms T. Haria: Could the member please repeat the question?

Mrs L.M. HARVEY: On page 561 of the budget papers, halfway down the page under the heading “New Works”, is the line item “Kwinana Bulk Jetty—Export/Import Infrastructure”. The total estimated cost for that is \$39.5 million. This was also included in last year’s budget and had an expected expenditure of \$2 million in the last financial year and \$17.5 million in the financial year of the budget papers that we are deliberating on today. I note that that has now changed, so instead of having expended \$2 million and commenced expenditure of \$17.5 million this year, we are now looking at a \$5 million investment in this budget year. What is the status of that infrastructure project? Is it in the planning stage? Is it going to tender? Is it going to commence or is it likely to be pushed out contingent on other commercial arrangements?

Mr D.A. TEMPLEMAN: The member is speaking about the figure that appears in the budget now—\$39.5 million—and why that is different from last year’s budget.

[8.40 pm]

Ms T. Haria: That, again, relates to the replacement of plant and equipment. It is subject to commercial negotiations with customers, and that is currently in the planning stages.

Dr M.D. NAHAN: On page 560 under the “Asset Investment Program”, paragraph 1.4 refers to the Fremantle waterfront implementation plan, including the commercial precinct. It indicates some potential for investment of \$3 million and \$12.2 million. Could the minister outline what that plan is? Why is the investment contingent on private sector interests?

Mr D.A. TEMPLEMAN: The Leader of the Opposition is referring to the Fremantle waterfront implementation plan at Victoria Quay and wants an explanation of the status of that and the issue regarding reliance on private sector contribution. I will ask the manager if she would respond to that line of inquiry.

Ms T. Haria: It is contingent on the work that is currently underway. A steering committee has already been established and has been chaired by Minister Simone McGurk and members from the port, Fremantle city council, the Department of Transport and some other agencies. This committee is looking at revitalising the Fremantle–Victoria Quay waterfront area, and mixed-land uses. Until those developments are identified, there is contingency in the budgets to allow for that.

Dr M.D. NAHAN: For as long as I can remember the port authority has expressed concerns in its annual reports about urban encroachment on its facility. Would this plan have urban encroachment on the operating space of the port? I assume it is focused on the south-west end of the facility and includes the areas where a lot of cars are parked right now, and the passenger terminal. I assume it is in there. Does this plan envisage urbanisation, apartments and other facilities; and, if so, will it encroach on the operating performance of the port?

Mr D.A. TEMPLEMAN: I can make some comment on this because I have met with the City of Fremantle regarding the opportunities that exist, or may exist, from looking at the potential of the waterfront development from a cultural and arts’ perspective, in particular, and an activation perspective. The member is right; it is populated by car parking at this moment, and because it is close in proximity to both the ferry terminal to Rottne Island and the passenger terminal precinct, a working party, which includes the member for Fremantle and other key agencies, has been formed to look at options regarding that precinct. From my perspective, discussions that the City of Fremantle highlighted were around utilising the existing infrastructure to activate the waterfront area for a range of purposes to encourage people who gather there for a variety of reasons to have access to some enhanced activation opportunities. I will ask the manager to add to that. That is what I have been involved in. I know the City of Fremantle is very keen to do this, but the manager might want to give a bit more detail about the management group that is looking into this.

Ms T. Haria: The future uses of those areas are a part of the discussion with the steering committee. The west end is possibly more conducive to mixed-use development, whether it is entertainment, commercial or retail. The mandate of the port to continue operations remains, and the east end will be subject to those requirements. Whether it is east or west, the plan will then determine what developments, if any, can proceed and to ensure that it does not impede the operations of Fremantle Ports.

Mr D.A. TEMPLEMAN: In addition to that, Old Customs House is also a key asset in that whole precinct. It is bookended to the south by the WA Maritime Museum, and so there is some real opportunity to enhance that area, activate it and encourage people to have an experience while they are there for purposes such as going onto the jetties or leaving on one of the cruise ships.

Mrs L.M. HARVEY: In last year’s budget, under the heading “New Works”, there was a sum of \$33.232 million for land acquisition for the Kwinana Bulk Terminal. I notice that is not in this budget as part of completed works or anywhere else. I am wondering what happened to that land acquisition proposal from last year. Okay; I have just had it pointed out to me.

Mr D.A. TEMPLEMAN: I am happy for the manager to respond.

Ms T. Haria: That item appears on page 560 with a budgeted expenditure of \$32 million and is currently underway. It is land acquisition from LandCorp and we are anticipating the sale contract to be presented to the board for its approval at the meeting in June.

Mrs L.M. HARVEY: I missed it when I was looking for it earlier. Whereabouts is that land?

Ms T. Haria: It is adjacent to the Kwinana Bulk Terminal. We are buying two lots, which are termed lot A and lot C. Lot A is where the entrance to the Kwinana Bulk Terminal currently is. We have been using that land, and we are now going to be acquiring and formalising it. Lot C is also adjacent to Kwinana Bulk Terminal.

Dr M.D. NAHAN: What is the expected throughput of twenty-foot equivalent units in the port this year? What does the port think the capacity of the port is in terms of ultimate capacity as it exists now in terms of TEUs?

Ms T. Haria: The budget throughput for this year is just under 800 000 TEUs. Plenty of studies and work have been undertaken over the years, and we expect a significant amount of capacity at the inner harbour. That work is now also subject to the work being undertaken by the Westport Taskforce, and we await the outcome of that task force.

Dr M.D. NAHAN: In terms of its long-term strategic plans, what does the port authority consider its capacity to be under its existing physical layout?

[8.50 pm]

Ms T. Haria: We expect that significant capacity will be achieved by additional efficiency as a result of the revised terminal leases—the container leases are currently being negotiated—and technological advances. We understand that there is plenty of capacity, but we are working together with Westport to understand what the final outcome of that figure will be.

Dr M.D. NAHAN: I understand Westport is doing that work, and it indicated that the capacity of the inner harbour could easily be doubled; that is what it has stated. It also indicated the potential for further substantial technological change and efficiency. But surely the port has its own view. The government, which owns the port, can tell the port to do something else; I fully accept that. I just wondered whether the port itself has a longer term view about what it thinks the throughput capacity of the inner harbour will be over the next 15, 20, 30 years?

Mr D.A. TEMPLEMAN: I am happy for the manager to respond. I think the Leader of the Opposition is starting to delve into the Department of Transport division, which particularly relates to some of his line of questioning, but I am happy for the general manager to respond in general terms.

Ms T. Haria: The finite number is one on which I cannot respond at this time. It is subject to various parameters with regard to logistics assumptions and investments along the supply chain, along with automation and technological advances. As I mentioned, that work is going to be determined as part of the work that is being undertaken by Westport.

Mrs L.M. HARVEY: Obviously, there are infrastructure constraints around the port, so although the port might have capacity if the infrastructure and access arrangements are perfect, within the constraints of the access arrangements of the port, what is the capacity of the port anticipated to be if nothing else, apart from the efficiencies that can be driven through the port, changes?

Mr D.A. TEMPLEMAN: I think the general manager might have already answered that question specifically in her last answer, but if she has anything else to add, I am happy for her to respond.

Ms T. Haria: No.

Dr M.D. NAHAN: The minister indicated that the port was in negotiations for new contracts for the people who ship the containers—what are they called?

Ms T. Haria: Stevedores.

Dr M.D. NAHAN: Stevedores, that is right. When did the port enter into those negotiations, and what does it expect out of them? Does the port have expectations of lowering costs in the renegotiations? There was talk at one time about bringing a third stevedore into the Fremantle port. Is that under consideration?

Mr D.A. TEMPLEMAN: I am happy to provide some information that I think will address some of the Leader of the Opposition's line of inquiry. In April 2018, the Minister for Transport approved a procurement process to secure new leases for the Fremantle Port Authority's North Quay container terminals. An expression of interest was released to the market on 4 May 2018. Following the EOI process, five respondents were invited to proceed to the request for proposal stage, which closed in November 2018. Following evaluation and board approval, the Fremantle Port Authority is entering into the next stage of the process with two proponents to progress negotiations for new leases. The container terminal leasing opportunity is structured to achieve new leases of a minimum seven-year duration, with options for extensions of two further periods of up to a maximum of 21 years. The grant options will be solely at the discretion of the Fremantle Port Authority, based on the state government's decision, following delivery of the final Westport recommendations. The existing leases held by DP World Australia and Patrick Terminals have

been in place since 1996 and are due to expire in June 2019. The management agreement for the North Quay rail terminal expires in June 2019, and the procurement process for the operation of the North Quay rail terminal has commenced, with a request for proposal being released to the market on 27 February this year. The North Quay rail terminal request for proposal process requires respondents to consider how they can grow rail volumes and how they can reduce dependence on the subsidy over time.

The current situation is that since 2006, the government has subsidised the NQRT operator to compensate for the higher direct cost of moving containers by rail, making rail more competitive with road. On 1 January 2018, in fulfilment of an election commitment, the government increased the container rail subsidy from \$30 to \$50 per twenty-foot equivalent unit, aimed at achieving a 20 per cent rail mode share within this term of government. The rail subsidy will remain under the Minister for Transport's portfolio, as it relates to the efficiency of landside transport links, but closely aligns with the Minister for Ports' portfolio, as the subsidy is applied to the operator of the North Quay rail terminal, which operates under a lease to be approved under section 28 of the Port Authorities Act. That is the current situation.

Dr M.D. NAHAN: Does the minister expect the two existing stevedore companies to get the contract to operate the new stevedoring facilities—DP World and Patrick? Does the minister expect them to be successful in getting the contracts going forward? The minister has said that the Minister for Transport has had five bids and has taken down two. Are those two the existing stevedores?

Mr D.A. TEMPLEMAN: I am happy to ask the manager to respond, but my understanding is that yes, that is true. The manager might finally confirm that.

Ms T. Haria: Yes.

Mr D.A. TEMPLEMAN: There—done.

Dr M.D. NAHAN: Yes, it would be odd if not.

I know the Minister for Transport does not operate the rail subsidy of \$50 per twenty-foot equivalent unit. What is the average cost by truck per twenty-foot equivalent unit to, say, the Kewdale terminal?

Mr D.A. TEMPLEMAN: I am advised that we do not have that information to hand, so I suggest that it might be put as supplementary information.

Dr M.D. NAHAN: Could I ask the minister to provide by supplementary information what the Fremantle Port Authority understands to be the cost of shipping a 20-foot container from the port to the Kewdale container terminal?

Mr D.A. TEMPLEMAN: Since the Leader of the Opposition is being reasonable at this point, I am happy to provide supplementary information relating to costs from the port to the Kewdale facility.

[Supplementary Information No B20.]

Mrs L.M. HARVEY: I refer to page 561, under “New Works”, the line item “Victoria Quay—Motor Vehicle Decking”. There is \$15.9 million allocated for that project to start in 2021–22. Could the minister explain a little more about that project? Where is the planning at for that project, and do we anticipate that that infrastructure commitment will go ahead in 2021–22?

[9.00 pm]

Mr D.A. TEMPLEMAN: I am happy for the general manager to respond to that line of inquiry.

Ms T. Haria: Motor vehicle decking will accommodate the growth of imported motor vehicles. At this point in time, the planning will proceed, providing the business case is justified with appropriate growth in that trade.

Dr M.D. NAHAN: I understand that one of the issues with the Fremantle waterfront implementation plan is the use of the land that is currently used as a car park for alternate purposes. Is it correct that this investment in motor vehicle decking is contingent upon the long-term plans for the waterfront?

Mr D.A. TEMPLEMAN: In answer to the member's question, it certainly would come within the consideration of that particular plan as it is formulated.

Dr M.D. NAHAN: Has additional money been spent on the passenger terminal and has there been a substantial or otherwise increase in the number of passengers going through the port of Fremantle?

Mr D.A. TEMPLEMAN: Is the member referring to page 160?

Dr M.D. NAHAN: I am referring to pages 560 and 561.

Mr D.A. TEMPLEMAN: Does the member want to know about passenger numbers through the passenger terminal element of the port?

Dr M.D. NAHAN: Yes.

Mr D.A. TEMPLEMAN: I am happy for the general manager to make a comment.

Ms T. Haria: Could I please take that question on notice?

Dr M.D. NAHAN: I will ask another question and perhaps the answer to both those questions can be provided together. Is the passenger terminal aspect of the port's business a profitable side of the business? Are the costs covered? In other words, what is the rate of return to the port authority from the operation of the passenger terminal facilities at the port and what is the current and expected number of cruise passengers utilising the passenger terminal?

Mr D.A. TEMPLEMAN: Before I defer to the general manager, it is important to note that in terms of cost and benefits there is a broader benefit over and above just the cost of the port. Obviously, when a big ship arrives, there is the injection into the local economy. That is of direct benefit to the City of Fremantle and its amenity in terms of the benefit derived by local businesses. Of course, it more broadly benefits the state as well in terms of tourism. The answer needs to be taken in that context. The general manager may wish to comment on the individual cost to the port.

Ms T. Haria: I would like to take both questions on notice, please.

Mr D.A. TEMPLEMAN: I remind the member that he needs to put those questions as questions on notice.

Dr M.D. NAHAN: Can I put those as questions on notice —

The CHAIR: Member, you can ask for supplementary information now or you can submit those as questions on notice at a later stage. Would you like to ask for supplementary information?

Dr M.D. NAHAN: No, I will put them on notice.

The CHAIR: Does the member have any further questions?

Dr M.D. NAHAN: There is always technological change within the shipping industry and I understand that the ships are continuing to get larger and deeper. Is that an issue that the port has to adjust to with the further deepening and expansion of the port to accommodate those larger ships that are being used, or have container ships now reached an optimum size?

Mr D.A. TEMPLEMAN: I will make a preliminary comment and then pass over to the general manager. In the budget there is an appropriation of some \$97 million for stage 1 of the deepening of the inner harbour, if I am correct in reading that. There is a commitment for the deepening of the harbour, which answers the member's question in terms of need. The general manager might be able to provide more detail.

Ms T. Haria: The amount of \$97 million refers to the deepening that was undertaken previously. To answer the member's question about bigger and deeper ships, we are comfortably able to accommodate all the vessels that are visiting Australia. The Port of Melbourne is the biggest container port in Australia and has a similar depth to Fremantle. At this point in time, we see no issues with accommodating any of those vessels.

Dr M.D. NAHAN: I have one further question. In terms of expanding the capacity of the port, is it feasible or has the port authority considered dredging and building additional berths out from Rous Head and the existing berths? Is there a capacity to expand the port by adding another berth on the western side of Rous Head?

Mr D.A. TEMPLEMAN: I am advised that there are no such plans as the member has suggested.

Dr M.D. NAHAN: I know there are no plans—there is no need right now—but is that a long-term possibility?

Mr D.A. TEMPLEMAN: It is a little hypothetical because there are no such plans at this point in time.

Mrs L.M. HARVEY: I understand that in last year's budget there was provision in the forward estimates for a replacement workshop and fire station at Victoria Quay. Is that no longer required or have I missed it in this year's budget?

Mr D.A. TEMPLEMAN: The member is referring to the previous budget, which I do not have in front of me. I am happy for the general manager to provide some information.

Ms T. Haria: The member is correct; it is not required and it is not in this year's budget.

Mrs L.M. HARVEY: Why is it no longer required?

Ms T. Haria: I am sorry but I will have to come back to the member on that.

Mrs L.M. HARVEY: Could I have that answer by way of supplementary information please, minister?

Extract from *Hansard*

[ASSEMBLY ESTIMATES COMMITTEE B — Tuesday, 21 May 2019]

p164b-169a

Dr Mike Nahan; Mr David Templeman; Mrs Liza Harvey; Chair

Mr D.A. TEMPLEMAN: Since the member smiled nicely, I am happy to provide via supplementary information the background regarding the firefighting provision that was in the previous budget and why that is no longer required.

Mrs L.M. HARVEY: It was a replacement workshop and fire station at Victoria Quay with an allocation of \$2.372 million.

Mr D.A. TEMPLEMAN: By way of supplementary information, I am happy to provide an answer about why that is no longer required.

[Supplementary Information No B21.]

The CHAIR: That concludes examination of the Fremantle Port Authority.

[9.10 pm]