

Fremantle Port Authority —

Mrs L.A. Munday, Chair.

Ms R. Saffioti, Minister for Ports.

Mr M. Parker, Chief Executive Officer.

Ms T. Haria, Chief Finance Officer; General Manager, Commercial and Corporate Services.

Mr P. Laing, Senior Policy Adviser.

Mr P. Abromeit, Senior Policy Adviser.

[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 she 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 close of business Friday, 1 October 2021. 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.

The member for Cottesloe has the first question.

Dr D.J. HONEY: I refer to page 640 of budget paper No 2, volume 2, and expenditure in the outer harbour. I do not know whether the minister has been contacted, but I have been contacted about the ability to bring in fuel supplies through the Kwinana Bulk Terminal. I am told that BP has been given exclusive use of its jetty for the importation of fuel. As such, and given that BP is no longer producing fuel, all the other fuel suppliers that were perhaps getting fuel from BP will now have to try to bring it in through the KBT. That is a significant constraint and is one cause of the fuel price rise we have seen across the metropolitan area. Is the minister aware of this matter; furthermore, is any work being done to improve the capacity to import fuel given that we are now utterly dependent on fuel imports to the state?

Ms R. SAFFIOTI: I refer that to Mr Parker.

Mr M. Parker: Thanks for the question. We have very close engagement and conversations with a range of different companies and industries in relation to capacity at the Kwinana Bulk jetty as opposed to the Kwinana Bulk Terminal. The bulk jetty currently is at nominal capacity—around about 70 per cent utilisation across the year. We have done a number of minor improvement projects to increase capacity over the past few years and currently are looking at a range of additional alternatives as well to get higher throughput through the berth. In addition, we are looking at how best to optimise the outer harbour, including taking some product from the bulk jetty to the bulk terminal and, by doing so, opening up additional capability in terms of loading and unloading days at the bulk jetty.

Dr D.J. HONEY: It was put to me by one of the major users of the KBJ—thank you for correcting me on that—that the jetty is dilapidated and needs serious work or, in fact, replacement. I wonder whether the minister has a view on that.

Ms R. SAFFIOTI: This is all part of consideration currently for our planning for that entire area, particularly in the Westport planning. But I refer that to Mr Parker also to see whether he wants to add anything.

Mr M. Parker: I guess there are two components in terms of the bulk jetty. The first, which we touched on, is the unloading capability, and the second is the asset integrity around the berth. I will touch on the second part of that. A number of investment projects are currently sitting as part of our forward capital budget to address some of the concrete structures to add further life to the jetty.

Dr D.J. HONEY: I see that in the line item.

In relation to the inner harbour, when I was discussing the Fremantle Traffic Bridge with Main Roads—I congratulate the minister on her very good solution there—Main Roads indicated that the inner harbour would be operating until at least 2037. Does the minister have an operational time line for the inner harbour? In relation to the duplication of the rail line, I wondered why we were bothering if we were going to have an outer harbour. Is there a time line for the continued operation of the inner harbour or is that still part of the planning?

Ms R. SAFFIOTI: It is part of the planning. In relation to rail capacity, the new rail bridge will become the public transport bridge when eventually the freight rail bridge is not required. We want to make sure that we do not waste the infrastructure. The new bridge will become the new public transport bridge and will be the new public transport bridge for the next 100 years and for generations to come. The existing rail bridge will become solely a freight rail bridge. That will reduce some of the bottlenecks. In relation to the operations of the inner harbour, as I said, that is subject to further work to be done by Westport, but we will need that rail capacity for a few years and the new rail bridge for public transport.

Dr D.J. HONEY: In relation to container capacity, the last figures I saw were around 22 per cent freight on rail. The aspirational target, which is world's best practice, is about 30 per cent. What progress has there been for additional freight on rail?

Ms R. SAFFIOTI: We might be able to pull out the exact figures, but over the past year it has stabilised at around 20 per cent. A key constraint is the bridge. We believe that the replacement and expanded capacity of that bridge will enable us to get to 30 per cent. There are a number of aspects to how to handle our container intermodal strategy. There is Forrestfield. Discussions around Kenwick are continuing. Our aspiration is 30 per cent, but it has stabilised at around 20 per cent.

Dr D.J. HONEY: There has been a lot of discussion in the state, at least in the government's budget, about the future of hydrogen. The minister will know that many ports around the world are transitioning to hydrogen. I recall in a previous estimates session a minister saying that Fremantle is where trucks go to die and that older noisy trucks with high emissions end up in Fremantle. Is there any active plan to potentially transition to hydrogen and/or electric vehicles at the port of Fremantle to reduce emissions?

The CHAIR: If I can interrupt, bearing in mind the time, do we want to break and redo that question?

Ms R. SAFFIOTI: Sure; it is an interesting question.

Meeting suspended from 1.01 to 2.00 pm

The CHAIR: Member for Cottesloe, if you could just start by repeating your previous question, please.

Dr D.J. HONEY: As I was discussing before, are there any plans to evaluate the potential for hydrogen vehicles to replace the existing diesel vehicles? As I mentioned before, I am told that the port is the place where trucks go when they have no use for long haul, and they are loud and dirty. Clearly, a number of major ports around the world are adopting hydrogen and electric vehicles to reduce emissions. Obviously, from an environmental and health perspective, that strategy would be good, but it would also be good for addressing the noise that neighbours complain about. There would be a significant improvement in noise levels for people who live around that port area.

Ms R. SAFFIOTI: This has been raised by a number of groups. There has been extensive consideration of these types of issues by the Freight and Logistics Council of Western Australia as well. There are four parts to it. There is how much freight we can get onto rail, which has an enormous impact on truck movements and the implications of those truck movements. As I said, we have 20 per cent of freight on rail and we are aiming for 30 per cent once we have that further capacity on the Fremantle Traffic Bridge. Then there is the issue of the age of the vehicle. There is a more general discussion about the age of vehicles and whether that is a consideration in relation to access to ports. A number of proposals have been put forward. Obviously, the age of the truck dictates its emissions, the noise of its braking systems and other aspects. There has been a lot of discussion about that and whether we should be moving on that issue. The other point is alternative or new fuels, both electric and hydrogen. I am sorry, I seem to be having a sneezing fit; I must be allergic to the estimates process! As part of the climate change subcommittee of cabinet that has been established, a whole body of work has been undertaken on transport and truck fuels. The issue of hydrogen versus electric vehicles is interesting. It is a bit like Beta versus VHS. We do not know which way the world will jump, but we see some companies, very much in the mining sector, are supporting the transition to electric trucks and others transitioning to hydrogen vehicles over the longer term. We are looking at some trials being undertaken, and we will also work with the mining sector on the fuels for trucks going to port.

More generally, there is planning for Westport and what it can deliver. One of the aspects of building a new port is that we can look at all the fuel source emissions to make sure that we adopt the cleanest practice possible in all the movements within the port. That will occur as part of our Westport planning.

Mr R.S. LOVE: I refer to the table on page 636 and the revenue to general government sector. The line item "National Tax Equivalent Regime—Income Tax" shows a level of \$19 million and some in this year, with \$23 million the year before and \$22 million the year after. I wonder why that level is lower this year.

Ms R. SAFFIOTI: I might ask Tanvi Haria to explain why the tax equivalent regime would be lower, even though the tax net profit is slightly higher. I will ask whether that can be explained.

Ms T. Haria: There are differences in tax with respect to deferred tax liabilities and expense. That is part of the balance sheet. Expense hits the income statement. The actual for 2019–20 was \$19.9 million, and we budgeted similar numbers for 2020–21, but the main difference has to do with the treatment between accounting and tax.

Mr R.S. LOVE: That was really a lead-in to the impact of the current COVID situation, which is referred to in the first paragraph on page 637. It refers to an impact on anticipated trade volumes. I wonder what the impact has been on actual trade volumes over the last 12 to 18 months and what the anticipation is for trade volume in the current period—whether there will be an upturn or a continuation of some sort of cycle of restriction.

Ms R. SAFFIOTI: I will make some preliminary comments and ask Mr Parker to add any further comments. Trade has been very strong in WA, all things considered, and we have maintained a very big trading effort. Of course, there have been some supply chain interruptions around the world, with issues of container availability and also just the movement of freight around the world. Trade volumes have remained very strong, and in some instances we have seen an increase in our trade effort over the past financial year. I refer to Mr Parker to provide more detail.

[2.10 pm]

Mr M. Parker: It is interesting that with a year of COVID—we had 12 months of COVID in the last financial year—container volume in the harbour was at an all-time record of over 807 000 twenty-foot equivalent units. We budgeted for a lot fewer than that, thinking that COVID would have a very material negative impact. We were very, very surprised at how strong it was, and we are forecasting that to continue through the next 12 months. From an inner harbour perspective, the other one that exceeded expectations was motor vehicle imports, with over 100 000 units for the last 12-month period. The inner harbour performed exceptionally well through the past 12 months. If we want to go more broadly to the outer harbour, first we are looking at the import side of that, which is also strong. The main import we bring in through the bulk terminal is cement clinker that largely goes into the manufacturing of cement. The building and construction industry throughout Western Australia is very, very robust at the moment. We also saw, from an export perspective, very strong exports largely driven by bauxite from Alcoa and also iron ore coming through from Mineral Resources.

Mr R.S. LOVE: Those volumes have actually gone up, which makes me think that this point sounds almost a little misleading in that it refers to the impact on gross domestic product of most countries globally, which we know is negative. We would think that for most countries that would mean there is a negative impact on trade, but in fact it has been a positive year for trade volumes, not a negative year. Mr Parker mentioned the Alcoa bauxite program. Is that an ongoing thing? I thought that was just a trial program for some time.

Ms R. SAFFIOTI: I will ask Mr Parker to respond.

Mr M. Parker: The contract that Fremantle Ports had with Alcoa was for exports across five years for up to, from memory, about two million tonnes of product a year. That agreement with Alcoa ceases at the end of December this year.

Mr R.S. LOVE: On the issue of trade, Mr Parker mentioned the high volumes coming through. There has been a fair bit of reporting, especially in regional Western Australia, about delays in handling of products off the wharf, with stories of tractors and other equipment sitting there for great lengths of time amidst industrial problems et cetera. Could the minister comment on the efficiency of the port and the stevedoring? I know it is not Fremantle Ports' direct activity, but it needs these people to make the port work. Could the minister outline the situation that has existed in the past few months and what impacts that may have?

Ms R. SAFFIOTI: More generally, yes, there is a dispute between Qube Holdings and the Maritime Union of Australia in relation to stevedoring at Freo port. Concerns have been expressed to us from industry and we are trying to manage the supply of products as best as possible. I might ask Mr Parker to provide some more comments.

Mr M. Parker: I think it is important that when we look at the inner harbour, as the member alluded to, we see there are a number of components in the port ecosystem. The industrial action that is largely underway in the inner harbour at the moment, as the minister referred to, is between Qube and the Maritime Union of Australia. From a Fremantle Ports perspective, we have had very limited industrial action in the inner harbour over the last three months. I think the delays caused are largely twofold. It is always difficult to talk on someone else's behalf, but we have seen a slight increase in the time it is taking for vessels to come from anchorage into the port and onto berth. There has probably been an increase of around about 24 hours. The broader impact that is happening at the moment is that vessels are electing not to call into Western Australia, but are going to the east coast and are unloading cargo there and then having to bring that cargo back again. That has been the case for a handful of vessels. But we are well aware, as is I think more broadly the port ecosystem, about the importance of getting product off the berth once it is off a ship and out through the port vicinities to customers as quickly as possible, whether that is from a stevedoring standpoint or from a broader supply chain perspective as we look at both rail and truck movements out of the port.

Mr R.S. LOVE: Mr Parker is suggesting that there has been avoidance of the port by some shippers because of those issues. In spite of the fact that Fremantle Ports has had a good volume of trade, there is obviously some lost

opportunities as well. Has the minister been able to quantify the level of loss that has potentially accumulated to the port through that process?

Ms R. SAFFIOTI: No; sorry, we do not have that.

Dr D.J. HONEY: I refer to page 637 of budget paper No 2, volume 2, “Victoria Quay Waterfront (VQW) Strategy”. Paragraphs 7.2 and 7.3 talk about the Gage Roads Brewing Company redeveloping A Shed and also supporting ongoing work for the proposed film studio. Perhaps in relation to both, but in particular for the proposed film studio, does the minister see any potential conflict between that and ongoing operations of the port? For example, when there is loading of live sheep in the port, sometimes it is quite odorous. Otherwise, is there a conflict between those new proposed activities and existing activities at the port?

Ms R. SAFFIOTI: In relation to paragraph 7.2, the new brewery was done through a process run by Fremantle Ports. I think that is going to be a successful venture. It is something that the Fremantle Port Authority conducted, with its market sounding and participation in a positive manner. That work is underway. As I understand, the refurbishment is well underway. I think everyone is excited to see that new brewery take place.

The film studio is subject to a market-led proposal process, which means that the process of managing the new film studio, its footprint and its relation to the operations of Freo port is being managed through the MLP secretariat or team, run through the Department of Finance. They are in discussion with Fremantle Ports about the operational needs of the port, understanding that we believe there is plenty of room for a film studio. It also looks to the future of Fremantle, about establishing new industries and, in particular, enhancing, I suspect, the creative industries of Fremantle. We understand it is going to be a massive positive for Fremantle, but in relation to Fremantle Ports, it is currently in live discussions with the MLP secretariat about managing the footprint and the operations, and making sure that the operations of Fremantle port are not impacted in the shorter term.

Dr D.J. HONEY: Was Fremantle Ports consulted prior to the government progressing consideration of the market-led proposal?

Ms R. SAFFIOTI: I am not sure, because the MLP process is a distinct process away from me. I am not sure, and I was not Minister for Ports at the time the decisions were made. I can check with Mr Parker, and I ask him to provide a response.

Mr M. Parker: I am in a similar position as the minister; I was not CEO of Fremantle Ports at that time.

Ms R. SAFFIOTI: Like I said, the MLP process is created to be at arm’s length from the rest of government in a sense. It is done by a team and then key decision points are presented to government. I cannot tell the member who was consulted as part of that process, and I was not Minister for Ports at the time either.

The CHAIR: Before we go any further, I want to point out to the committee that we still have five divisions and two off-budget authorities to consider before 6.00 pm.

Dr D.J. HONEY: I refer to page 637 of budget paper No 2, volume 2, under the heading “Westport”. I note elsewhere in the budget that Westport project staff have been transferred to the Department of Primary Industries and Regional Development.

Ms R. SAFFIOTI: What page was that?

Dr D.J. HONEY: Westport is discussed on page 637. It is the fifth paragraph. I know this is not the minister’s division, but, just by interest, on page 584, on the spending changes in transport, it says that Westport project staff are transferred to the Department of Primary Industries and Regional Development. I wondered why Westport staff is not a matter managed by the port.

[2.20 pm]

Ms R. SAFFIOTI: We can follow that up in the Department of Transport division—sorry. The Department of Primary Industries and Regional Development will be running some programs, but the Westport office is in the Department of Transport division. But by that time, I will get that further information and I will ask my team to follow-up what that represents. The Westport team is in the Department of Transport division, but there may be specific programs or initiatives that will be managed and run through DPIRD. For example, there is a significant marine science initiative that may be funded through that agency, but I will get that information for the member when we hit the Department of Transport division to provide some clarity.

Mr R.S. LOVE: I refer to page 640 of the *Budget statements* and the asset investment program totalling over the period about \$270-something million in projects across both the inner and outer harbour. What is the value of investing heavily in the inner harbour if the program is to move to a new harbour in the future? At what point does the government stop spending money in Fremantle and put all its eggs in the banana basket?

Ms R. SAFFIOTI: Most of these investments will ensure that we can maintain our trading effort and some essential works are required to ensure that there are no safety or other long-term maintenance issues. I will ask Mr Parker

to provide more detail. However, the investments are really to make sure that the inner harbour can continue to operate in a safe and efficient manner.

Mr M. Parker: Thanks, minister. The bulk of the inner harbour investment relates to berth stabilisation activities happening on both the Victoria Quay side and the North Quay side. One of the current pieces of work is on berths 1 and 2. In addition, a land purchase is included as part of our capital program. It is over on the North Quay and is the one parcel of land inside the current Fremantle port footprint that the Fremantle Port Authority does not own. We are looking to transact that purchase during this financial year, which will then give us greater ability to not only manage that across the broader port ecosystem, but also make sure that a third party does not buy that land and put it to a use that is not compatible with port operations.

Mr R.S. LOVE: Thank you. Further to the question about at what point the government turns this around, and going back to the point that the member for Cottesloe raised about Westport relating to page 637, can the minister explain what the vision is for the inner harbour under the Westport program? There seemed to be an early view that it would close and become a real estate development, but then Infrastructure Western Australia came out with its strategy saying that it will stay as a harbour. Is the future of the inner harbour being planned as part of the Westport project? What is the thinking about the long-term future for the Fremantle inner harbour?

Ms R. SAFFIOTI: As has been highlighted before, Gage Roads' new brewery and the film studio are, in a sense, a start of the transition, but these came along very quickly. More generally, the Future of Fremantle Planning Committee, which is a committee of the Western Australian Planning Commission, has been established to determine the future of the entire precinct post the movement of the container trade. The committee will look at a number of aspects. First is Victoria Quay and how we utilise that area. Victoria Quay is connected to the Fremantle city proper. We already have the museum and will have a brewery and a film studio. There is a lot of underutilised land towards the Roundhouse. A lot of planning will be done around the TAFE and submarine areas as to how we can better connect Bathers Beach and the Roundhouse to Victoria Quay. The area is already evolving into what will be a major tourism and creative arts precinct. The Future of Fremantle Planning Committee is looking at that area and making sure that all works well together. It is looking at that area and asking: Post the movement of container trade, what does the future hold? What will be the key economic drivers in that entire area? For example, the film studio gives us a start—so a key economic driver may be creative industries or may be an information technology centre or any type of centre. Given the significant cost of the harbour, I suspect that maritime industries will play a big role in the future. That work is being done by the Future of Fremantle Planning Committee and Nicole Lockwood has been appointed as a special adviser to that committee. She will undertake significant liaison with industry, community, council and the port to develop a master plan for that entire area.

We then have to examine the non-container trade, too. There has been a lot of discussion on the roll-on, roll-off cars and whether they should move to another port. I think the industry is not very keen on that, so the question is: Do they stay; and, if they do, how do we not have those massive areas of car parks that sterilise that area? Do we keep the cars there? We are looking at things like scrap metal and other non-container trade to see whether there are some early movements there, and then there is the container trade.

The whole trade jigsaw is very complicated for not only the whole state, but also Fremantle. Understanding all the different types of trade is complicated. What can move early? How do we move the container trade? The Future of Fremantle Planning Committee is looking at the entire area. A lot of people have speculated that this is some sort of property development, but one of the first tasks that we have asked the committee to look at are the economic drivers. How do we continue to have good job creation in the area and what sort of industry can be supported in that area? Western Australia is a big boating and maritime state. There is a lot of capacity in both tourism and, more generally, how we can continue to support the maritime industry. There are a lot of different discussions, but the real work starts now. The subcommittee of the WAPC, the Future of Fremantle Planning Committee, is being assisted and led by Nicole Lockwood, who will undertake all the consultation and help develop a master plan for the whole precinct.

Mr R.S. LOVE: Can the minister explain the role of Infrastructure WA in those processes? In its draft strategy, it mentioned that the Fremantle port has a future as an inner harbour. What is the interaction between Infrastructure WA's processes and what the minister has just outlined?

Ms R. SAFFIOTI: Nicole is a member of both Infrastructure WA and —

Mr R.S. LOVE: She was not when it wrote the draft strategy and that has now been released, and it clearly says that the port has a future. Does the minister share that view or is that still up for grabs?

[2.30 pm]

Ms R. SAFFIOTI: Infrastructure Western Australia is looking at long-term aspirations for infrastructure in the state. I think its view is that Westport is a key project in the future. People have interpreted a few comments that were made at the presentation, as I recall. As I said, a committee has been established to determine the future of the Fremantle port area and that committee will be taking soundings with industry. We will probably talk to

Infrastructure Western Australia. We have a whole process of consulting with the community, industry and all the key stakeholders about the future of that entire area.

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