

Fremantle Port Authority —

Mr D.A.E. Scaife, Chair.

Ms R. Saffioti, Minister for Ports.

Mr M. Parker, Chief Executive Officer.

Mr D. Good, Chief Financial Officer.

Mr P. Laing, Senior Policy Adviser.

[Witnesses introduced.]

The CHAIR: This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available online as soon as possible within two business days. Questions must relate to the operations and budget of the off-budget authority. The chair will allow as many questions as possible. Questions and answers should be short and to the point.

A minister may agree to provide supplementary information to the committee. I will ask the minister to clearly indicate what information they agree to provide and will then allocate a reference number. Supplementary information should be provided to the principal clerk by noon on Friday, 2 June 2023. If a minister suggests that a matter be put on notice, members should use the online questions on notice system to submit their questions.

I give the call to the Leader of the Opposition.

Mr R.S. LOVE: Welcome along, everybody. I refer to page 623 of budget paper No 2 and the significant issues impacting the government trading enterprise. Paragraph 7 refers to retained dividends and states —

The Authority will retain its forecast 2022-23 dividend payment ... resulting in a total of \$97.6 million to fund future infrastructure investment.

I just want to get an idea. Are these investments some of the outlined matters regarding the redevelopment of the inner Fremantle port, or are they completely separate and those investments are unknown or yet to be allocated?

Ms R. SAFFIOTI: As part of the Expenditure Review Committee or government financial decision-making process, government trading enterprises were allowed to retain dividends for 2022–23. This gave the GTEs the ability to fund future projects. Those projects will be subject to the normal budget process whereby business cases are put forward and projects are either supported or not supported. That will be the same for every GTE. The future projects will be subject to the deliberations of government and normal budget requests.

Mr R.S. LOVE: These investments will not support any of the programs underway at the moment. The funding will be for completely new projects that are not yet known or envisaged. Will the authority itself come forward with its own ideas and put them to government?

Ms R. SAFFIOTI: Yes. It is similar to normal budget processes, except there is now a funding source that is retained within the GTE itself.

Mr R.S. LOVE: Given that the Kwinana outer harbour is under the same body, will this contribute to the Westport project in any way?

Ms R. SAFFIOTI: Possibly, given the port authority is part of wider government. I think everyone is very aware that every investment made needs to have the lens of future port operations put over it. The Fremantle Port Authority is represented on the Westport committee and is also involved in every other part of planning for the future of Fremantle. It could do, but it could also help assist with continuing to fund the operations of the port in the meantime and supporting other initiatives that may continue to exist beyond the container train moving.

Dr D.J. HONEY: Thank you very much. I will say at the outset that this is not a conflict of interest, but Mr Parker is my former boss.

Ms R. SAFFIOTI: How was he as a staffer, Mr Parker?

Mr M. Parker: Very dedicated.

Dr D.J. HONEY: That is it; well said. He was an excellent boss as well, can I say.

Ms R. SAFFIOTI: I might leave you two to get a cup of coffee!

The CHAIR: I cannot continue if there is no minister here, so you are going to have to stay.

Dr D.J. HONEY: I refer to page 628 of budget paper No 2, “Income Statement”. There was an expense of \$194 million in round terms and a net profit of \$66 million. That is a profit margin of 34 per cent, and if we look at the cash flow profit, it is about 45.3 per cent. Given the Fremantle port is the principal port for importing all the goods and services we need, including for the minister’s Metronet projects, does the minister think that profit is

too high and the port could reduce its charges and still remain a viable operation for government? I am wondering about the philosophy of how we set the charges.

Ms R. SAFFIOTI: As representative shareholders of the state in a sense, which is all Western Australians, I think we should be proud that we have a profit-making port authority. I may ask Mr Parker to provide further comments on this. As a result of a higher level of activity, our figures show that the economic rate of return is eight per cent. That is still pretty good at this current time, but I do not think it is extraordinarily high—it is solid. As I said, the fuelling of very strong economic growth has been due largely to the level of economic activity through imports.

Mr M. Parker: Thanks, minister. As a port authority, we have experienced fairly solid revenue growth from trade over the last two to three years as a result of COVID. That is both in the inner and outer harbour. Our five-year strategic plan has a target rate of return of seven per cent, compared with the eight per cent that has just been mentioned. As we looked at our fees and charges for the next financial year, we kept our pricing increases across the board at 2.5 per cent, which is well below current inflation rates.

Mr R.S. LOVE: I refer to page 623, paragraph 2. This question is just for my instruction, really. Do the plans for the expansion of Henderson and Garden Island—which are in proximity of the port operations—hold any implications for the development of the port? If so, what role does the port have going forward in discussions around the whole Cockburn Sound area and the naval presence there?

Ms R. SAFFIOTI: The commitments that have been made by the government, particularly around HMAS *Stirling*, are not seen to have a significant overlap. However, for Henderson Island there would be some interaction. Through the Westport committee, Patrick Seares is in constant dialogue with the Department of Defence and helps to provide inputs on some of the science and other work that is being undertaken. We provide input into what the Department of Defence is doing. The Henderson site would be the big one, not as in impact, but in areas of common interest to Westport planning and also issues around Henderson and the expansion of the marine facilities there.

[2.10 pm]

Mr R.S. LOVE: Further to the plan going forward, with the switch to a different use for Fremantle port in the future, what is envisaged for the development of tourism in and around the inner harbour? Is that a key consideration of the port development plan? What part will cruise ships and other visiting vessels such as those play in the future of the port?

Ms R. SAFFIOTI: As we said, part of the remit of the Future of Fremantle Planning Committee is to help plan for the future of the port, in which Fremantle Port Authority is involved. As I outlined before, the redevelopment of Fremantle port has a number of stages. Some funds are allocated for the first stage, for greater activation around the Maritime Museum at Gage Roads, the potential re-use of some of the sheds and better connectivity into Fremantle proper—the City of Fremantle and Bathers Beach. Stage 2 is the area towards the bridge, further around from the passenger terminal, and further activation of Victoria Quay. We envisage a lot of tourism opportunities in the medium term with short-stay accommodation, other hospitality and entertainment precincts, and cruise ships. Ideally, we envisage Victoria Quay being a vibrant tourism, short-stay accommodation and hospitality precinct as we can see in some repurposed wharves and berths around the world. The key question in North Quay is about residential, further economic drivers, maritime precincts and all those types of other areas that we may pursue when planning for the future of Fremantle. Cruise ships are great, sensational places for people to be based and are a great visitor experience. Upgrades have been made to the current Fremantle Passenger Terminal—it is much better than it was—including extended canopies and an improved visitor experience. We have done that. It is envisaged that over the next 10 years Victoria Quay will be repurposed into an exciting hospitality and tourism precinct.

Dr D.J. HONEY: In relation to the developments at Victoria Quay, I understand that when a movie studio was promoted as an idea for that area, significant concerns were expressed by those at the port about the potential conflict between that and the operations of the port. What are the constraints on those other developments, given that it is still an operating port and military vessels and other vessels are seen at Victoria Quay? What are the constraints on development and what concerns has the Fremantle Port Authority expressed about that?

Ms R. SAFFIOTI: One of the issues about the film studio was the bulk of the studio in that area. When it was under serious consideration, the port had a volume of imported vehicles as it had never seen before and a lot of area around Victoria Quay was being used for storing vehicles. Demand for imported passenger vehicles and other vehicles continues at a record high. That continues to be the case. The real issue with the studio was timing and the bulk of the film studio. I had the opportunity to visit the Docklands film studios recently and I appreciate that inside the film studios are incredible areas, with the right insulation and capacity to build incredible movie sets; however, to be honest, externally they are very much big, tilt-up concrete facilities. I will not say that they are big sheds, because that dismisses what they are. The bulk and some of the timing, in a sense, was a consideration when the existing terminal is still needed to facilitate the large number of roll-on, roll-off vehicles in that area and that is why the issue was reconsidered and a more appropriate setting was found.

In relation to further activation, there is a lot of land around Victoria Quay. I will not say it is baby steps, but Gage Roads and B Shed, the ferry terminal, are being redeveloped. Work has been done to strengthen the berths in that area and a sinkhole was fixed. We believe that enormous capacity exists to provide further hospitality and tourism venues around Gage Roads and heading towards the bridge. This is why the area for roll-on, roll-off vehicles is fundamental. It is a massive demand for space and, as a result, it sterilises the land for a long time. That is why the relocation of vehicle imports is a priority. When considering size and location, vehicle imports are a big blocker to further development and we need to progress with that as the first priority.

Dr D.J. HONEY: Some of the vessels that come into the port are military vessels packed with high explosives—that is, visiting naval ships and Australian Navy ships. Is there a safety zone around those? For example, if ammonium nitrate is being loaded—I know that is not done there—there must be a safe operating zone around it. I thought naval vessels would require a safe operating distance and that may mitigate other activity at the port.

Ms R. SAFFIOTI: I will make some preliminary comments and will then refer to Mr Parker to provide more detail. There is already a buffer for types of accommodation there. For example, permanent accommodation cannot be located in the Victoria Quay precinct while it is an operating port because of the buffer. There can be short-stay and tourism accommodation, but not permanent or vulnerable users. That constraint already applies. That is why Victoria Quay is very much seen in the medium term as a hospitality and tourism precinct, because it does not conflict with any of the existing zoning or buffers in place.

Mr M. Parker: We have had naval vessels visit Victoria Quay in the past 12 months and there have been no additional special requirements around those, so we have been able to berth them alongside C Shed, which is in close proximity to where the public can access it. In addition, from a buffer and a dangerous goods perspective, that is probably more an issue for us on North Quay with container imports coming through. As the minister said, there are buffer zones around that for what are currently considered compatible land uses.

[2.20 pm]

Mr R.S. LOVE: I refer to the asset investment program on page 625. The fifth paragraph refers to the replacement of the authority's ageing pilot boat fleet. Have those vessels been purchased; and, if so, from where are they being purchased?

Ms R. SAFFIOTI: I was in Geraldton a few weeks back when we announced that a new pilot boat would be built by Dongara Marine in its new facility in Geraldton. Again, this had not happened in the past. I congratulate the port authority and the port authorities around the state that are now supporting local manufacturing. I think Dongara Marine has built a number of pilot boats for other authorities and some resource companies. It will build the Fremantle Port Authority pilot boat.

Mr M. Parker: The contract has been awarded to Dongara Marine for the construction of the two pilot vessels. I saw photos the other day of the shell that is starting to get designed. At this stage we expect to get our first pilot boat in the middle of next year and the second one a number of months after that. At this stage, at the end of next year we will be the very proud owners of two WA-built pilot boats, which will set us up for the future to provide safe and efficient passage for our pilots to embark and disembark vessels.

Ms R. SAFFIOTI: Through the Geraldton port redevelopment, we have facilitated the expansion of Dongara Marine through the Mid West Ports Authority, which we may discuss later. Its facility is incredible. The pilot boats and all the other work being undertaken there is quite incredible. I think its order books are pretty full. It continually produces quality products. Of course, it built *Tricia*, the latest ferry on our river system.

Mr R.S. LOVE: *Tricia* was actually built in Dongara, not Geraldton. It is probably the last of the big boats.

In terms of the pilot services that operate from the port authority, the government employs resident Western Australian pilots who are happy to drive Western Australian boats. Not all port authorities have that experience. I ran into that problem some time ago.

I wish to move on to other matters relating to the asset investment program. Down the very bottom of page 625 is paragraph 8, which says that \$54.3 million will be spent on upgrading the Kwinana Bulk Terminal. I refer to the concreting of the export stockyard area. Will that concreting be done from the stockyard area to a car yard area? Is that the plan? What does that refer to? Money will also be spent on upgrading material handling import infrastructure. Is that common-user infrastructure or one particular organisation's berth? Can the minister explain what that is?

Ms R. SAFFIOTI: I will ask Mr Parker to explain that.

Mr M. Parker: First, I will cover the import circuit. That is essentially common-user infrastructure. It will be owned by the Fremantle Port Authority. That is currently under construction. I was at the Kwinana Bulk Terminal this morning and we were able to check on that progress. That will provide an import circuit for cement clinker that comes into the state. All the clinker that comes into Western Australia comes through the outer harbour, through our bulk terminal. Clinker is the fundamental ingredient used to make cement. One of the nice things about this

project is that it will have a direct conveyer, which will go into Cockburn Cement's new facility, which it is building right next door to the bulk terminal. A large storage dome will also be built, which will be able to hold about 40 000 tonnes of product, which is essentially a shipload's worth of product. BGC Group will be able to collect that product by truck and transport it to its facilities, which are very close by as well.

Dr D.J. HONEY: I refer to the Westport and port development plan on page 623 of budget paper No 2. The Fremantle Port Authority is assisting with that process. What time line is the authority basing its plans on in terms of movement of those services to a new port? Clearly, if it is going to be 20 years, the authority would be making significant capital investment decisions. If it was going to be five years, it would not. Clearly, it has to plan future development expenditure on the basis of when it thinks that move will occur. Do we have a date for the estimated move from Fremantle? I think the minister indicated earlier that it may be done in parts. Do we have some anticipated time line for that, which the authority is using for its own planning?

Ms R. SAFFIOTI: We are very much in the process of undertaking detailed planning on every aspect of Westport. That will all be made clear to the finalised business case that will be presented in the next year. As the member can see, I think the port continues to operate very efficiently and profitably and will continue to operate, noting that we have to be aware that making long-term decisions could be redundant expenditure, but we also need to continue to spend to make sure that we run an efficient and safe port. We have that difficult balancing but until a decision is made on the time frame, the authority will continue to operate the port as is.

Dr D.J. HONEY: The new port will be a massive capital project. I have had figures put to me that it would be at least a decade before that is an operating port, if not longer. Are there any major pieces of capital equipment at the existing Fremantle port that will need significant expenditure beforehand if there was a 10-year plus time frame?

Ms R. SAFFIOTI: The Fremantle Port Authority continuously maintains its assets to make sure that the assets are safe and can operate efficiently. It is hard to speculate on the timing of the move, and whether it will be done in one or two stages. I would not want to speculate or deal with hypotheticals in this move. A systematic project is being developed through Westport under Patrick's guidance. Final decisions will be made on the shape, the form, the supply chain and the development of intermodals. All those issues will be sorted as part of the final business case.

Dr D.J. HONEY: If that port continued to operate for the next 10 years, how much would we expect container freight to increase in the next 10-year period?

Ms R. SAFFIOTI: I think there have been differing estimates on container trade. It has been one of those X factors. For example, in some instances, progress is not linear. We saw some expectations that container growth would not be as high as first thought on the original Westport data. As we have seen over the last three years, there has been strong growth in container imports. The expectation is that the growth of containers will continue to be strong because of the overwhelming positive economic conditions. Some further assumptions on container growth are being made in the Westport analysis. Growth is expected to be between 2.5 and three per cent. As I said, sometimes it is not linear; there will be movements. Again, it is all about making sure that we feed this into our final investment decision or final business case.

Dr D.J. HONEY: Given that growth, what capacity is available for the port of Fremantle to handle growth in containers, if we assume it is just three per cent? If it is compounded, it will be more than 30 per cent. If we saw a 30 per cent increase in container freight over the next 10 years, would the port of Fremantle be able to cope with that with the existing equipment?

[2.30 pm]

Ms R. SAFFIOTI: There have been different studies and analysis. I think there is a couple of issues here. There are demands and requirements for further dredging and berth redevelopments if Fremantle port were to remain for a long period. There are also the movements of containers and the transport network to consider. The previous Westport study showed that there would be a significant cost in keeping Fremantle in its current form for decades to come, in particular, costs for further dredging, berth redevelopment and other transport upgrades.

Dr D.J. HONEY: The minister did not answer my question, which was: could the port cope with a 30 per cent increase in freight with its existing equipment? That was my question. I understand the broader discussion around the business case and the like, but I am really trying to understand: do we have sufficient capacity there to cope with the likely scenario?

Ms R. SAFFIOTI: I do not want to spend too much time on this because I know there are other ports, but there are issues to do with efficiency, particularly in how our port manages because of the constrained site and the inability to continue intermodal expansion. There is limited capacity. We can always cope with something, but whether it is efficient and delivers on the demands of industry and the economy is another aspect. I think it is very clear, and the feedback I get from industry in particular is that it is very keen for a more efficient port. That is no criticism of the way the port is managed currently, but it is a constrained site. There are constrained avenues to bring in containers, and the ability to grow or to manage things more efficiently is limited, given the space.

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