

**STANDING COMMITTEE ON ESTIMATES AND
FINANCIAL OPERATIONS**

2014–15 ANNUAL REPORT HEARINGS

**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
WEDNESDAY, 9 DECEMBER 2015**

**SESSION FIVE
FREMANTLE PORTS**

Members

**Hon Ken Travers (Chair)
Hon Peter Katsambanis (Deputy Chair)
Hon Liz Behjat
Hon Alanna Clohesy
Hon Rick Mazza**

Hearing commenced at 4.04 pm

Mr CHRISTOPHER LEATT-HAYTER

Chief Executive Officer, examined:

Ms TANVI HARIA

Chief Financial Officer, examined:

The CHAIR: On behalf of the Legislative Council Standing Committee on Estimates and Financial Operations, I would like to welcome you to today's hearing. Can the witnesses confirm that you have read, understood and signed the document headed "Information for Witnesses"?

The Witnesses: Yes.

The CHAIR: Thank you. Witnesses need to be aware of the severe penalties that apply to persons providing false or misleading testimony to a parliamentary committee. It is essential that your testimony before the committee is complete and truthful to the best of your knowledge. This hearing is being recorded by Hansard and a transcript of your evidence will be provided to you. The hearing is being held in public, although there is discretion available to the committee to hear evidence in private, either of its own motion or at the witness's request. If for some reason you wish to make a confidential statement during today's proceedings, you should request that the evidence be taken in closed session before answering the question. Government agencies and departments have an important role and duty in assisting Parliament to review agency outcomes on behalf of the people of Western Australia and the committee values your assistance with this.

Do either of the witnesses wish to make an opening statement?

The Witnesses: No.

The CHAIR: Okay. Before I go to other members, obviously we are aware that you have been issued a formal direction by the minister regarding answering questions put you by the committee. I guess the issue I wanted to clarify before we get underway is my reading of the letter so we can work out whether we are on the same terms. The formal direction is only contained in the final paragraph, and that is that you are not to answer any questions that are directly related to the proposed divestment of the port and to not provide the committee or hearing with any details that are likely to impact on any future decisions of the government in any future divestment of Fremantle port. Is that your understanding?

Mr Leatt-Hayter: That is how I am reading it, and I guess, depending on the questions, I need to interpret it in that context.

The CHAIR: No, I just wanted to clarify that that is where we think the—so that we are on the same wavelength, because there are obviously a lot of other bits in the letter, but that seems to be the formal direction in terms of my reading of the letter. My first question therefore will be that, if that is the case, how does providing the income for the Kwinana Bulk Terminal in 2014–15 impact on the future divestment of the port, or decisions of government? Are you able to advise us of that?

Mr Leatt-Hayter: I do not think I can advise on that, Mr Chairman, in the context of the direction that has been given to me.

The CHAIR: So do you consider answering that question would be in breach of that direction?

Mr Leatt-Hayter: I know that question was asked beforehand in terms of what the breakdown was, and the response was given to that question, so on the basis of that answer, I would have to suggest that probably, yes, those breakdowns might impact on future decisions of the government in relation

to the divestment of the port and I would be prohibited in terms of that direction from answering that question.

The CHAIR: You provided us the figures for 2013–14 with respect to the Kwinana Bulk Terminal Kwinana when it was at that stage the only asset for sale, so I am still trying to understand how answering that—I realise it may not be a question that you can answer, but if you are able to shed any light for the committee as to how providing that answer, from the port authority's perspective, would impact on the future divestment, it would be appreciated.

Mr Leatt-Hayter: I cannot. I am reading the direction that was provided, Mr Chairman, and that is the interpretation that I put on it.

The CHAIR: What we might do is put that on notice for supplementary information for the minister or his representative to provide advice to the committee on how providing answers regarding the income and expenditure of the Kwinana Bulk Terminal in any way will impact on the future decisions of the government in any future divestment of the Fremantle Port.

[Supplementary Information No E1.]

[4.10 pm]

The CHAIR: I will ask the same for each of the other questions that we put prior to the hearing regarding the operating profit before tax for the inner harbour, outer harbour, KBT, the outer harbour and then broken down into KBT, Kwinana bulk jetty and other, and then the variance between the actual and the original estimates, the reason for any of those variations, and their contribution towards income tax and profit, because I assume you will give us the same answer if I were to ask you regarding those how providing that information would in any way impact upon the divestment.

Mr Leatt-Hayter: I would, Mr Chairman.

The CHAIR: Thanks. So we will put all of those as supplementary information on notice for the minister to give us an explanation as to how that impacts, so having done that, do other members have questions? If not, I certainly have some.

In terms of your annual report, under item 2.1 in the notes to the financial statements on page 83, it shows your revenue increased by around \$24 million between 2014 and 2015, which works out at around a 12 per cent increase. The majority of that increase seems to be charges on cargo.

Mr Leatt-Hayter: Correct.

The CHAIR: Apart from the fact that it is \$152 million of the \$226 million, it increased by over 13 per cent. Are you able to tell us, was that a driver of volumes or the rate at which you charged your customers? Was there an increase in volume or was it a—because that is certainly above the increase in—is it regarding an increase in volumes, or did you increase the rate at which you charged people?

Mr Leatt-Hayter: Our charges are set out and we have contracts for other things. I think the predominant difference is in the revenue part. There were a couple of extraordinary payments that came through in those revenue figures as well. One was from Griffin Coal, a take-or-pay commitment that they had, and there was also an insurance claim as well that was paid out. That, together, contributed for quite a significant proportion of that increase.

The CHAIR: Do you have any idea of how much of that \$134 million to \$152 million, so \$18-odd million —

Mr Leatt-Hayter: More than half of that came from those two factors.

The CHAIR: Right. Have you got a breakdown of how much the Griffin Coal take-or-pay—is that a payment that was owed over a number of years and then finally settled in 2015, or was it just payments incurred in 2015?

Mr Leatt-Hayter: I would have to check that, but I believe it was a termination of contract payment that was a —

The CHAIR: So it has potentially future volumes in terms of take-or-pay?

Mr Leatt-Hayter: Perhaps we could give a little bit more detail on that.

[Supplementary Information No E2.]

The CHAIR: The insurance payment, I am intrigued as to charges on cargo, or —

Mr Leatt-Hayter: Sorry, I was looking at the total revenue figures when I was saying that. That would be —

The CHAIR: Was the \$2 million jump in miscellaneous revenue the insurance payout?

Mr Leatt-Hayter: Correct.

The CHAIR: What was that related to?

Mr Leatt-Hayter: From recollection, it was a refund for a fire that happened with part of our facilities, and we got a repayment from the insurance on the cost of those works.

The CHAIR: Griffin Coal still would not have accounted for the full \$18 million increase in —

Mr Leatt-Hayter: No, that was part of it and also, I guess, our tonnages that we put through, particularly of iron ore, were more than what we were estimating at the start of the year, so there was some trade growth through it as well as those other payments.

The CHAIR: So it was, in part, volumes. What did you increase your fees and charges by in 2015–16 compared with 2014–15?

Mr Leatt-Hayter: The published rates and tariffs went up by CPI, which I think at that time was five per cent in that year. This year it went up by 2.5 per cent.

The CHAIR: So they were above CPI?

Mr Leatt-Hayter: For the five per cent increase, yes, in that year.

The CHAIR: Are you able to take on notice and provide for us a breakdown between how much of the increase was related to an increase in volume? I think you had about a 5.6 per cent increase in container movements.

Mr Leatt-Hayter: Correct, yes.

The CHAIR: So there are volume increases in terms of iron ore. Obviously, coal went backwards if you had a termination payment. In that regard, are there any other big variations in the volumes of cargoes that you can identify?

Mr Leatt-Hayter: Not that I can quote straight, but certainly your figure around container trade is about right. In terms of volumes, the iron ore shipments were greater than we had estimated in that year. That was a major contributing factor. Other trades like the motor vehicle trade and the break-bulk trade were very subdued and flat, so there were ups and downs. I will set that out for you in more detail, but my recollection is that it is around, predominantly, in the bulk area, iron ore and in the container trade.

[Supplementary Information No E3.]

The CHAIR: In terms of your capacity for iron ore, are your facilities now at capacity? Have you reallocated the Griffin Coal capacity to iron ore? Has that been taken up now?

Mr Leatt-Hayter: It has been taken up by iron ore exports. There are also other users there. We have clinker imports, we have gas exports and we have other various products coming in and going out as well. But, yes, that is operating virtually at full capacity at the moment.

The CHAIR: I think it was about two years ago—it was probably a bit longer now—that you went through that process to identify, and I think MRA got the —

Mr Leatt-Hayter: MRL.

The CHAIR: MRL got the rights to the surplus capacity that you had there. Did it get the surplus capacity as a result of the removal of Griffin Coal?

Mr Leatt-Hayter: We have been using that capacity from Griffin predominantly for additional iron ore shipments, yes.

The CHAIR: I assume that when you allocated it to iron ore, you left some capacity for other traditional users like clinker anyway.

Mr Leatt-Hayter: Correct. We have maintained those tonnages and are growing those tonnages, hopefully, in those trades as well.

Hon ALANNA CLOHESY: Has the ministerial directive to prepare the port for sale been issued?

Mr Leatt-Hayter: No, there has been no such directive that we have received on that.

Hon ALANNA CLOHESY: How many ministerial directives have been issued to the authority in the last couple of years?

Mr Leatt-Hayter: From my recollection, this is the first directive that we have received.

Hon ALANNA CLOHESY: The reason I am asking, because I am sure you are aware, is that it needs to be reported in the annual report.

Mr Leatt-Hayter: Yes.

Hon ALANNA CLOHESY: So there has been no ministerial directive to prepare the port for sale?

Mr Leatt-Hayter: No.

Hon ALANNA CLOHESY: I want to go to page 49 of the annual report about the sediment at Kwinana bulk terminal. What was the finding on the elevated levels last year? It states that it was an isolated occurrence.

Mr Leatt-Hayter: Yes.

Hon ALANNA CLOHESY: What caused it?

Mr Leatt-Hayter: It would be something to do with a ship that had been there. I cannot give you the precise details of that. I know, as it says here in the annual report, that it was an isolated occurrence. We continue to do our water quality monitoring all the way through, but from time to time you do get spikes in various things around the place on different products that you then assess and work out what treatment needs to be put in place.

Hon ALANNA CLOHESY: But it was significant enough to put in the annual report. Do you think I could take that on notice on what the isolated occurrence involved?

Mr Leatt-Hayter: Yes.

[4.20 pm]

Hon ALANNA CLOHESY: I am referring to Rous Head harbour and the source of elevated copper levels in the sediment and in the water, also recorded in the annual report. What was the source of those elevated copper levels and what were the remedial works that were to be undertaken in 2015? Have they been undertaken and what is left to do?

Mr Leatt-Hayter: I am aware of those. In there we have a lot of boat repair and refurbishment. That was the source of it, we believe. Our environmental people and our property people have been working with the tenants there to make sure that there is better capture of that product. That is the sort of remedial work that has been put in place.

Hon ALANNA CLOHESY: Did you actually say what the source was?

Mr Leatt-Hayter: From ship repairs and anti-fouling works.

Hon ALANNA CLOHESY: From blasting the copper into the water?

Mr Leatt-Hayter: Some of the material that comes through has got into the water, yes.

Hon RICK MAZZA: I refer to page 30 of the annual report under “Landside logistics” and “Rail operations”. The second paragraph talks about the loss of a key client due to a mine closure, which was another factor. Who was the key client?

Mr Leatt-Hayter: Rosslyn Hill Mining, which was the Magellan lead producer.

Hon RICK MAZZA: Okay. Under “Road transport”, the commentary at the bottom states —

Fremantle Ports has set up a number of working groups involving industry representatives to carry these actions forward.

Can you give us a list of who those working groups are?

Mr Leatt-Hayter: I can provide that list if you would like. Do you just want the names of the groups?

Hon RICK MAZZA: The names and job titles.

[Supplementary Information No E5.]

The CHAIR: In terms of your current operations, do you have a figure for the number of containers that you currently believe is the maximum that can be exported through the inner harbour?

Mr Leatt-Hayter: Given the direction that has been provided to me, I think that is a question that I would not be able to answer at the moment.

The CHAIR: I am not asking about the future. I am just asking whether you currently have a figure that you use at the port for the maximum number that the inner harbour can use.

Mr Leatt-Hayter: There have been a number of figures over a number of years in terms of that.

The CHAIR: Do you have a policy document that says, “Our current view is that our capacity is X”?

Mr Leatt-Hayter: There have been figures quoted in past annual reports about what the capacity might be from a planning perspective and the like. In terms of a position on what that capacity might be at the moment, we do not have a public position on that that I can comment on.

The CHAIR: At the completion of the annual report—30 June—did you have a position as to what the capacity was?

Mr Leatt-Hayter: I would need to reflect on that in the context of the annual report. I cannot recollect that I have publicly quoted a capacity figure during the period of the last annual report.

[Supplementary Information No E6.]

The CHAIR: On North Quay, I know there are obviously vessels that are now trading and getting larger. Does the wharf currently have capacity to go to having cranes to service the next vessels that are likely to come onto the trade, or would it require some sort of upgrade for the wharf to be able to carry the weight of the cranes and manage the crane issues?

Mr Leatt-Hayter: No, they are fine. There might be need for some adjustment of some of the lines but at the moment we have the larger cranes there that Patrick’s and DP World have been bringing in. We are very well equipped at the moment in terms of the berth works that have been done as part of the deepening project to strengthen the berths to enable them to accommodate those cranes which we have there at the moment.

The CHAIR: You mentioned DP World and Patrick's. Obviously one of the key issues that you commenced during the 2014–15 financial year was the commencement of a process to re-issue or to go to tender for new leases for those sites. Where is that up to?

Mr Leatt-Hayter: That had been suspended, that process, and put on hold with the announcement of the sale. In terms of where it is going forward, again, given the direction, it is not a question that I am able to respond to at the moment.

The CHAIR: The reason I ask you that is: whose decision was it to suspend it?

Mr Leatt-Hayter: That decision was taken by the board of Fremantle Ports.

The CHAIR: As I am sure you are aware, you went through an extensive process about considering whether or not to renegotiate the leases or whether to go for a complete new tender process.

Mr Leatt-Hayter: Yes.

The CHAIR: And the board's decision was rather than to negotiate an extension of the existing leases, in light of the uncertainty around a whole range of issues that were in the market at the time about future outer harbours, when they would come on stream and all of those issues, the board made the decision to go to a tender process.

Mr Leatt-Hayter: Correct.

The CHAIR: What was the rationale for the board to suspend that tender process?

Mr Leatt-Hayter: I guess perhaps the word “deferral” is probably a better word than “suspend”, but I mean they are equally the same. I guess in the overall context of what was happening with the port sale, that decision was taken; also taken in the context that the leases do not expire until mid-2017, so there was quite a bit of time in that. The proponents were advised of that decision at that time, and I guess what it has been trying to work through is what is the best result there in the context of the proposed sale of the port.

The CHAIR: Did the minister, the Treasurer or any other senior government official make any request to the board to suspend that process or encourage you to suspend that tender process; or was it a decision made completely in isolation by the board without any reference to communications with the minister or government outside of the board?

Mr Leatt-Hayter: The decision to put it on hold at the time was taken by the board. In terms of where it goes in the future, I think that is a question that, given the direction, I cannot answer.

The CHAIR: The interesting issue is like with the Perth Market Authority, for instance, when that was sold or when it was announced for sale, the minister responsible for the Perth Market Authority issued a direction about what the board could or could not do in regard to the management of the Perth market. That is why I am intrigued as to whether or not any sort of instructions, guidance or suggestions have been made, as opposed to going to that next stage of issuing a direction to you about how the board should conduct itself whilst that due diligence is going on, because it seems to be quite contradictory. I realise some parts of this you cannot answer because it is the minister, but it seems to me to be contradictory that you are taking actions, you do not get a formal direction about how to manage the sales process, but you do get a formal direction not to talk to this committee about matters. I am just wondering if there is anything you could shed light on why that might be the process and why it would be so different to the process conducted by the PMA? I accept that it may be that you do not have knowledge of those matters.

Mr Leatt-Hayter: No. The decision was taken by the board in the context of the proposed sale to defer the process. I mean, we went through the EOI, we had not progressed to the request for proposals. We took a decision to defer that request for proposals. The board took that decision and, as I have said before, beyond that I am not in a position, given the direction, to comment upon.

The CHAIR: Which is an interesting one, because it almost kind of suggests that if the board was to recommence the process of considering the tenders, you may be given a direction to desist, if that was the decision of the board to recommence it.

[4.30 pm]

Mr Leatt-Hayter: I cannot speculate on that.

The CHAIR: Is the port authority continuing to do any work on an outer harbour?

Mr Leatt-Hayter: We have done a lot of work on master planning over the years and we continue to look at what issues are there in terms of providing facilities for the future; and that is part of the work that we would normally continue doing as part of our ongoing business.

The CHAIR: So you are still doing that work about working on what would be required and when it might be required?

Mr Leatt-Hayter: Perhaps not in as much detail as what a full master plan might require at the moment, but we are still always looking at what happens when things reach capacity and where we move on things.

The CHAIR: I think you have done almost as many plans as they have for new extensions to Parliament House, of which there have been many over the years! Are you continuing to do work on predicting when it will be required?

Mr Leatt-Hayter: Yes, and that can be driven by many factors. As part of that we look at what might be there and so on going forward. But we are not—if I can put it—formally progressing right at the moment with a detailed master plan that would go to the level of what you are talking about.

The CHAIR: I might just go back to your annual report and page 90. I am sure there is a logical explanation for it but it shows you have got trade debtors of \$24 million. That seems to be a relatively high figure. I note you had 25, which seems to be more than you would normally do on a sort of a 30-day terms of trade in terms of your total revenue. Can you give us some explanation as to that? And then below that you have got the breakdown of the age of the trade debtors but that only adds up to \$7 million. I am just trying to get an understanding in respect to your trade debtors why it would be 24, which would be sort of on revenue. I think your total revenue was about \$152 million; is that right?

Mr Leatt-Hayter: It was \$200-and-something million.

The CHAIR: So \$200 million, but do you operate on 30-day terms for most of your creditors?

Mr Leatt-Hayter: We will take that question on notice, if we could, and provide an explanation.

The CHAIR: But you are not able to give us any guidance today?

Ms Haria: In terms of the figures for trade debtors, we have a good track record in terms of collecting our debt—generally around 34 to 35 days, as seen in the KPIs at the back of the financial statements. In the context of the turnover that we have, we manage them very prudently and strictly. However, in terms of looking at the breakdown below that, if you wish further information, then we could take that on notice.

The CHAIR: Yes, I certainly would appreciate that particularly with respect to the fact that it may be the rest of that debt is all less than three months—no, it is not more than three months, so that is why I cannot work out why it would be that, but I will make that E7 in terms of questions.

[*Supplementary Information No E7.*]

Hon PETER KATSAMBANIS: I have a couple of questions, limited by the ministerial direction, but I hope we can get through these. Page 34 of your annual report talks about cruise ship visits. Obviously that is pretty important to local businesses, particularly in the retail and hospitality industries. It talks about how in the financial year relating to the annual report we passed

100 000 passengers for the first time, with further growth expected in 2015–16. I have just a couple of questions around this. There are 56 scheduled visits this current year. Is that the capacity that the port can handle for cruise ship visits, or is there further capacity there if demand for berthing at Fremantle was available?

Mr Leatt-Hayter: There is certainly further capacity if they wish to come, and we work hard with Tourism to try to attract them.

Hon PETER KATSAMBANIS: Who takes the lead in encouraging cruise ships to work through Fremantle? Is it Tourism, is it you, is it the operators? I guess everybody is involved and I know everyone is going to talk to each other. Is there someone who takes the lead?

Mr Leatt-Hayter: There is a national body and also an Australian chapter of that around cruising Western Australia, cruising Australia, cruising down under, and we are a key party to that. Our passenger terminal manager is on that committee and we make a lot of representations to the shipping lines in terms of coming here. There has been a great result. Obviously cruise ships are growing and it is something that is great for the port, people like seeing them and it is tremendously good for the economy. We have also been instrumental through that process in helping cruise ships call at other regional ports around Western Australia, which is becoming more prevalent now as well, so it is very much a joint effort. We do it, as I said, with Tourism WA, ourselves, Fremantle Chamber of Commerce and Fremantle city council and the like. There is a lot of joint effort and collaboration going into that.

Hon PETER KATSAMBANIS: With the regional ports, is it an either/or, or is it a hub and spoke-type approach?

Mr Leatt-Hayter: There are really two different types of cruise patterns that occur. We know well in advance with those ships that are on world cruises that they are going to call in at Fremantle on a specific date. Say it is the *Queen Mary 2*, they would have already booked 12 months, 18 months in advance saying that this is their world cruise pattern and they will call in there. Then there are the home-based cruises, like the *Astor* out of Fremantle, for example. Again, that is based out of Fremantle, going in and out on three-day, six-day, 12-day cruises or whatever the case might be. We work with shipping lines on both of those sorts of things, but ultimately it is up to the cruise lines themselves to assess the ports that are there and make a judgement: “Do we call into Broome, Port Hedland, Geraldton, Esperance, Albany”—whatever the case might be. All I know is that those opportunities are always presented to the cruise lines, but ultimately it is their decision in terms of where they call and how they can fit them into their itineraries.

Hon PETER KATSAMBANIS: From your experience, what can the state government, or local government for that matter, do to make Fremantle an even more attractive place for cruise ships to visit?

Mr Leatt-Hayter: It is interesting. The passenger terminal itself has been there for a long time, for those who are aware of it. It actually from a cruise operation perspective operates extremely well. I have evidence of the major shipping lines applauding that terminal in terms of its operational functionality. When you think about the really large ships coming in, you can have 3 000 people coming off, 3 000 people getting on in one day; and from that perspective it is a big building and you need it, and it works well. I guess when you get outside the passenger terminal, it is not such an attractive view across to the wool stores and other things. If we ever get complaints, it is perhaps about that welcome that is there. We try to work hard with the Chamber of Commerce —

The CHAIR: The connection back into the city?

Mr Leatt-Hayter: Yes. We try to work hard with the Chamber of Commerce, the City of Fremantle, taxis and others to make sure that that transfer of passengers to the city, in and out, is done in a better way. That is the area I believe that there is most improvement needed to make it more welcoming, I would say.

Hon PETER KATSAMBANIS: I hear you. I think I have made that point at some other estimates hearing myself.

The CHAIR: When was the terminal built?

Mr Leatt-Hayter: In 1960-something, Mr Chairman. It is over 50 years old.

The CHAIR: I am just checking whether it was the terminal I arrived in or not!

Hon PETER KATSAMBANIS: Do port costs play a significant part in attraction or lack of attraction?

[4.40 pm]

Mr Leatt-Hayter: Our port costs are very attractive to the cruise ships compared to our eastern states counterparts.

The CHAIR: What percentage of your revenue would be from cruise ships?

Mr Leatt-Hayter: It is a very small proportion; I cannot give you that. It is a very small proportion.

The CHAIR: We might make that E8.

Mr Leatt-Hayter: Yes, I am happy to do that.

[*Supplementary Information No E8.*]

The CHAIR: Is it something that you effectively offer, without getting a CSO, it as a CSO? So you do it almost at cost because of the benefits to the rest of the state?

Mr Leatt-Hayter: It is something where our charging over time probably needs review, particularly if there is further infrastructure needed. I mean, if you look at the case of what is happening in Sydney and the like, they have got a passenger charge, per person charge, coming through. They have done a lot of work on facilities. If we get to the stage where we need major improvements, whether it is in terms of an air bridge rather than the old gangways that are put up or other infrastructure improvements, that is something that I think will need contemplation in terms of being able to recover that. But at the moment our charges are, I would say, relatively low, and the service we provide is good and of total revenue it is only a very small proportion of our total revenue.

The CHAIR: I always find the gangways quite quaint, so I hope you do not get rid of them. I am sure they are not cheap in terms of you have to bring out the old cranes and swing them across.

Mr Leatt-Hayter: I think the biggest issue from an operational perspective is that every ship has different entry points and everything else. How you structure them and secure them and what slope they are at and all is a big issue. I think generally the terminal itself, despite its age—we have spent quite a bit of money doing it up—is a very functional thing and certainly better than a number of more temporary facilities that do operate in some ports around the world.

The CHAIR: Do you have a strategic asset plan at the port authority?

Mr Leatt-Hayter: Yes, we do.

The CHAIR: Are there any upgrades or replacement of that terminal as part of that asset plan?

Mr Leatt-Hayter: Not for replacement of the terminal, no. There are improvements to the terminal. One I mentioned is in terms of the gangways that we need to sort of look at. Certainly from a strategic asset management perspective, there is maintenance proposed and undertaken through the building, which is ongoing. Every year we have got quite a significant amount for maintenance spent on the building.

Hon ALANNA CLOHESY: I want to go to the business sustainability section in the annual report.

Mr Leatt-Hayter: Can I get a page reference, please?

Hon ALANNA CLOHESY: Sorry, page 51 on valuing our community. There is a useful pie chart on page 52 that explains the general areas that the port's community sponsorship goes to. It is very useful, and I have to say that I was not aware of the broad range of community support and event support that the port provides. What is the sum total of the community sponsorship for 2014–15?

Mr Leatt-Hayter: I would have to take that question on notice, if I could.

[Supplementary Information No E9.]

Hon ALANNA CLOHESY: In particular then for health and safety, education and youth, if it is easy to get those figures on the kinds of sponsorship in those areas —

Mr Leatt-Hayter: Yes, the breakdown on those?

Hon ALANNA CLOHESY: Yes. If that is easy to get, I would be very interested in knowing that.

The CHAIR: We will make that E9.

Hon ALANNA CLOHESY: I am assuming also that the environmental research is part of that sponsorship; is that right?

Mr Leatt-Hayter: Correct.

Hon ALANNA CLOHESY: That is all on that one. Do you want me to keep going?

The CHAIR: No, I am happy to ask a few questions if no-one else has any. You mention in your annual report the six per cent drop in non-containerised trade for the inner harbour and that that was mainly due to a fall in new motor vehicles being imported. Is that correct?

Mr Leatt-Hayter: Yes, I do not know exactly where you are quoting from, but I guess the impacts in that area are around what we call —

The CHAIR: Page 138 of the annual report.

Mr Leatt-Hayter: Yes. The non-containerised trade in the inner harbour was quite subdued in that period. That includes motor vehicles and other machinery—agricultural machinery, mining machinery—and equipment, and that stuff that comes on the general cargo and RORO ships.

The CHAIR: Would that also include scrap metal going out?

Mr Leatt-Hayter: Correct. I do not have the exact figures on scrap metal here, but it certainly does.

The CHAIR: According to this it is a drop of 27.7 per cent.

Mr Leatt-Hayter: Yes. The figures can be quite dramatic off a low base, and it can vary quite significantly from year to year.

The CHAIR: In terms of your total revenue, what impact would they have on your total revenues, those areas of operation?

Mr Leatt-Hayter: Again, I could not be —

The CHAIR: Is it large or small?

Mr Leatt-Hayter: No, relatively small.

The CHAIR: The capital works had the money for motor vehicle decking, the \$15.9 million, and that was with 5.9, which would suggest that it was due to start the actual construction this year to be completed in the following financial year. Is that still on track, or is that being deferred because of the drop in trade?

Mr Leatt-Hayter: No, it is something that is still being considered in the context of the industry.

The CHAIR: In the context of what?

Mr Leatt-Hayter: Of the trade and how it is developing and what the future might be. The last two years we have seen roughly about a 25 per cent decline in motor vehicles. It has been quite

significant and this year we are seeing that the figures are holding quite well. Speaking to my counterparts over east, they are actually seeing quite a growth there. I think the downturn we have seen has just been from lesser demand, perhaps, from the mining companies that bought them in earlier years and the like.

The CHAIR: Would that be vehicles and other bulk equipment, or just motor vehicles that dropped by 25 per cent?

Mr Leatt-Hayter: No, the figures that I was quoting around the 25 per cent is just pure motor vehicles, yes. But that has levelled off now, and we are hoping to see some recovery in that area. I think, ultimately, with the cessation of manufacturing of Australian motor vehicles, we might see that helping boost import numbers again. These are all import motor vehicles.

The CHAIR: The Australian-manufactured ones come across by train, do they not?

Mr Leatt-Hayter: Yes. Some have, on occasions, come by boat, but that is not the normal practice. We still have things like Jayco caravans coming across by boat, from a coastal shipping perspective, but motor vehicles have been trialled a few times; they predominantly come by road or rail. We hope for a further resurgence on motor vehicles; we hope to see some recovery.

The CHAIR: In terms of my recollection of the motor vehicle industry, it has not been as good as it has been, but it certainly would not have declined by 25 per cent over the last couple of years. Do you reckon it has?

Mr Leatt-Hayter: Yes.

Hon PETER KATSAMBANIS: And more.

Mr Leatt-Hayter: Around 25 per cent. It is certainly between 20 and 25 per cent over the last —

The CHAIR: But it is not that more vehicles are coming in by rail? Is that something you monitor to see whether, effectively, competitors are bringing them over by rail? I assume rail is a competitor to you.

Mr Leatt-Hayter: No, I cannot give you the exact figures, but I would certainly suggest that four-wheel-drive imports for the mining industry have dropped off considerably, and were a major part of that.

The CHAIR: All right. In terms of the capital works program for the double decking, what you are saying is that that is currently under review so you are not actually at the point of proceeding to build it at the moment.

Mr Leatt-Hayter: No, we are exploring what we do in relation to that trade.

The CHAIR: But in terms of the cash flow that was outlined in the budget last year, with 5.9 and 10 in the following year, I assume that that would have expected you to be in a position of actually starting to go to tender by this stage, so there has been a delay in the timing of where you expected to be when the budget was announced to where you are now.

[4.50 pm]

Mr Leatt-Hayter: Correct, and we are continuing to monitor what is necessary with that trade. I am very hopeful that there will be a recovery in that trade. Going back a few years, the growth in that trade was massive. As I said, we are back now at a level where we were two years ago, and just what you pick in terms of recovery, I think it will be far more modest than what occurred going back three or four years in terms of the growth.

Hon PETER KATSAMBANIS: There has been about a 10 per cent decrease in car sales.

Hon ALANNA CLOHESY: A 10 per cent decrease in car sales, but a 20 per cent decrease —

Mr Leatt-Hayter: That was over two years I was saying.

Hon PETER KATSAMBANIS: It basically almost correlates, apart from a bit of overhang.

Mr Leatt-Hayter: Yes.

The CHAIR: Certainly I was aware that there had been a decrease, but it is a surprise to me that it is 25 per cent, but if it is year-on-year over two years, it is certainly possible.

With the new dividend arrangements, when do you pay the interim dividend and when do you then pay the full dividend?

Ms Haria: The interim dividend is to be paid subject to direction by the minister and the last interim dividend, which is the first time we have paid an interim dividend, was paid just prior to 30 June.

The CHAIR: Have those dividend figures changed since the end of the financial year? Your annual report reflects the final dividend payment.

Ms Haria: The final dividend payment relates generally to the prior year profits and the dividend policy is that we pay 65 per cent of profit after tax as dividend. Based on the profit after tax as at 30 June, we expect to pay an additional \$9 million, which is over and above what was paid as part of the interim dividend. However, that is subject to ministerial approval and Treasurer concurrence.

The CHAIR: What did you pay as an interim dividend for 2014–15?

Ms Haria: An interim dividend of \$22.2 million was paid as interim dividend off the total \$46.7 million.

The CHAIR: Of the \$46.7 million?

Ms Haria: Yes.

The CHAIR: But you then said \$9 million, so does that \$46 million include —

Ms Haria: The balance of the \$24 million relates to the dividend relating to profit after tax for the prior financial —

The CHAIR: For 2013–14?

Ms Haria: Yes.

The CHAIR: So that makes it \$46 million. This is where I am getting confused. In terms of the total dividend payments for 2014–15, you paid \$46 million.

Ms Haria: Correct.

The CHAIR: That was the total dividend, made up of \$24 million for 2013–14 and \$22 million as an interim dividend. The actual dividend that you would expect to pay for 2014–15 in total is \$22 million plus \$9 million, so \$31 million.

Ms Haria: Correct, subject to ministerial approval and Treasurer concurrence.

The CHAIR: Right. Has that not occurred yet? Interim payments can be made before 30 June.

Mr Leatt-Hayter: Yes. Then there is a final dividend payment that has to be made in that next year.

The CHAIR: When do you normally make that payment?

Ms Haria: In the act it is required to be made by 31 December. However, the process is that the minister needs to approve that and the Treasurer needs to concur.

The CHAIR: Has that not happened yet?

Ms Haria: The minister has acknowledged the recommendation from the board. We are waiting for final approval, subject to the Treasurer concurring.

The CHAIR: I thought they would be racing to do that so that they could get the money in before the midyear review! At the moment, you are waiting for them to come back to you—for the Treasurer to concur with the Minister for Transport about you making that final payment of \$9 million.

Ms Haria: Correct; it is a statutory requirement.

The CHAIR: And if you do not receive that by 31 December, what will happen?

Mr Leatt-Hayter: I do not think we can contemplate that yet. We have to wait and see. I guess we have to wait on the instruction to pay.

The CHAIR: Does the act not provide for what should happen if there is no concurrence by 31 December?

Mr Leatt-Hayter: I would need to have a look at that.

The CHAIR: I am sure the minister's office will keep note of this and will race back. If not, the Treasurer's office certainly will. In fact, he has probably missed the date for the budget cut-off for the midyear review. It would probably have helped him a bit to get another \$9 million in revenue paid in. In terms of where we are up to at this point in the financial year, are we on target for the 2015–16 financial year in terms of revenue, expenditure, general dividends and income tax expenses and profits? Are we ahead or behind?

Mr Leatt-Hayter: It is really, really difficult to predict out six months, but at the moment we are sitting pretty well in line with the budget. Trade fluctuations are really, really hard to judge going forward and they can change really quickly, but at the moment we are sitting in a good position in relation to our budget.

The CHAIR: I know that over the last few years there have been even more fluctuations in terms of month-to-month and year-on-year comparisons. They used to be quite consistent in terms of November and December always being pretty good months because it was pre-Christmas. You could pretty much predict where the trade would go and then it started to go all over the shop. Is that still the case? Is it jumping all over the shop or is it consistent?

Mr Leatt-Hayter: It does vary a lot. If you look back at the first three months of the last financial year, we had a significant boost in export containers. The growth at that stage was around 15 per cent. The same first three months of this financial year has been far more subdued than that. It is very, very hard to predict from one year to the next what is going to happen. There are changes to the Aussie dollar, in spending patterns and in consumer confidence and there a whole lot of other changes. Whilst the container trade was up 15 per cent in the first three months of last year, it ended up six per cent, so it evens out over the 12 months. When we look at the first three months of this year compared with the first three months of last year, it is far more subdued. We have seen some pick-up again in November.

[5.00 pm]

The CHAIR: How are we going in terms of improving the coordination of the stevedoring companies for trucks in terms of arrivals, departures and the like?

Mr Leatt-Hayter: I think that through working with the industry very closely, that has been greatly improved.

The CHAIR: Pick-ups and drop-offs.

Mr Leatt-Hayter: If you look at “Waterline”, a document published by the federal government Bureau of Infrastructure, Transport and Regional Economics, it shows that in terms of turnaround times in container parks and container terminals and other indicators around general port performance, we certainly perform as one of the better ports in terms of those operations. We are certainly well below the five-port average in most of those indicators. The WA Port Operations

Task Force works well in looking at all of those things. We have got a good relationship with industry.

The CHAIR: There is one other thing from the last couple of years. I do not know whether the container trucks survey for the roads has been released yet, which you are a part of. Has that been completed for 2015 yet?

Mr Leatt-Hayter: It has just been completed.

The CHAIR: Has it been publicly released?

Mr Leatt-Hayter: Not yet, no.

The CHAIR: Certainly for the last two years, we saw for the first time in over a decade a decline in truck productivity. Have we identified what was driving that decline and have we been able to arrest that decline?

Mr Leatt-Hayter: When you are talking about truck productivity, are you talking about the average number of boxes per truck?

The CHAIR: How many boxes per truck and the number of trucks running empty.

Mr Leatt-Hayter: I have not seen the figures for this year. I know the work has been completed. They are just finalising the report. I cannot answer that question at the moment.

The CHAIR: Not for this year, but did we ever identify what were the drivers for the previous two years that saw us actually see a decline after 10 years of improvement? My recollection is that productivity was improving across the board in terms of the number of boxes per truck and the number of trucks running empty, and then we saw that decline.

Mr Leatt-Hayter: Look, it depends on the measures. I think there has been some improvement over time. I cannot provide you with an exact response to that.

The CHAIR: Did you do any work in trying to identify what was the driver of that?

Mr Leatt-Hayter: All the time we are working with the industry in trying to understand what is behind that.

The CHAIR: Maybe you could take that as supplementary information in terms of what you did to identify the drivers for the declining truck productivity coming into and going from the port; and, if so, what they were.

[Supplementary Information No E10.]

The CHAIR: Just to finish off, have you got a figure for the current restrictions on the rail line into and out of the North Quay in terms of freight movements? The trains cannot operate, effectively, between 6.30 am and 9.00 am, and 3.30 pm and 6.00 pm. We also cannot double-stack at the moment. What does that mean, in absolute numbers, for the number of containers that can be ultimately carried by the existing rail infrastructure? Is it 200 000 containers per annum? Have we done any work to identify the point at which we will not be able to put any more containers on rail?

Mr Leatt-Hayter: My understanding is that, ultimately, without a lot of work, you can get up to 350 000 containers. With more work and other things, you can probably get to a figure of around 600 000.

The CHAIR: But with the current structure, without any work, where it currently sits, what can we get to?

Mr Leatt-Hayter: I would like to confirm that. I do not know the figure without any work, but I know that without significant work I believe that the figure is around 350 000. That depends on running the trains and the like. I would be happy to confirm that if you would like me to.

The CHAIR: We are seeking the respective figures for the system as it currently exists, with minor works and with major works.

[Supplementary Information No E11.]

The CHAIR: We will draw the hearing to a close. The committee will email the transcript of evidence to you in the next couple of days, which will include the questions you have taken on notice highlighted on the transcript. The corrected transcript is requested to be returned within five working days of receipt. The answers to questions taken on notice will be requested by 11 January 2016. Any additional questions the committee has for you will be forwarded by the minister next week and will be requested by 11 January. It is a shorter period for getting your transcripts back in because we are trying to get them finalised more quickly, but we have extended the period until after Christmas for the answers to questions taken on notice. Should you be unable to meet this due date, please advise the committee in writing as soon as possible before the due date. The advice is to include specific reasons as to why the due date cannot be met. In the event that you are unable to meet the due date, the committee expects that answers to as many questions as possible will be provided by the due date. If members have any unasked questions, I ask them to email them to the committee by midday on Monday, 14 December. On behalf of the committee, I thank you for your attendance today.

Hearing concluded at 5.05 pm
