

**STANDING COMMITTEE ON
ESTIMATES AND FINANCIAL OPERATIONS**

BUDGET STATEMENTS

**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
THURSDAY, 3 SEPTEMBER 2009**

SESSION ONE

Members

**Hon Giz Watson (Chair)
Hon Philip Gardiner (Deputy Chair)
Hon Liz Behjat
Hon Ken Travers
Hon Ljiljanna Ravlich**

Hearing commenced at 9.20 am

O'BRIEN, HON SIMON, MLC
Minister for Transport,
13th Floor, Dumas House, 2 Havelock Street,
West Perth 6005, sworn and examined:

LEATT-HAYTER, MR CHRIS
Chief Executive Officer, Fremantle Ports,
1 Cliff Street,
Fremantle 6160, sworn and examined:

MEYER, MR ALEC
Chief Financial Officer, Fremantle Port Authority,
1 Cliff Street,
Fremantle 6160, sworn and examined:

VALENTI, MR GINO
General Manager, Strategic and Planning, Fremantle Ports,
1 Cliff Street,
Fremantle 6160, sworn and examined:

The CHAIR: On behalf of the committee, I welcome you to this meeting. Before we begin, I am required to administer an oath or an affirmation.

[Witnesses took the oath or affirmation.]

The CHAIR: You will have signed a document entitled "Information for Witnesses". Have you read and understood that document?

The Witnesses: Yes.

The CHAIR: These proceedings are being recorded by Hansard. A transcript of your evidence will be provided to you. To assist the committee and Hansard, please quote the full title of any document you may refer to during the course of this hearing for the record. Please also be aware of the microphones and try to talk directly into them. I remind you that your transcript will become a matter for the public record. 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. If the committee grants your request, any public and media in attendance will be excluded from the hearing. Please note that until such time as the transcript of your public evidence is finalised, it should not be made public. I advise you that premature publication or disclosure of the uncorrected transcript may constitute a contempt of Parliament and may mean that the material published or disclosed is not subject to parliamentary privilege. Government agencies and departments have an important role and duty in assisting Parliament to scrutinise the budget papers on behalf of the people of Western Australia, and the committee values your assistance. Members, it would assist Hansard if, when referring to the budget statement volumes or the consolidated fund estimates, you could please give the page number, item, program and amount in preface to your questions.

Hon KEN TRAVERS: My first question is: has the port authority completed a strategic development plan for this year, and has it been agreed to with the minister yet?

Mr Meyer: We have completed it. It is in draft form under the normal procedures prescribed in our act. It has been lodged, in accordance with the normal procedures, with the minister's office, and I believe the minister is taking advice on that. At this particular stage, we have not received approval.

Hon KEN TRAVERS: Maybe the minister could indicate—has the minister issued any directives to the port authority with respect to their strategic development plan?

Mr Meyer: As the secretary of the board, I can answer no.

Hon KEN TRAVERS: Maybe the minister can answer why there has not been agreement reached. You talked about standard procedures, but my understanding of the act is that the intention is to try to have those plans completed before the commencement of the financial year. Why has agreement not been reached at this stage?

Mr Meyer: I cannot really answer that question. I am sure —

Hon KEN TRAVERS: No, I am asking the minister.

Hon SIMON O'BRIEN: What I would like to do in addressing the member's question is that I do want to make an inquiry out of session for some further advice, Madam Chair, if I can.

The CHAIR: Would you like to take the question on notice?

Hon SIMON O'BRIEN: I could, but it is simply that the honourable member asks where this particular strategic development plan is in the system. I was hoping that I might be able to advise that perhaps a little later on in the hearing.

In relation to the strategic development plans from port authorities, I can advise the member that this is the second year now that this government has had to turn its attention to these matters. I can advise him that certainly when we came to office in September last year, the strategic development plans for ports had not been attended to for that financial year. So it does seem to be the case that quite often these things are not attended to or finalised in terms of final sign-off before 30 June proceeding. However, inevitably they are in train and inevitably they build on the previous year's strategic development plan, but I can answer a little bit later on, I hope, in this hearing as to where the Fremantle one is in the system.

The CHAIR: Thank you.

Hon KEN TRAVERS: Just to assist, I intend to ask a similar question for every port authority throughout the day, if the minister wants to get that advice for each and every port authority so we can have that smooth flowing throughout the day. In doing so, I alert the minister to section 52 of the Port Authorities Act 1999.

My next question is about the statement of corporate intent. I ask about the statement of corporate intent for both the 2008-09 and 2009-10 financial years: have they been agreed to between the minister and the port authority?

Mr Leatt-Hayter: I think the answer is the same.

Hon SIMON O'BRIEN: The answer is the same; it is just a matter of detail that I—Alec, it has been put up, has it not?

Mr Meyer: Yes.

Hon SIMON O'BRIEN: It has been put up, so the question is quite properly addressed to me in my office. The port authority has done their bit, and I will respond a little later in this hearing. I note that he is intending to ask a similar question of each port authority, so it is a pity we did not get that in advance; I might have been able to provide it immediately.

Hon KEN TRAVERS: With all due respect, minister, for both of them I would have thought they—and I will alert you to the Auditor General's report of '05 and '06 that made reference to the need for them to be tabled. I asked Parliament House yesterday whether even the 2008-09 financial

year statement of corporate intent had been tabled for any port authority, and they were unable to give me any at all that had been tabled for the last financial year, let alone this financial year that we are now in, so I would certainly appreciate, when you get that advice, an explanation as to why—has last year's been agreed to; and, if so, why it has not been tabled in accordance with the act?

Hon SIMON O'BRIEN: I do not necessarily accept all the assumptions inherent in the minister's question, if we —

Hon KEN TRAVERS: Minister in waiting.

Hon SIMON O'BRIEN: So I am just not accepting that at face value. What I am saying is that, to assist the committee, I will make inquiry about the matters that have been raised and respond to the committee, hopefully before this hearing is finished; but if, not, either way I will respond before the hearing is finished.

The CHAIR: Just before we go to further questions, I have a question that probably logically sits in this area as well. Does the environment management plan for various ports, including Fremantle obviously, sit under the statement of corporate intent? Is it part of that document?

[9.30 am]

Mr Leatt-Hayter: I believe that we produce separate environmental management plans that are submitted from time to time, and they are referred to in those documents, particularly in the strategic development plan as well.

The CHAIR: Are they not produced every year?

Mr Leatt-Hayter: Yes, as part of those documents, they are produced.

The CHAIR: As a stand-alone environmental management plan.

Mr Leatt-Hayter: We have environmental management plans in place. They can be stand-alone, but they are also incorporated and referred to in those strategic planning documents.

Hon KEN TRAVERS: If you have submitted your draft strategic development plan and your statement of corporate intent, and also in respect to your environmental plans and any environmental licences that you have, can you advise us whether or not any asset investment expenditure is required under any of those plans or documents that is not incorporated in the asset investment expenditure outlined on pages 454 to 456 of the state budget?

Mr Meyer: Madam Chair, if I may?

The CHAIR: Yes.

Mr Meyer: There is a difference in that the timing for the strategic development plan is an additional year. It is a five-year time frame whereas the budget papers are four-year. So the answer is yes, there are some things in there into the future. However, in the four-year horizon that you have in front of you in the asset investment plan, it is the same as our strategic development plan for that period. The statement of corporate intent, of course, is for one year, so there is no difference. The figures that we submit to Treasury that make up the budget papers for the state are the same as we have in our SDP. There are no surprises.

Hon KEN TRAVERS: Is any work required under your environmental plans or any environmental licences that you have that require capital expenditure that is not listed in the existing budget document?

Mr Meyer: Not that I am aware of—nothing specific in relation to that. We have environmental measures included in everything that we actually do, but there are no specific identified projects for environmental works that are needed that are not included in the program.

Hon SIMON O'BRIEN: If the member has a specific project or issue or aspect that he might like to inquire about, perhaps we can give a specific answer.

Hon KEN TRAVERS: I thought my question was pretty specific about your environmental plans and licences and whether or not they require any asset investment that is not in the current capital works, or asset investment program, as it is called these days, outlined in the budget.

Mr Leatt-Hayter: No. With our capital works program, for example, you will see at the Kwinana bulk terminal some infrastructure and equipment replacement and upgrade. A lot of the initiatives included in those totals include some improvements to the equipment that we have there that is of an environmental nature. For example, it might include dust extraction systems or conveyor improvements or whatever the case might be. So quite a few of those capital works items do include some matters of an environmental nature.

Hon KEN TRAVERS: I understand that. I am asking if anything else is required under your environmental plans or licences that are not currently funded in the asset investment program.

Mr Leatt-Hayter: Not that I am aware of.

Mr Meyer: No; the answer is no.

Hon KEN TRAVERS: Your dividend for this financial year: can you tell me on what basis that has been determined?

Mr Meyer: This financial year, being 2009-10, or the one that has just finished, 2008-09?

Hon KEN TRAVERS: If there is a difference —

Mr Meyer: Interestingly, accounting convention has changed the way you declare a dividend. It always used to be before 30 June based upon your results. It is now after 30 June. For example, our 2008-09 results are now in, we have received audit clearance, and our board will be declaring a dividend at its next meeting in a couple of weeks' time. For this year, it will be \$6.8 million. That is a couple of million dollars more than what the state budgets state. In other words, we had a really good year again.

Hon KEN TRAVERS: Sorry; which financial year is that for?

Mr Meyer: It is the dividend payable this year, 2009-10, but it is actually based upon last year's profits—2008-09.

Hon KEN TRAVERS: Right. So it is an additional \$2 million. How is that calculated? Is that still on 50 per cent of your —

Mr Meyer: Fifty per cent of profit after tax.

Hon KEN TRAVERS: Yes.

Mr Meyer: Do not forget that we have to pay tax equivalents to the state, based upon the Income Tax Assessment Act, so we are no different to BHP—just a bit smaller! It is 50 per cent of profit after tax.

Hon KEN TRAVERS: And what is your expected rate of return on your investment for this financial year?

Mr Meyer: In 2008-09?

Hon KEN TRAVERS: For 2008-09 and for 2009-10.

Mr Meyer: It is a little bit less than what we budgeted for. As an explanation for that, which is a bit convoluted to tell you, it is based upon your asset value. Every three years, in accordance with the policy of government, we have to revalue our assets. By the time you revalue your assets and increase them, you reduce your rate of return. The policy is between five and eight per cent over the long term, and we normally have been coming in around the seven to eights for this year, I think—for 2008-09—off the top of my head. I do not have it here with me. It is not a thing that sticks in my head, but I think it is probably about six per cent. That is an estimate that I can only give you at this stage.

Hon KEN TRAVERS: Maybe you could take that on notice.

Mr Meyer: I can correct that in the transcript if you like.

Hon KEN TRAVERS: Or take it on notice.

The CHAIR: Perhaps what we might do, Mr Meyer, is just put that as a question on notice, and ask you to provide that.

Mr Meyer: Yes.

[Supplementary Information No A1.]

Hon KEN TRAVERS: In today's paper, it talked about a \$250 million upgrade to the harbour. Can you actually identify for us on pages 455 and 456 which of the items there go into that \$250 million?

Mr Meyer: Yes, I can, because I predicted this. The way that the government publishes the documents, it must be murder to try to follow the figures in relation to the projects.

Hon KEN TRAVERS: I am glad that someone else sees it that way.

Hon LJILJANNA RAVLICH: Tell us about it!

Mr Meyer: It is not easy to do that. However, if I can just take you through it, hopefully I can give it to you. If you have a look at the information that you have on page 454, which is the "Asset Investment Program", and you come down about six lines, you will see that it says "Berth Upgrades—Eastern Stage" and the next one is "Berth Upgrades—Western Stage".

Hon PHILIP GARDINER: I am sorry; can you explain where it is?

Hon SIMON O'BRIEN: This is on page 455.

Mr Meyer: Yes, 455; sorry—where the figures are.

Hon KEN TRAVERS: So which ones are we talking about?

Mr Meyer: The eastern stage and the western stage. If you go right down just before halfway, after the heading "Completed Works", you will see one that says "Berth H Upgrade". It is just after halfway down the page, in the numbers.

Hon KEN TRAVERS: On the next page?

Mr Meyer: Is it on the next page?

The CHAIR: It is about two-thirds of the way down the page.

HON LIZ BEHJAT: "Inner Harbour—Berth H Upgrade".

Hon KEN TRAVERS: Yes.

Mr Meyer: Those projects total \$111.5 million; plus the H berth, there is \$115.4 million altogether, of which \$79.04 million is the four-year period between 2009-10 and 2012-13. That is the program.

Hon PHILIP GARDINER: I am sorry; I have lost those numbers.

Mr Leatt-Hayter: Alec, I think from the top of the page particularly might be a better place to start. About five lines down it has "Deepening of the Inner Harbour Stage 1". We have \$120 million there. In addition to the deepening, as part of the deepening we have some berth strengthening and fender repairs, and everything else, that are part of it, because before we can dig we have to put the sheet piles in and strengthen it. Those works are included as part of the two items, "Berth Upgrades—Eastern Stage" and "Berth Upgrades—Western Stage". In addition to that, once we actually dredge, we have to deposit the dredged soil. As part of that, we are reclaiming another area of land at Rous Head, and as part of that project we have to build a seawall. Towards the bottom of those works in progress, you will see an item there called "Seawall Construction and Rous Head Extension". So the \$250 million comprises most of those items sort of put together, if I can put it

that way, and the total of the overall project—that is, as it is called, the deepening of the harbour—comes to that figure of \$250 million. Does that help?

Hon KEN TRAVERS: All right.

Mr Meyer: Chris, if I may just say that there is one other bit that is missing. On the papers before the committee—that is, the dollar ones—right up near the top is the “Deepening of the Inner Harbour Stage 1”.

Mr Leatt-Hayter: That is the one I mentioned.

Mr Meyer: That is \$125 million.

[9.40 am]

Hon SIMON O’BRIEN: The point is that the member is talking about a report in the paper that talks about, in round figures, \$250 million for the deepening of the harbour project, and he is trying to reconcile that with the line item on page 455 that specifically states “Deepening of the Inner Harbour Stage 1”. There are other aspects to the project, apart from that single line item, that are all part and parcel of it.

Hon KEN TRAVERS: I was aware that there are other parts. We have now been given those other parts, so I am happy.

Hon SIMON O’BRIEN: The member is happy, Madam Chair, and so am I.

Hon KEN TRAVERS: I refer to the deletion under the capital works audits of the \$14.5 million and the \$18.4 million for the Fremantle Port Authority, and the deferral by two years of the upgrade of some of the outer harbour works. What impact will deferring that project by two years have on the operations of the port authority?

Mr Leatt-Hayter: That was a decision that was made through our board. We have a lot of prospective customers at both our Kwinana bulk terminal and the Kwinana bulk jetty. That project has been around for some time. An amazing investment is needed to provide extra infrastructure at that facility. It is not just being built for the sake of it; it has to be built for a real customer that is there. In the discussions that we have had we found more of those sorts of customers than we have been working with at the Kwinana bulk terminal. Nothing was seen to be urgent or necessary at that time to proceed with the Kwinana bulk jetty extension. We were quite comfortable with deferring that project, which in some respects is still in the program but not to the full extent that it was previously.

Hon KEN TRAVERS: In the budget papers it is suggested that the same amount of funding has been added; it is just that it is two years later.

Mr Leatt-Hayter: That is correct, yes.

Hon KEN TRAVERS: Are you saying that you do not require all that funding now?

Mr Leatt-Hayter: It has been deferred for that time, but funding for that project is still required overall.

Hon KEN TRAVERS: Did I hear you suggest that you will not be undertaking the program to the full extent that you were going to previously?

Mr Leatt-Hayter: I meant in the time frame that we had, no.

Hon KEN TRAVERS: I have another question about the deferral of works. What impact will the delay in the rail and road projects for the Fremantle outer harbour have on your time lines for the development of the outer harbour?

Hon SIMON O’BRIEN: I might ask Mr Leatt-Hayter to comment a little further on this from an operational perspective. As the committee may be aware, the Fremantle Ports Optimum Planning Group is about to report on options for future growth or development of Fremantle port. This is a

project the scope of which has not been contemplated or proceeded with before. I will say that the project is about not only projecting the transport task out to about 2060, but also contemplating, in addition to port facilities, the landside transport links that will be required in tranches of years—say, the next 15 years and the subsequent 15 years, and perhaps 20 years beyond that. It is long-term planning. Although, as you can see, works are going on all the time, the outer harbour projects of the port of Fremantle are also very prospective when we are talking about the Kwinana Quay project and what have you, all of which will be reported on shortly. I do not believe that the current deferral of those works to which the member referred will impact adversely on what will happen in the future. All of those works will be needed, but we will make sure that we get them in the right place. I do not think that, realistically, they would be going ahead immediately anyway. I will ask Chris to comment further on that.

Mr Leatt-Hayter: That is right. The outcomes and findings of the optimum planning group will be very important in informed decision making about future port facilities in the Kwinana area. We are very much looking forward to the results of that work coming out later this year. In terms of that development, the urgency of it has, perhaps, been somewhat taken back a little bit by the current global economic crisis, in which we have seen some subdued growth in trade in the inner harbour from containers and in some other areas as well. So I guess there is not an immediate urgency for facilities. In terms of planning going forward, it is most appropriate that we continue to do our planning on the facilities we are proposing at Kwinana Quay, and acquire the statutory approvals for those. The actual timing, building and road construction will be guided by the work of the optimum planning group. There is no immediate impact on us as a result of the deferral of those works.

Hon LJILJANNA RAVLICH: Has the Fremantle Ports Optimum Planning Group provided you with any advice, briefing or report? I think you have indicated that it has. Do you have an interim report or a final report?

Hon SIMON O'BRIEN: No, I do not have an interim report and I do not have a final report. I have had feedback through a couple of avenues. As well as a ministerial interest, I have a close personal interest in it. I receive feedback from the meetings that the group has had. They have been consulting very widely. A senior adviser from my office is working with that group. I am fairly close to it. I have also had some interesting feedback from members of the group in discussion. I do not have a report to provide, but when I do, I know that members will be interested to see it. It is the sort of information we need to share and debate publicly. It should not be too much longer.

Hon LJILJANNA RAVLICH: Can you advise the committee on the nature of the feedback that you have received?

Hon SIMON O'BRIEN: Some of it is a little academic. I am not in a position to say, "Right, a wharf will be built at location X at some stage in the next five to 10 years." That is not the sort of feedback we have had. The feedback I have had is that the nature of the task that has been set has thrown up some interesting and, perhaps, unexpected results, particularly in looking at a long-term growth based on historical precedent. It appears in general terms—I think the member is asking for a general indication—that if we are looking to a medium to long-term horizon, the freight task confronting Fremantle Ports is likely to be much greater in future than anybody has conceived in the past. The ramifications of that are how we connect the waterfront with the places of destination of the various cargoes that will be coming through. Some very important questions will have to be dealt with on land reservation, freight corridors and so on. It highlights the difficulty that we have now with a lack of freight corridor capacity. I am sure the member will be very interested when she sees it. The single thing that has struck me so far in the feedback I have received is how much growth we are looking at. It appears we will have to make provision—I do not mean build—in our generation for future generations to be able to expand the capacity of our port quite dramatically, perhaps over the next 50 to 60 years.

Hon LJILJANNA RAVLICH: Has the consultative optimum planning group had discussions with or sought advice from representatives of Department of Treasury and Finance or the Treasurer's office; and, if so, what has been the nature of the discussions or advice?

[9.50 am]

Hon SIMON O'BRIEN: I cannot immediately answer that question. May I take it on notice?

The CHAIR: Certainly.

[*Supplementary Information No A2*]

Hon PHILIP GARDINER: The strategic assessment of ports and their future planning has a time horizon that you have referred to as going up to 2060. The earlier questions about strategic development plans have given a bit of elucidation on this, but I am very unclear about the integrated development of the long-term plan. You referred to it a little in your last answer, minister. I am unclear about the integrated development and how it integrates into the ongoing budget, which is much more, in a sense, day-to-day in the area with which you are dealing, because the port is so integrated with the development of the state. We saw in today's paper the example of Newcastle, and the way in which this can get caught up with inadequate planning and inadequate strategic thinking. I am still a bit intrigued about the fact that the reports you have received from year to year are not there for the committee to assess, and how that integrates with your ongoing strategic development. I am not referring to policy; it is just the process of how you are going about this. Maybe I am a little out of touch, but could you give the committee a bit of a picture about the integration of those things on both the near-term and longer-term basis?

Hon SIMON O'BRIEN: The member is quite right on a couple of levels. Firstly, I guess the immediate purpose of the hearing is this year's budget, and because we are all interested in related matters, it leads us to look a little further afield. He is quite right about that. It is also quite right that in considering the long-term strategic provision of transport infrastructure assets, we must have regard for not only the here and now, but also the longer term. That is why I thought it was relevant to stray over the prospect of receiving some long-term strategic planning advice fairly soon, so the government can make some of the decisions that, in my view, probably should have been taken about six or seven years ago. Nonetheless, the government will work ahead from where we are now; that is the only choice we have. I am also keen—this probably gets to the nub of the member's concern and question—to generate an overall state transport plan through the new Department of Transport that the government has set up over the past couple of months, acting in close liaison with other relevant government agencies, including the Western Australian Planning Commission and specifically the ports, because they are key parts in our logistics chain. In a time of rapid evolution and change in transport technology and the overall transport task, the member is quite right about the fact that we need to keep abreast of change. I look forward to his continued interest, because it is the sort of thing that is vital to the state's future. With respect, I may say that the committee would be vitally concerned that investment or commitment of direction is made on well-considered strategic grounds, otherwise we could make some awfully expensive mistakes on transport infrastructure if we do not do our homework.

Hon PHILIP GARDINER: I thank the minister for that response; I appreciate it. My question now is: how does the minister see that unfolding from not only a time perspective, but also a planning perspective? Are resources in place to help create reports so that we can see what is happening down the line? I know that it is a very big question, in a way, but it integrates with what Hon Ken Travers was saying, going back from the ports and how things will feed into that to help the planning and strategic development process.

Hon SIMON O'BRIEN: Perhaps I can reassure the member that we are doing that planning. I have indicated that I felt that planning was absent before, but it is now there because this government has instituted it. Of course it will need to be resourced, but the proof of the pudding is in the eating, as

they say. We are actually getting on and doing it and we have the best, most experienced, credible and skilled practitioners involved. The working group that I refer to includes such well-respected and relevant figures as Professor Greg Martin, Professor Fred Affleck, Eric Lumsden and so on. To come back to this hearing and the way that the Fremantle port is proceeding, this is a dynamic port authority. In all my dealings with it over the years, it is apparent that it has an eye to the future and practices long-term planning; that is why we have the works program that is being considered today. I will ask the CEO to confirm whether there are sufficient resources available for this agency to undertake the planning process. I think his organisation is travelling very well!

Mr Leatt-Hayter: I think the minister has covered this very well. Through our strategic development plans and other planning work that we have done, we have port development plans in place. For example, we have had a port development plan in place for the inner harbour since 2000, and we have been progressively introducing and implementing it over three stages; we are reviewing that at the moment. Inner-harbour deepening and additional land creation have been part of that plan. There has been tremendous planning in that respect. The work of the optimum planning group in the new Department of Transport will very much improve integrated transport planning. We have been doing our part right, and we can make sure that it is properly integrated with road and rail planning, intermodal planning in the Kewdale area and all those sorts of initiatives so that we have a total package. I am a great supporter of a state transport plan and I think that that sort of work, and the work of the optimum planning group, will ensure that there is informed decision making on major transport initiatives going forward. From our point of view, I believe the work is being done. We are very comfortable with the manner in which it is being done, and we have significant input into that work.

Hon PHILIP GARDINER: Thank you very much.

The CHAIR: We are due to finish in five minutes, but I ask members whether they would like to continue on for a little longer.

Hon KEN TRAVERS: Yes.

In terms of this year's finances, can the minister give the committee an explanation as to how a decision was reached on how much of the asset investment program would be funded by an equity contribution versus borrowings? What impact will that have on the debt-to-equity ratio?

Mr Meyer: If I may, I will endeavour to offer an answer to that question. In planning for our investments, we look at the structure of our balance sheet and the equity position of the state. We also look at our cash resources, which are terribly important in the budgetary sense. Cash flow, in some ways, is probably much more important than some other parts. We look at what resources we have, and we only borrow what we have to borrow. We actually model it and look towards the future profitability, revenues, cash in and cash out. At the end of the day, we have a program that sets out X minus Y equals how much we have to borrow. It really comes down to that. We also have to be careful with borrowings, because it costs money to borrow. It costs interest charges, and that impacts on our future profitability and cash flows. There is no magic about it; it is a matter, at the end of the day, of having a look at the business and ensuring that we borrow only what we need. We have to borrow money; there is no doubt about that.

Hon KEN TRAVERS: This may be a question for the minister. Port Hedland is getting quite a significant capital injection of \$210 million for its expansion plans. However, you are borrowing much more than that, and that is why I am trying to work out whether there is an underlying philosophy. What is that doing to your debt-to-equity ratio?

[10.00 am]

Mr Meyer: I cannot comment so much, Chair, on Port Hedland, except that Port Hedland will, most likely, be getting third party contributions as part of the capital investment through commercial arrangements that they have got. It does not always happen with us. We look towards

the future. We are there to facilitate trade, we are there to offer efficient and effective services to the port community, and we do it very successfully. If I may say, we look at everything in relation to, as I said, cash and borrowings and capital investment, and we borrow the least possible amount we can.

Hon SIMON O'BRIEN: It is interesting, perhaps, to endeavour to compare and contrast between this port and Port Hedland. But it is quite a different apple and orange, you will see, and perhaps we can play that out a little more when we hear from the Port Hedland Port Authority a little later on, because there are some exciting things happening there. I think Mr Leatt-Hayter had some other helpful observations to make about Fremantle in answer to that question.

Mr Leatt-Hayter: I think, just generally, like any business that has an investment program going forward, with our new inner harbour deepening program that was there, certainly the manner of funding that was looked at very, very carefully. The business case was developed, and certainly it has been tracked through our operating expenditures and our P&Ls going forward. That investment is a sound capital investment that is being looked at very, very thoroughly from an economic and financial viewpoint, understanding what the ramifications are.

Hon KEN TRAVERS: In budget paper No 3 at page 137—I am going back to the Kwinana bulk jetty, the bulk handling equipment and the deferral of expenditure—it says that you are going to be putting in \$14.5 million in 2011-12 and \$18.4 million in 2012-13. Can you identify where those amounts appear on pages 455 or 456?

Hon SIMON O'BRIEN: The first one was page —

Hon KEN TRAVERS: Page 137, and that is in budget paper No 3.

Hon SIMON O'BRIEN: Which I do not have immediately to hand.

Hon KEN TRAVERS: All it says is that basically you taking the expenditure out of 2009-10 and 2010-11 and putting it into 2011-12 and 2012-13, and the amounts are \$14.5 million in 2011-12 and \$18.4 million in 2012-13.

The CHAIR: Minister, there is a copy coming.

Hon SIMON O'BRIEN: Thank you very much. Just give us a moment to examine those figures, please.

To save the committee's time, Madam Chair, I think we will take that one on notice, if we may.

[*Supplementary Information No A3.*]

Hon KEN TRAVERS: I have one last question before someone else asks one. Is the port authority examining or looking at the option of exporting uranium through the port at any time in the next five years or in the future in general?

Hon SIMON O'BRIEN: That might be considered, I think, a policy question.

Hon KEN TRAVERS: No, it is actually a technical question. Is the port authority doing it?

Hon SIMON O'BRIEN: So, explicitly, this is not a question about the government's policy? The question is: is the port about to export uranium?

Hon KEN TRAVERS: And if there is a policy angle to it as well, I am happy for the policy answer. I am keen for the actual technical side first.

Hon SIMON O'BRIEN: Okay; let us have the technical side.

Mr Leatt-Hayter: No, we are not.

Hon KEN TRAVERS: And why not?

Hon SIMON O'BRIEN: No; the question does not arise. The question is: is it contemplated by the port authority that uranium be exported through the port of Fremantle? The answer quite clearly given is no. The question of why not does not arise.

Hon KEN TRAVERS: Can you give me the answer, minister: why not?

Hon SIMON O'BRIEN: With respect, Madam Chair, the question does not make sense. The question can be answered quite simply. Is there any contemplation of uranium being exported through Fremantle port? The answer is no—end of story. That is the answer.

The CHAIR: That is the answer from your position as minister, as well as from the port. I am just trying to clarify if there is a difference in it.

Hon SIMON O'BRIEN: We have had an answer, which I think was requested—that is, from the port's point of view—and the answer is clearly no. From the government's point of view—do we have any intention or proposal to export uranium through the port of Fremantle—the answer is no.

Hon KEN TRAVERS: And why not? Is it because you have not thought of it, you have not considered it yet, you do not think it is safe, or you do not think it is appropriate? I think that is a legitimate question. Why not?

Hon SIMON O'BRIEN: And this is a question that can be readily referred, if you wish and if you think it falls within the committee's remit, to the Minister for Mines and Petroleum. But the government has repeatedly made it clear through the Minister for Mines and Petroleum, and also the Minister for State Development, that there is no intention to export uranium through Fremantle; and, indeed, if there is to be future export of uranium, that would be more likely to be going out through existing ports probably in other states that already do handle the stuff.

Hon LJILJANNA RAVLICH: Can I just ask: what is the likely impact on Fremantle port of the development of the James Point operation?

Hon SIMON O'BRIEN: The -

Hon LJILJANNA RAVLICH: Can I ask the port, sorry, through you?

Hon SIMON O'BRIEN: The impact of a new port operator within the gazetted Fremantle port area would be quite likely to inject competition, because it would be, particularly in relation to general cargo, a competitor. It would provide options for shippers, and it would open up the prospects of new stevedoring operations. However, again I go back to an earlier question about the optimum working group. What we are about is optimising the availability of port functions to Western Australia in the metropolitan area. We cannot possibly quantify what impacts hypothetical developments might have, but we are determined that they should have a net beneficial impact; otherwise, we would not be pursuing the matter.

Hon LJILJANNA RAVLICH: Can I, through you, minister, ask Mr Alec Meyer, the chief financial officer, whether Fremantle Ports has done any financial modelling on the likely impact?

Hon SIMON O'BRIEN: I think I will refer that question to the CEO more properly. He may wish to defer to his chief financial officer.

Mr Leatt-Hayter: The minister mentioned James Point in terms of being a hypothetical development, and that is what it is in many respects at the moment, because it is a development that is not constructed and is not operating. The James Point development itself is in two stages, with stage 1 being a break-bulk and potential bulk facility and stage 2 being a container port. With respect to the stage 1 facility —

Hon LJILJANNA RAVLICH: Can I just stop you and just ask this: if it is hypothetical, does that mean that there is a likelihood that there will not be a James Point development?

Mr Leatt-Hayter: I cannot comment, with respect, if there will be a James Point development. What I am saying at the moment is that although they have got their approvals, there is nothing

physically in place in terms of their operation. With respect to the stage 1 development, being a break-bulk and a bulk facility, there are potential trades that they could put over that. That may be some of our existing trades, but they could also be new trades; there are a lot of new trades around at the moment. For example, there might be some clinker that we currently handle that they may put over their facility. They may look at other products that we put through the inner harbour, like live sheep. Just what their business plan is and what they are doing is really up to them to determine. Until they are built and until we start to get a feel for that, it is almost impossible to understand what the financial implications on our operations will be from their operation.

[10.10 am]

Hon SIMON O'BRIEN: We have to have regard to the ever-changing quantum of product that is being both imported and exported through the Fremantle port area. It is steadily increasing. I referred in an earlier answer to the logistic challenges of moving that product in and out. I will just reaffirm that the government is concerned about any developments in competition to the Fremantle port. It has only been deemed to be desirable if it provides a benefit to the state of Western Australia and its economy. I am equally sure that Fremantle port has showed itself to be a dynamic and robust organisation that has always and will continue to evolve to meet the challenges of the day. I am sure it is not scared of a bit of competition.

Hon LJILJANNA RAVLICH: Minister, have you or any member of the Fremantle Port Authority met with representatives of the Department of Treasury and Finance or the Treasurer's office in relation to costings for the James Price Point operating agreement requirement that the government is responsible for ensuring road and rail connections? In other words, have you or members of the port authority been in consultation with Treasury with respect to matters surrounding road and rail connections and the possible public funding of those?

Hon SIMON O'BRIEN: Are you asking whether I have met with Treasury?

Hon LJILJANNA RAVLICH: You or board members or members of the authority.

Hon SIMON O'BRIEN: In relation to members of the authority, I have no doubt they meet with Treasury officials from time to time on a range of things. Whether they have had a specific meeting about this, I do not know. I will ask the CEO to comment in a moment. Specific matters do come up in the course of more general discussions. If the member is asking —

Hon LJILJANNA RAVLICH: Have these matters been raised with Treasury?

Mr Leatt-Hayter: There were discussions with Treasury some years ago generally in relation to road and rail transport corridor costs to serve port facilities in the outer harbour area. As far as I am aware, there have not been specific discussions between me and my officers and Treasury officers about the cost of road and rail corridors to the James Point facility.

The CHAIR: Members, I am aware of the time. We are now using the time of the next port authority. I will allow one more question each, otherwise we will run well over time.

Hon PHILIP GARDINER: This is specific to the outer harbour of the Fremantle Port Authority. It is an environmental question about the outer harbour area. As we know, we have a unique range of seagrass in this state. In relation to pelagic species—pink snapper and so on—I understand that they are quite specifically spawned in our outer harbour area. To get the research to help us understand more of that, does the Fremantle Port Authority allocate funds—I cannot see it in the papers I have—to try to better understand what risk we are making for that area? I am talking about seagrass and pink snapper, which I understand are unique to the seagrass area for their propagation?

Hon SIMON O'BRIEN: There is a lot of work to do and it is related to the port. This is really more an environmental matter. I want to assure the member that the authority is acutely aware of its responsibilities and it has done a lot of work itself. Mr Valenti may be able to give a brief synopsis.

Mr Valenti: A lot of work has already been done in that area. We have worked very closely with Fisheries to make sure that the right studies have been done. We are working collaboratively with Fisheries and with its research people. All of that material will feed into the ERMP for the approvals process. We are very conscious of the sensitivity of seagrass in Cockburn Sound. If you look at the actual alignment of our port design, it is specifically placed there to avoid any seagrass. It is on the seabed. That issue was studied way back in the late 1980s and early 1990s.

Hon PHILIP GARDINER: I have a follow-up question about the status of it. Do you allocate funds to monitor the scientific status of seagrass and the implications for the pelagic fish, pink snapper especially?

Mr Valenti: We contribute to a range of research in that area. We are part of the Cockburn Sound Management Council. We contribute to the work that it does. We work together with Fisheries and other agencies, including DEC, to make sure the right study is done.

Hon PHILIP GARDINER: The amount for doing that is not material in terms of the expenditure?

Mr Valenti: No, it is part of the approvals process, part of operating expenditure.

Mr Meyer: I wish to add a little to that. You will not see it in those figures because those figures are capital. We are talking about operating expenditure. It goes in against our profit and loss, not our capital works program.

Hon PHILIP GARDINER: Do we have access to those numbers elsewhere?

Mr Meyer: No, you do not. The only thing that gets published by the government is the dividend and the tax that it gets. We are a self-funding agency. Figures are available in our annual report but they are not that specific. We would have an annual report of 400 pages if we printed all that. It is consolidated.

Hon PHILIP GARDINER: The money allocated is really less. Maybe I should talk to you privately afterwards.

Hon KEN TRAVERS: I have a final question. How many apprentices and trainees do you intend to employ in this financial year at the port authority? Is it an increase, a decrease or the same as last year?

Hon SIMON O'BRIEN: We will take that question on notice.

Mr Leatt-Hayter: I do not know the exact numbers. I would rather take it on notice.

Hon KEN TRAVERS: Are you planning on increasing it? In terms of the policy side of the operations, are you aware of whether you have increased, decreased or maintained the same sort of levels as in previous years?

Mr Leatt-Hayter: It is very difficult to know exactly because of our outer harbour operations and the range of people involved, for example, whether it is fitters or electricians. We have taken on Aborigines and trainees and a raft of different people to do different things. That business is changing all the time. I really need to look at the exact numbers to be specific.

[Supplementary Information No A5.]

Hon SIMON O'BRIEN: Madam Chair, do you wish me to endeavour to address the question of the strategic development plans?

The CHAIR: Do you have that answer now?

Hon SIMON O'BRIEN: There are a couple of ways we can do it. Either I can provide the information for all ports on notice or I can give a response for all ports right now as to where those plans are in the system. What would you like me to do?

The CHAIR: I would have thought that the latter would be useful.

Hon SIMON O'BRIEN: I can give the information across the board or would you like me to go port by port? Perhaps I can give you the lot.

The CHAIR: Give us the lot now. That might be useful.

Hon SIMON O'BRIEN: There are several parts to this question. I will move through them quickly because I know we are running out of time. In relation to the 2009-10 STIs and SDPs—I am referring to them together for each port—Fremantle's are at my office now and are being considered. The plans for Broome, Dampier, Geraldton, Bunbury and Albany have all gone through my hands and have been forwarded to the Treasurer for his consideration and, hopefully, concurrence.

[10.20 am]

Hon KEN TRAVERS: Can you read those again?

Hon SIMON O'BRIEN: Certainly. Broome, Dampier, Geraldton, Bunbury and Albany have all gone through my hands.

Hon LJILJANNA RAVLICH: Why did you not know that earlier?

The CHAIR: That is not constructive. Minister.

Hon SIMON O'BRIEN: The reason that I sought to verify—and have sought verification—to make sure that I am absolutely meticulous about my response, Madam Chair, is that I respect the need to provide adequate information. Who knows? There could be people who will get upset about these things if I get it slightly wrong. That is the normal process. I further understand that in respect to Esperance and Port Hedland—the other ports—on all these plans I, of course, require their vetting and consideration by the Department of Transport, and for the department to make recommendations to assist me in providing my approval of them before I forward them to the Treasurer. I understand that Esperance and Port Hedland are with the department and will be with me shortly. That deals with the 2009-10 status.

Hon KEN TRAVERS: Is that for both STIs and SDPs?

Hon SIMON O'BRIEN: Yes. I look forward to tabling them in Parliament as soon as they have been through the process. That is for 2009-10. In respect to 2008-09, I can advise that they were not dealt with by the previous government at the time. That includes the tabling of those documents. The responsibility for what happened to those and whether or not they were tabled in Parliament rests with the government that was responsible for the policy behind them.

Hon KEN TRAVERS: Minister, for nine months of the last year they were your responsibility, and what did you do about them? Do not try to buck-pass your responsibilities to someone else like you always do. Accept responsibility.

Hon SIMON O'BRIEN: I do not need that tone of voice.

Hon KEN TRAVERS: Well, if you will run that sort of —

The CHAIR: Member, allow the minister to answer, please.

Hon SIMON O'BRIEN: The member has made some store about these plans having to be ready and going before 1 July in the relevant financial year. Indeed, that is where, in large part, they have their genesis, and they did so under the previous government's policy. That is not the policy of the current government on debt or borrowings. That is the answer and the explanation for why these documents were not tabled. They were not tabled by the government of the day, and then the Parliament was prorogued in due course—early.

Hon KEN TRAVERS: Yes, but they still needed to be tabled when the new government came in. Why were they not tabled by the new government?

The CHAIR: I think we have got to the end of that line of questioning. We will take a two-minute break for the changeover to the Broome Port Authority. Thank you, gentlemen, for your attendance this morning. The additional questions from members will be supplied to you shortly.

Hearing concluded at 10.25 am