



A Co-operative venture of the municipalities of:  
Cockburn, East Fremantle, Fremantle, Kwinana, Melville & Rockingham

**Wednesday, 12 August 2015**

Enquiries: Mick McCarthy – (08) 9364 0631  
Our Reference: Proposed Sale by Lease of Fremantle Port

Hon Dr Mike Nahan MLA  
Treasurer; Minister for Energy;  
Citizenship & Multicultural Interests  
13<sup>th</sup> Floor, Dumas House  
2 Havelock Street  
WEST PERTH WA 6005

Dear Dr Nahan

## **PROPOSED SALE BY LEASE OF FREMANTLE PORT**

Since the State Government's 8 May 2015 announcement that the Port of Fremantle is to be sold, the South West Group of councils has been considering the implications of this for our region.

Given the early days of the sale process, we have identified a number of areas where further questions arise as a result of the port privatization proposal including:

- Strategic plans
- Port efficiency and competitiveness
- Planning and development control
- Fremantle outer harbor
- Transport infrastructure
- Inland terminals and transport corridors
- Local government and stakeholder engagement

The key issues and questions related to these key areas of concern have been consolidated into the attachment and have significant economic and social ramifications for the region and the area in the vicinity of the port facility.

The sale of major infrastructure such as port facilities has occurred in most other states in Australia and lessons learnt from these negotiations may prove useful to the State Government.

Some of the issues raised in the attachment have been previously considered in the sale or lease of other ports in Australia, most notably:

- Port of Darwin - refer to NT Government Select Committee Report on the Port of Darwin Lease Model (April 2015) at [http://www.nt.gov.au/lant/parliamentary-business/committees/pod/Port\\_of\\_Darwin\\_Report.pdf](http://www.nt.gov.au/lant/parliamentary-business/committees/pod/Port_of_Darwin_Report.pdf)
- Port of Melbourne – Briefing Note prepared by Norton Rose Fulbright in 2014 <http://www.nortonrosefulbright.com/knowledge/publications/116595/privatisation-of-port-of-melbourne-australia> .

There is a clear need for the State Government to determine the operational limits of the Fremantle Inner Harbour, so that a firm date on the transition timeframe for the construction of the Fremantle Outer Harbour can be set and incorporated into lease contracts. This approach will provide much needed certainty on the new container port and attract the private sector investment required for this essential infrastructure.

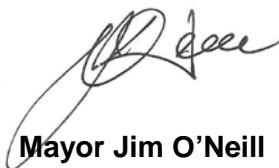
The questions raised by the South West Group and contained in the response relating to a new container port, intermodal terminal and associated transport links must be considered as strategic projects in their own right. The conclusions and questions have no relevance to, or bearing upon, the current Perth Freight Link proposal involving the extension of Roe Highway.

The South West Group and its member Councils are keen to be involved in consultation and undertake an active role in stakeholder engagement. The Director South West Group has formally registered our interest in the sale of Fremantle Port with the Department of Treasury's Laura Reibel (Manager Communications – Asset Sales) and anticipate receiving updates in the near future.

I look forward to your answers in responding to the questions raised, so that we can discuss the proposed privatisation of the port further with member Councils and other stakeholders.

If you have any queries regarding this correspondence, please contact Mick McCarthy (Director South West Group) on Email: [director@southwestgroup.com.au](mailto:director@southwestgroup.com.au), Phone: (08) 9364 0631 or Mob: 0478 325 469.

Yours sincerely



**Mayor Jim O'Neill**  
**Chair South West Group**

Enc: Sale of Fremantle Port



## ATTACHMENT

### Sale of Fremantle Port

### South West Group

#### Background

The South West Group, formed in November 1983, is a Voluntary Regional Organisation of Councils, and comprises the Cities of Cockburn, Fremantle, Kwinana, Melville, and Rockingham, and the Town of East Fremantle.

The South West Group is managed by a Board consisting of the Mayors and CEOs of its member local governments.

The South West Group's vision for the region is

***“South West Metropolitan Region – the economic gateway to the west”***

The South West Group will collaborate to maximise the quality of life within the region by influencing and informing future planning and infrastructure delivery.

The proposed sale by lease of Fremantle Port is a significant issue for the region and the City of Fremantle.

Fremantle Port is vitally important transport infrastructure, supporting investment and economic growth and contributing to the local and State economy.

For the 2013/14 financial year, trade through Fremantle port was valued at \$28.4 million and accounted for 73.6% of imports and 8.3% exports by value. There were over 700,000 containers (measured as twenty foot equivalent units or TEUs) managed by the port, with around 14% (or almost 100,000 TEUs) transported by rail.

The State Government announced the proposed sale by lease of Fremantle port on 8 May 2015 as part of the handing down of the 2015/16 budget.

The quote from Infrastructure Australia is very pertinent to the proposed sale by lease of the Fremantle Port, as WA's premier container import/export facility.

*“As a maritime nation, Australia's ports are an important gateway for goods and for our defence. Consequently, ports and associated infrastructure are of the utmost economic and social importance to Australia (Infrastructure Australia, National Ports Strategy, Australian Government, Sydney, NSW, 2011, p. 6)*

The South West Group has identified a range of issues and factors that need to be taken into account as part of the proposed lease arrangements.

These issues are further articulated below under the following headings, together with a series of questions aimed at seeking clarification:

- Strategic plans
- Port efficiency and competitiveness
- Planning and development control
- Fremantle outer harbor
- Transport infrastructure
- Inland terminals and transport corridors
- Local government and stakeholder engagement

### Strategic Plans

There are a number of important planning, transport and freight studies, underway or yet to be released, that will have major implications for the sale of the port including:

- Perth and Peel Freight and Intermodal Network Plan (Department of Transport)
- Planning Assessment of Future Port and Industrial Development – Naval Base to James Point (Western Australian Planning Commission)
- Towards Perth and Peel @3.5 million - Sub-regional Planning Frameworks and Structure Plans (Western Australian Planning Commission)

There is a need for greater transparency and certainty regarding the State Government's responsibility for planning, facilitating and funding of land assets and infrastructure required to support port operations.

There is a need to engage with key stakeholders during the strategic planning process related to both the Inner and Outer Harbours.

A strategic planning framework for the port is required and needs to address triple bottom line considerations (economic, social, environmental) and the fate of proceeds from the sale of the port.

It is not clear how the strategic plans above and others prepared by Fremantle Ports will be applied in the lease negotiations or the role of the State Government in future port planning issues, leading to questions such as:

- ***Will the State Government continue its responsibility to plan, facilitate and fund necessary land assets and services infrastructure to support metropolitan port operations?***
- ***Will the lessee be required to submit a port strategic plan to the State Government periodically?***
- ***If so, will the lessee be required to gain the State's approval for the port strategic plan?***

## Port Efficiency and Competitiveness

The Port of Darwin Select Committee Report (April 2015) examined the Northern Territory Government's proposal to lease its port and concluded a number of key issues essential to its ongoing efficiency and competitiveness:

- Ports perform both public and private functions and require the active management of both public and private interest to get the best outcomes
- The inclusion and exclusion of areas included in the lease arrangements is critical to its function
- Ownership, management and regulation must suit the local circumstances
- Safety and environment are primary factors
- Economic regulation and protection/control on monopoly pricing essential
- Effective competition in port services critical
- Strong pricing and access regime is required, preferably extended to third party operators
- Protection and opt out provisions required for lessee non-compliance and/or poor performance are necessary

These issues are critical to the sale by lease of the Fremantle Port and need to be addressed effectively in any port lease documentation.

The State Government has the ultimate responsibility for the efficient operation and competitiveness of the Inner Harbour and the timely development of the Outer Harbour.

Automation is emerging as ways to improve efficiency and productivity, with many technological advances in freight handling and logistics being considered or applied to ports in Australia.

Local content and the active participation by local industry in port operations and maintenance also provides an important source of employment for residents in the region. There is a need to balance the introduction of automation and other future port related efficiencies with local employment opportunities as a key platform to ensure local content.

The Port of Fremantle highly values its employees and consideration should be given to deploying or providing transition arrangements for staff seeking to continue their employment with the port.

The following questions are raised in regards to the proposal sale and future operation of the port.

- ***Will the State's lease contract for the port address the key issues identified in the Port of Darwin Select Committee Report (April 2015) and other recent port lease contracts established nationally?***
- ***Will the State's lease contract ensure that the lessee will retain community functions and comply with public use requirements?***
- ***Will the States lease contract ensure that the port and its operations will remain competitive and have sufficient third party oversight to retain transparency?***

## Planning and Development Control

The City of Fremantle and Fremantle Port have established positive working relationships over a long period of time and have been jointly involved in negotiating planning and development proposals and approvals.

There is a need for greater clarity around planning and development approval processes for the port and the future outer harbour development under a lease arrangement.

It is logical for the City of Fremantle to continue its active planning authority and regulation role for non-operational port land, with a preference for the normalisation of planning controls.

The Victoria Quay Master Plan sets out future development proposals for the port area immediately adjacent to the Fremantle city centre. The Victoria Quay Commercial Precinct will provide improved connection to, and integration with, the city centre and realise opportunities for activation and vibrancy at the ground level with uses such as cafes, retail and restaurants.

The City of Fremantle is an active partner and has been working closely with Fremantle Ports on this project.

In addition, the use of the reclaimed land at North Quay has been of interest to the City of Fremantle and the region, given its strategic location related to container storage and management as well as warehousing and other uses.

A number of outstanding issues related to planning and development control arise such as:

- ***Will the lessee be required to obtain planning and other approvals for further development of the inner harbour, including the reclaimed land at North Quay?***
- ***Will the lessee continue to progress the Victoria Quay redevelopment, in partnership with the City of Fremantle, as a key initiative under the Freo 2029 transformation moves initiative?***
- ***Will the lessee be required to consult local government in the planning and development control process?***

## Tourism

The City of Fremantle and Fremantle Port are active partners in tourism initiatives aimed at encouraging investment in tourism infrastructure and ensuring that the Fremantle remains the most visited tourist destination outside the Perth CBD and Kings Park.

Fremantle Port is the busiest and highest value economic generator for the cruise shipping industry in Western Australia.

Based on 2013/14 cruise shipping data prepared for Cruise Down Under (AEC Group Economic Impact Assessment of Cruise Shipping Industry in Australia, 2013/14), Fremantle Port was responsible for:

- \$106.4 million in expenditure within Perth
- \$31.1 million in wages and salaries
- 388 full time employees (direct and indirect)
- \$52.1 million in value added financial contributions

Clearly, the cruise ship industry is vitally important to the local and regional economy, contributes significantly to employment and economic benefits and needs to be protected and allowed to expand as a primary strategic tourism asset for Western Australia.

As well as the cruise ship terminal, and its links through the proposed Victoria Quay commercial and entertainment uses, the port land area also incorporates the E Shed Markets and Rottneest Ferry terminal as significant tourism and local visitor assets in their own right.

These issues are also relevant to the J Shed events and creative industries leases proposals planned for Arthur Head area, which are dependent upon suitable access and links to the city centre and the port.

The privatisation of the port has the potential to negatively impact or detract from the tourism uses in favour of high return commercial uses that may not have the same economic and multiplier benefits as those linked to the tourism and entertainment uses.

Consultation with the City of Fremantle, key tourism industry groups and operators is required to ensure that tourism aspects will be adequately catered for as part of the sale process

- ***Will the State's lease contracts include provisions to protect the community, tourism and heritage uses currently located on, or connected to, the port area?***
- ***Will the lessee maintain existing tourism use agreements on port land as negotiated in good faith between proponents, the City of Fremantle and Fremantle Ports?***

## **Fremantle Outer Harbour**

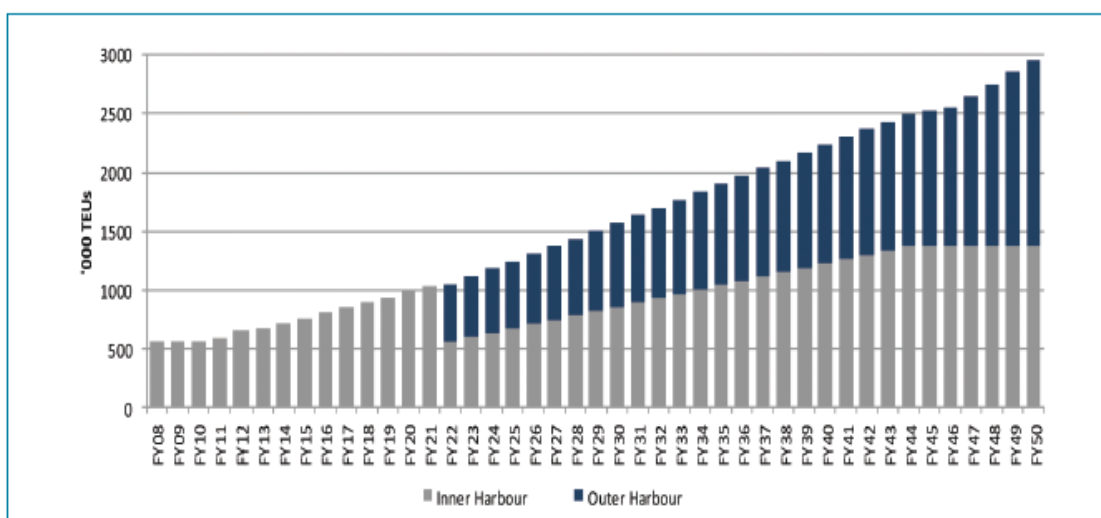
Planning for the proposed Fremantle Outer Harbour in Cockburn Sound has long been identified as the next major container port facility for the State.

The proposed outer harbour port site is adjacent to the planned Kwinana Intermodal Freight Terminal located in the Latitude 32 Industrial Area.

The South West Group has been lobbying State Government to progress the planning and development of the outer harbour and intermodal terminal, including road and rail connections.

It is understood that the WAPC Planning Assessment of Future Port and Industrial Development – Naval Base to James Point study (Hyder/PB, 2014) has been completed, but yet to be released to the public. This report examined past reports and investigations, approvals requirements and port design options.

Current container growth scenario projections suggest that the transition of containers to the proposed outer harbour will need to be initiated by 2022, as shown in the figure below as outlined in the Perth Freight Link Business Case Summary (Main Roads, December 2014).



There is confusion about the capacity of Fremantle Inner Harbour for container handling. The Infrastructure Australia Audit gives an annual capacity of 1.4 million TEU. Figures have been quoted on annual capacity that range from 1.1 million TEU to 1.7 million TEU. The information released by the State Government above shows that a new container port in Cockburn Sound will be required within seven years and use the lower estimate of 1.1 million TEU. Recent statements to the press made by the Treasurer that the new container port “will not be required for at least another 20 years” appears to use the upper limit of the capacity.

There is clearly a need for the State Government to consider the cost benefit ratios of increasing the operational limits of the Fremantle Inner Harbour and make a choice on a preferred option, in consultation with key stakeholders, so that a firm date on the transition timeframe for the construction of the Fremantle Outer Harbour can be set and incorporated into lease contracts. This approach will provide much needed certainty on the new container port and attract the private sector investment required for this essential infrastructure.

It is estimated that by 2050, the Outer Harbour will be managing about half of 3 million containers (TEUs) imported into and exported from Perth, with the other half being through the Inner Harbour.

The State Government is yet to make a firm commitment on the timing and construction of the Fremantle Outer Harbour, which is critical to the State's trade and freight task and intrinsically linked to the Fremantle Inner Harbour.

The State Government's due diligence for the sale of the port should include cost benefit analysis associated with transport and logistics between the Inner Harbour and Outer Harbour, including the proposed intermodal terminal at Latitude 32.



The cost benefit analysis should consider the optimum scenario for the transition for the Outer Harbour so that there is adequate lead time to secure required approvals and funding for design and construction

A number of questions arise in regards to the sale of the port and the proposed Outer Harbour including:

- ***Will the new container port development in the outer harbour be included in the long term lease of Fremantle Port?***
- ***Will the lessee have the opportunity or obligation to redefine the long term needs and a proposal for the new container port in the outer harbour?***
- ***Will the lessee be required to seek fresh approvals for such a development?***

## **Transport Infrastructure**

Freight movements into and out of the Fremantle Inner Harbour are largely constrained by the capacity of the road and rail network. This includes the requirement for freight rail to share the passenger section of the rail line between Fremantle Train Station and North Quay.

The South West Group has previously lobbied the State Government for the establishment of a dedicated freight rail line and the upgrading of the Fremantle Traffic Bridge to include a passenger rail line.

This bridge and rail upgrade proposal would address safety and structural risks associated with the existing traffic bridge (which was built in 1939) and significantly improve rail freight capacity associated with the North Quay, consistent with the State Government's 30% container rail freight target.

The recently announced Perth Freight Link proposal seeks to increase road freight capacity and create a freight priority link between Muchea (via NorthLink) through Kewdale (via Gateway) to Fremantle Inner Harbour (via Perth Freight Link).

It should be noted that Perth Freight Link is planned to initially extend Roe Highway west of Kwinana Freeway to the intersection of Stirling Highway and Canning Highway in East Fremantle. It is understood that the State Government is currently investigating alignment options for the second segment of the Perth Freight Link (from Stock Road to North Quay), including an alternative alignment and tunnelling option along the previous Fremantle Eastern Bypass corridor.

The alternative alignment is supported and should consider a truck only tunnel under the Swan River and into the North Quay as this would avoid future road upgrade costs associated with multiple intersection and bridge constraints for the current Perth Freight Link route section from the Stirling Highway/Canning Highway intersection into the North Quay.

In regards to the proposed sale of Fremantle Port and its direct relationship with road and rail transport, it is considered essential for a freight access infrastructure plan to be developed to support the increased freight task required to be managed through the Inner Harbour.

- ***Will the State Government prepare a freight access infrastructure plan to address the expected increase in throughput capacity the lessee will seek in the Inner Harbour, especially for road and rail access through the Cities of Melville, Cockburn, Fremantle and Town of East Fremantle?***
- ***Will the lessee be obligated to fund any access infrastructure as part of the lease contract?***

### **Inland Terminals and Transport Corridors**

The South West Group has been advocating for the State Government to undertake accelerated planning and development activities associated with the Kwinana Intermodal Freight Terminal at Latitude 32, including land acquisition and assembly and the integration of the facility with the proposed Fremantle Outer Harbour.

Intermodal terminals are recognised worldwide as essential infrastructure for the efficient operation of container ports.

Structure planning for the Kwinana Intermodal Freight Terminal has progressed in a piecemeal fashion and LandCorp, as the development agency for Latitude 32, appear to have made only minor progress in the acquisition of land and in the planning for the intermodal terminal site since the development of the first stage of the industrial estate (Flinders Precinct).

It is understood that the Department of Planning is developing the Western Trade Coast Land Use Strategic Plan, which would include Latitude 32, the outer harbour and transport corridors. It is important that there is active stakeholder involvement in the development of this strategic plan, particularly from the cities of Kwinana, Cockburn and Rockingham.

Rowley Road and Anketell Road have been identified as strategic freight roads in the draft South Metropolitan Peel Sub-regional Planning Framework, however there has been limited planning or design work undertaken by Main Roads on these corridors, which are at risk of being compromised from a freight transport perspective from encroaching land uses.

In addition, the Latitude 32 Master Plan Amendment 11 (February 2015) draft District Structure for Latitude 32 has identified rail spur lines for Rowley and Anketell Roads. It is understood that there has been limited planning or design work undertaken by the Department of Transport with respect to these rail corridor connections to the proposed Outer Harbour.

- ***Will the State Government proceed to reserve intermodal terminal land and freight corridor land to meet the long term freight needs?***
- ***Does the State Government intend to establish a Stakeholder Reference Group (or similar) to provide input into the Western Trade Coast Land Use Strategic Plan?***
- ***Will the State Government continue to support the Port of Fremantle's multi-billion dollar role to facilitate international, interstate and intrastate trade, as well as the port's role in driving economic growth?***

## Local Government and Stakeholder Engagement

The City of Fremantle enjoys a close working relationship with Fremantle Ports. The cities of Cockburn, Kwinana, Melville, Rockingham and the Town of East Fremantle also undertake regular liaison and have well developed relationships with Fremantle Port.

These local government/port operator relationships have been instrumental in ensuring the smooth operation of the port, whilst actively addressing any community and local issues associated with the port and connecting infrastructure/corridors.

There is a potential risk that these effective lines of communication and working relationships will be adversely affected by the privatisation of the port and as a result diminished ability to raise and resolve local community, safety or access issues.

In addition, the privatisation of the port will have economic and social implications of regional significance.

It is important that the State Government consult with key stakeholders on the proposed sale by lease of the port and that the future lessee be required to regularly consult with stakeholders during the lease term.

- ***Will the State's lease contract for the port affect local governments' ability to liaise and manage its responsibilities with respect to the lessee consistent with current practice?***
- ***Will there be any additional obligations on local government or reductions in local government's ability to represent and ensure community amenity and safety?***
- ***Will the State Government consult and involve affected local governments and other key stakeholders in the development of the approach and process for leasing Fremantle Port?***
- ***What provision in the lease contract will be made for ongoing and formal consultation between the State, local government and the lessee on community and interface issues?***
- ***Will the State Government require the successful Fremantle Port lessee to work co-operatively with local governments to meet all statutory and legislative requirements and to ensure that local community representation, amenity and safety are maintained and monitored?***