

Chapter 2

Background to the Perth Freight Link project

2.1 This chapter provides an overview of the proposal and benefits of the Perth Freight Link project, as described by its proponents, namely the Commonwealth and state governments.

2.2 First, it gives an overview of the project as announced in the 2014-15 Commonwealth Budget and in the subsequent Business Case Executive Summary. It then considers how project would be funded, including looking at both the Commonwealth and state contributions to capital costs, and costs that will be recouped by the state by the introduction of tolls. It also sets out the proposed economic and other benefits of the project as stated by its proponents.

2.3 Lastly this chapter looks at the implementation plan for the Freight Link, the approvals process it is subject to, and delays caused by High Court challenges to the environmental and heritage outcomes of the first stage of the project.

2.4 This chapter draws mainly on information from the Commonwealth Department of Infrastructure and Regional Development (the department), and material published by the Western Australian government on the websites of its agencies, particularly Main Roads WA. This includes the Executive Summary of the Business Case for the Freight Link that was publically released in December 2014.

Overview of the project

2.5 Funding for the Perth Freight Link was announced by the Commonwealth Government on 19 May 2014 as part of the Infrastructure Growth Package in the 2014-15 Budget.¹

2.6 A further \$260.8 million was committed by the Commonwealth on 12 April 2016 for tunnelling some of the Perth Freight Link's route.²

2.7 The department provides a broad overview of the Freight Link project on its website:

The project will provide a direct free flowing connection between the Roe Highway and the Port of Fremantle providing improved capacity for heavy vehicle freight movements to and from the Port. The project will complement the Australian Government investment in projects such as Gateway WA and NorthLink WA (which includes the Tonkin Highway Grade Separations and the Swan Valley Bypass). Together, these substantial network improvements will establish the Roe Highway as the

1 'Infrastructure Growth Package - addition to the Infrastructure Investment Programme for new investments' in *Commonwealth Budget 2014-15: Budget Paper No. 2: Expense Measures*, p. 175.

2 The Hon Malcolm Turnbull, 'Perth Freight Link to improve road safety and ease port access' Media release, 12 April 2016.

preferred east-west freight route into the Port of Fremantle. This in turn will remove the number of heavy vehicles using the Leach Highway which will reduce commuter congestion on this route.³

2.8 According to the submission made to this inquiry by the department, the Freight Link project would be delivered in three stages:

- Section 1 – Roe Highway Extension;
- Section 2 – Stock Road and Leach Highway upgrade; and
- Section 3 – Roe Highway pinch point widening.⁴

2.9 The Business Case Executive Summary states that the first stage of the project, the Roe 8 extension, would be constructed over 2016-17, with the other sections of the project scheduled to be completed over 2018-19.⁵

First stage: Roe Highway Extension (Roe 8)

2.10 The Roe 8 stage of the Freight Link would see a 5.2 kilometre extension of the Roe Highway from its current terminus at the Kwinana Freeway in Jandakot, to Stock Road in Coolbellup (see Figure 1).⁶ This link would be a four-lane dual carriageway and include a number of interchange connections.⁷

2.11 Proposals for the Roe 8 extension pre-date the announcement of the more ambitious Freight Link project. Main Roads WA claim:

The route was originally identified in the Stephenson Hepburn Plan of the 1950s and has been included in all subsequent state government land use and transport planning activities. Taking into account public scrutiny and consultation, the route has been retained by every successive WA government as an integral part of the State's arterial road network.⁸

3 Department of Infrastructure and Regional Development, 'Perth Freight Link' at http://investment.infrastructure.gov.au/projects/ProjectDetails.aspx?Project_id=052776-14WA-PKG (accessed 20 October 2015).

4 Note: this report follows the project outline provided by the Department of Infrastructure and Regional Development, *Submission 71*, p. 9. Some other witnesses and submitters refer to phases of the Freight Link project in different ways, although there is broad agreement that stage 1 covers the Roe Highway extension (known as Roe 8, as it is the eighth set of works extending the highway), and stage 2 covers works on Stock Road. See, for example, *Perth Freight Link: Business Case Executive Summary* (December 2014), p. 3.

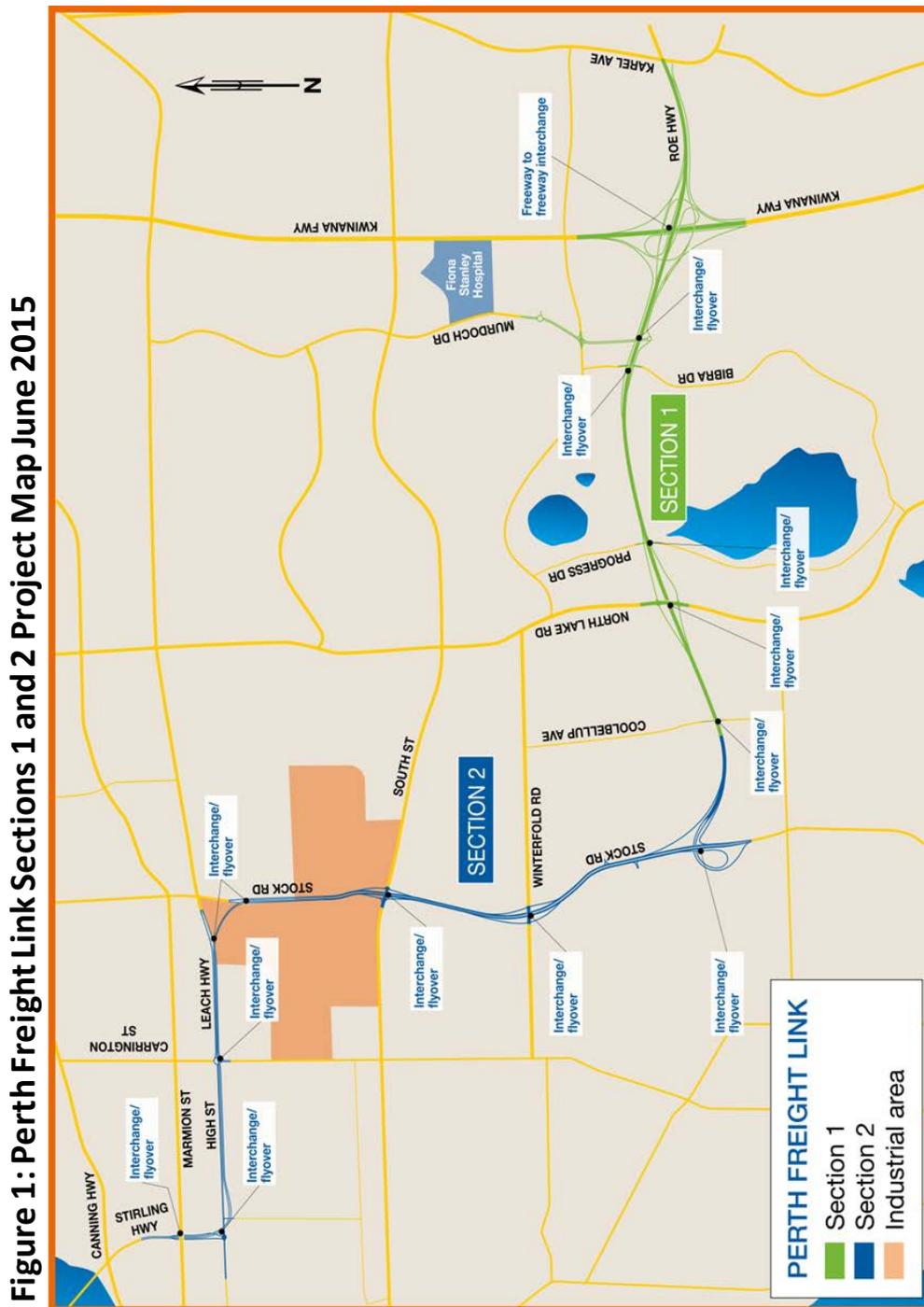
5 *Perth Freight Link: Business Case Executive Summary* (December 2014), p. 3.

6 *Perth Freight Link: Business Case Executive Summary* (December 2014), p. 20.

7 Department of Infrastructure and Regional Development, *Submission 71*, p. 9.

8 Main Roads WA, 'Planning Myth: Roe 8 is a road to nowhere' at <https://project.mainroads.wa.gov.au/roe8/mythbusters/Pages/Planning.aspx> (accessed 9 November 2015).

2.12 Following the 2013 election, which saw his government returned to office, the Hon Colin Barnett, the Western Australian Premier, stated that the Roe 8 extension would not be undertaken during the 2013-17 term of office.⁹



Source: Main Roads WA, 'Perth Freight Link www.mainroads.wa.gov.au/BuildingRoads/Projects/UrbanProjects/Pages/Perth-Freight-Link.aspx (accessed 28 October 2015).

⁹ 'Premier Colin Barnett says contentious Roe Highway extension will not be built in this term of government', *ABC Online*, 16 Oct 2013 at www.abc.net.au/news/2013-10-16/roe-highway-delay/5026812 (accessed 16 December 2015).

Second stage: Stock Road and Leach Highway upgrade

2.13 The second stage of the Perth Freight Link Project would see upgrades to Stock Road, the Leach Highway and High Street Fremantle (see Figure 1), as outlined by the department:

The reference design is for an upgraded route along Stock Road from the Roe Highway Extension to the Leach Highway, then along the Leach Highway, High Street and the Stirling Highway as far as Marmion Street. Improvements will include grade separations, intersection improvements and widening.¹⁰

2.14 The department submitted that details of this stage of the project have not yet been confirmed, and that an alternative option for tunnelling part of the route is currently being investigated.¹¹ The April 2016 announcement of additional federal funding for tunnelling certain stages of the route seems to indicate that work on this has been investigated and costed by the Commonwealth and state governments.¹²

Third section: Roe Highway pinch point widening

2.15 The project would also see the widening of a section of the existing Roe Highway between the Tonkin Highway and Welshpool Road, to alleviate a potential pinch point on the heavy vehicle charging network that would be introduced as part of the Freight Link.¹³

The Heavy Vehicle User Charge

2.16 Plans for the Freight Link also include the introduction of a Heavy Vehicle Charge to recoup some of the capital cost of the project.¹⁴ The department informed the committee that, given Western Australia currently has no toll roads, the introduction of a user-pays system represents a 'significant change to the delivery of infrastructure projects in Western Australia'.¹⁵

2.17 The charge would be collected from all heavy commercial vehicles, apart from buses, across an 85 km stretch of road between Muchea and Fremantle Port, including the Freight Link (see figure 2).¹⁶ It would be collected by a GPS system

10 Department of Infrastructure and Regional Development, *Submission 71*, p. 9.

11 Department of Infrastructure and Regional Development, *Submission 71*, p. 9.

12 The Hon Malcolm Turnbull, 'Perth Freight Link to improve road safety and ease port access' Media release, 12 April 2016.

13 Department of Infrastructure and Regional Development, *Submission 71*, p. 9.

14 Australian Government, *Perth Freight Link: Business Case Executive Summary* (December 2014), p. 3.

15 Department of Infrastructure and Regional Development, *Submission 71*, p. 10.

16 The charge would be applied to Austroads vehicle classes 3-12 using the network. See *Perth Freight Link: Business Case Executive Summary* (December 2014), pp 25-26; see also Department of Infrastructure and Regional Development, *Submission 71*, p. 10.

and charged by distance travelled on the network. The Business Case Executive Summary states that the rate has not yet been determined, but:

...the principle of the charge is that it will be on a 'win-win' basis. That is the charge will be less than the productivity benefits available from the Heavy Vehicle Charging Network.¹⁷

Capital costs and funding

2.18 The Business Case Executive Summary estimates that the total capital cost of the Perth Freight Link would be \$1.575 billion (discounted to represent 2014 dollars).¹⁸ This breaks down to \$1.507.9 billion for roadwork construction and \$67.1 million for implementing the Heavy Vehicle Charging infrastructure.¹⁹

2.19 Infrastructure Australia provided a different estimation of total expenditure for the project, at \$1.742 billion (nominal, undiscounted).²⁰

2.20 These two estimates are based on different underlying assumptions in the cost-benefit analyses undertaken for the Business Case on one hand, and by Infrastructure Australia on the other. The department clarified that the total expenditure outlined in the Business Case Executive Summary was based on a P50 cost estimate (i.e. assuming there is a 50 per cent probability that the total cost of the project would not be exceeded).²¹ This means that it differs somewhat from Infrastructure Australia's estimate that was based its estimate on a P90 calculation (i.e. assuming a 90 per cent probability that the total cost would not be exceeded).²²

Commonwealth and state government contributions

2.21 The Perth Freight Link is to be co-funded by the Commonwealth and Western Australian governments. The Business Case Executive Summary states that the Commonwealth would provide 59 per cent of the capital costs of the project, with the remainder being covered by the state government.²³

2.22 In the 2014-15 Budget the Commonwealth Government committed \$866 million of new funding to the Freight Link, noting this took the 'total Federal

17 *Perth Freight Link: Business Case Executive Summary* (December 2014), p. 25. See also Department of Infrastructure and Regional Development, *Submission 71*, p. 9.

18 *Perth Freight Link: Business Case Executive Summary* (December 2014), p. 27.

19 *Perth Freight Link: Business Case Executive Summary* (December 2014), pp 3, 28. Note that the estimates stated in this Executive Summary were prepared well before the announcement of additional funds in April 2016 for tunnelling parts of the route. The Hon Malcolm Turnbull, Prime Minister, 'Perth Freight Link to improve road safety and ease port access' Media release, 12 April 2016.

20 Infrastructure Australia, *2014-2015 Assessment Brief: Perth Freight Link*, p. 1.

21 *Submission 71*, p. 9. For an outline of P50 and P90 approaches see Dr Fiona Tan and Tariro Makwasha, 'Best practice' cost estimation in land transport infrastructure projects' *Australasian Transport Research Forum 2010 Proceedings*, 29 September-1 October 2010.

22 Infrastructure Australia, *2014-2015 Assessment Brief: Perth Freight Link*, p. 1.

23 *Perth Freight Link: Business Case Executive Summary* (December 2014), p. 28.

investment in the project to \$925 million'.²⁴ According the department, this total funding commitment included \$59 million earmarked for Leach Highway/High Street Fremantle upgrades in the 2013-14 Budget.²⁵

Figure 2: The proposed Heavy Vehicle Charging Network (Freight Link highlighted in red)



Source: *Perth Freight Link: Business Case Executive Summary* (December 2014), p. 25.

2.23 The Western Australian government contribution to the Freight Link is outlined in the State Budget 2015-16.²⁶ The state government is responsible for

24 'Infrastructure Growth Package - addition to the Infrastructure Investment Programme for new investments' in *Commonwealth Budget 2014-15: Budget Paper No. 2: Expense Measures*, p. 175.

25 See 'Nation Building Program - next phase' in *Commonwealth Budget 2013-14: Budget Paper No. 2: Expense Measures*, p. 227. Note: the figure of \$59 million for these upgrades was not contained in Budget Papers, but was outlined by the then Minister for Infrastructure, the Hon Anthony Albanese MP, *Building Australia's Future*, Media Release, 14 May 2013.

providing 17 per cent of the total funding for capital works, as well as for carrying the demand risk for the project.²⁷

2.24 This means that in the early stages of the project the Western Australian government is contributing \$650 million to the Freight Link, comprising of '\$591 million in new funding, plus \$59 million previously committed for upgrades on High Street, Fremantle'.²⁸ Part of Western Australia's contribution to funding the Freight Link project would be recouped through the introduction of a Heavy Vehicle Charge (discussed below).

2.25 Before the announcement of the Freight Link, the Commonwealth and Western Australian governments agreed to co-fund upgrades to Leach Highway/High Street Fremantle. The Commonwealth contribution to these upgrades was originally announced as part of the Labor government's Nation Building 2 program in the 2013-14 Budget.²⁹

2.26 The total estimated cost of these works was \$118 million, shared equally between Commonwealth and state, with the state responsible for any over-budget expenditure.³⁰ This funding has been incorporated into the proposed expenditure for the Freight Link.

Delivery of Commonwealth funding

2.27 According to the department, no federal funding would be delivered for the Freight Link project until the Western Australian government has submitted detailed project proposals to the Commonwealth.³¹ This includes the funding allocated in the 2013-14 Commonwealth Budget for Leach Highway/High Street Fremantle upgrades.³²

26 Government of Western Australia, *Budget 2015-16: Budget Paper No. 2 Budget Statements Volume 2*, p. 818.

27 *Perth Freight Link: Business Case Executive Summary* (December 2014), p. 28.

28 *Perth Freight Link: Business Case Executive Summary* (December 2014), p. 3; see also Main Roads Western Australia, 'Urban Projects: Perth Freight Link' www.mainroads.wa.gov.au/BuildingRoads/Projects/UrbanProjects/Pages/Perth-Freight-Link.aspx (accessed 20 October 2015). Note for this and following references to this page that it is no longer available at Main Roads WA's website.

29 'Nation Building Program - next phase' in *Commonwealth Budget 2013-14: Budget Paper No. 2: Expense Measures*, p. 227.

30 COAG, *2014-15 National Partnership Agreement on Land Transport Infrastructure Projects (Western Australia)* at <http://federalfinancialrelations.gov.au/content/npa/infrastructure.aspx> (accessed 23 October 2015).

31 Mr Roland Pittar, General Manager, North West Roads, Department of Infrastructure and Regional Development, *Committee Hansard*, 7 October 2015, p. 71.

32 COAG, *2014-15 National Partnership Agreement on Land Transport Infrastructure Projects (Western Australia)* at <http://federalfinancialrelations.gov.au/content/npa/infrastructure.aspx> (accessed 23 October 2015).

2.28 However, it was reported in early December 2015 that the Turnbull government has approved \$300 million to be provided to the state government to start construction on the Roe 8 stage of the Freight Link.³³ It is not clear to the committee whether this funding has been delivered. It is also not clear whether the state government has provided a detailed project proposal to the Commonwealth, as stipulated by the original conditions of funding for the Freight Link, noting that the state government has announced the deferral of stage 2 of the project for at least one year.³⁴

State funding recouped through the Heavy Vehicle Charge

2.29 The Business Case Executive Summary estimates the Heavy Vehicle Charge will recoup \$374.5 million of the original investment made by the state government, while acknowledging that the rate of this charge has yet to be formally established.³⁵

2.30 The department submitted there may be an opportunity for the state government to privatise the Heavy Vehicle Charge infrastructure in the future:

While the state government will initially provide the funding to be recovered from the heavy vehicle user charge (and will accept the associated revenue risk), there is potential for the state to sell the rights to the user charge revenues to a private sector operator once traffic flows are established, allowing the sales revenue to be recycled into other economic infrastructure.³⁶

Proposed benefits of the Perth Freight Link

2.31 The Commonwealth and Western Australian governments have stated that the Freight Link would be of significant benefit to the freight industry and the Western Australian economy more generally. Moreover, they also claim that the project would deliver other benefits to road users and residents of Perth.³⁷

Economic benefits and business cost ratio

2.32 The department has outlined the general economic benefits of the project to the freight industry:

The Perth Freight Link is expected to establish the Roe Highway as the preferred east-west freight route by reducing transport costs and improving

33 Joe Spagnolo, 'Roe 8: Turnbull Government agrees to \$300 million deal' in *The Sunday Times*, 6 December 2015 at www.perthnow.com.au/news/western-australia/roe-8-set-to-proceed-after-commonwealth-agrees-to-300m-deal/news-story/74607184a1dfaa77c2b065af932bfafe#load-story-comments (accessed 7 December 2015).

34 This issue is discussed further below. See The Hon Colin Barnett, Premier of Western Australia quoted in Rebecca Carmody, 'Perth Freight Link: Colin Barnett shelves 'incredibly expensive' second section', *ABC Online*, 1 November 2015 at <http://mobile.abc.net.au/news/2015-11-01/colin-barnett-parks-stage-two-of-perth-freight-link/6903282> (accessed 2 November 2015).

35 *Perth Freight Link: Business Case Executive Summary* (December 2014), p. 25.

36 Department of Infrastructure and Regional Development, *Submission 71*, p. 10.

37 *Perth Freight Link: Business Case Executive Summary* (December 2014), p. 3.

efficiency in heavy vehicle movements and freight access to Fremantle Port from Kewdale. It will service both the existing Inner Harbour and the proposed future Outer Harbour at Kwinana. An extension of the Roe Highway and improvements to Stock Road and High Street will further build on the travel time savings that will be realised as a result of the construction of Gateway WA and NorthLink WA (which includes the Tonkin Highway Grade Separations and the Swan Valley Bypass). This will provide a significant benefit for the freight industry as a result of significantly more efficient east-west freight movements along the Roe Highway into and out of the Port of Fremantle.³⁸

2.33 The Business Case Executive Summary for the Freight Link stated the project was 'economically viable', with a base business cost ratio (BCR) of 2.8:1. This stated the major benefit of the project would be from:

...a 9 ½ minute travel time saving and a \$8.15 saving per trip for freight vehicles (Kwinana Freeway to Fremantle).³⁹

2.34 The Business Case Executive Summary included a table that disaggregated the underlying methodology and assumptions of the BCR (see figure 3). This table included the estimate that the benefit of the 9.5 minute travel time savings for vehicles would accumulate to around \$2.469 billion in total.⁴⁰

2.35 However, Infrastructure Australia estimated the Freight Link would deliver a BCR of 2.5:1, based on a P90 cost estimate at a discount rate of 7 per cent. Infrastructure Australia also clearly stated some other assumptions that informed this BCR estimate:

The costs estimated for this stated BCR exclude costs associated with the heavy vehicle tolling system thereby underestimating capital costs but included a CPI adjustment for the real capital cost estimates thereby overestimating capital costs. Including these offsetting cost impacts, consistent with Infrastructure Australia and National Transport Guidelines, this would result in the BCR remaining at 2.5:1.⁴¹

38 Department of Infrastructure and Regional Development, 'Perth Freight Link' at http://investment.infrastructure.gov.au/projects/ProjectDetails.aspx?Project_id=052776-14WA-PKG (accessed 20 October 2015).

39 *Perth Freight Link: Business Case Executive Summary* (December 2014), p. 3; in its submission, the department clarified this BCR is 'based on the P50 cost estimate and a 7 per cent discount rate'. See Department of Infrastructure and Regional Development, *Submission 71*, p. 11.

40 This table is reproduced in this report as figure 3. See also *Perth Freight Link: Business Case Executive Summary* (December 2014), p. 29.

41 Infrastructure Australia, *2014-2015 Assessment Brief: Perth Freight Link*, pp 3-4.

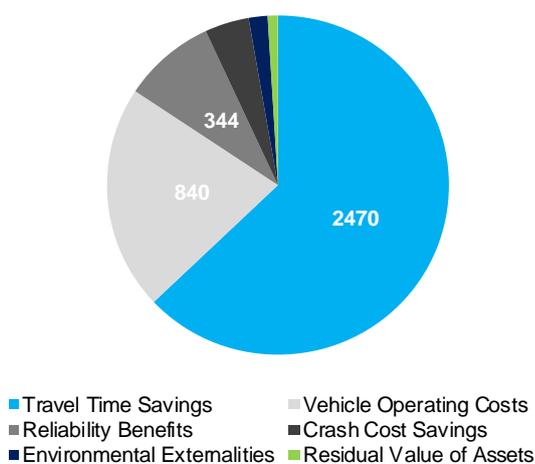
Figure 3: Benefit Cost Analysis of the Freight Link

Benefit Cost Analysis Results

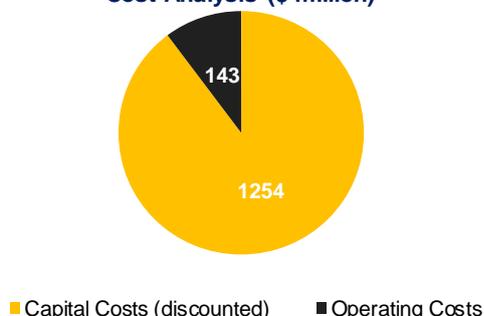
Benefit – Cost Outcomes	Discounted (\$m)
Benefits	
Travel Time Savings	\$2,469
Vehicle Operating Cost Savings	\$839
Reliability Benefits	\$344
Crash Cost Savings	\$164
Environmental Externalities	\$70
Residual Value of Assets	\$38
Total Benefits	\$3,924
Costs *	
Capital Costs (discounted)	\$1,254
Operating Costs	\$143
Total Costs	\$1,397
Results	
Benefit Cost Ratio	2.8
Net Present Value	\$2,527

* Costs have been discounted to represent 2014 dollars for economic evaluation purposes.

Benefits Analysis (\$ million)



Cost Analysis (\$ million)



Source: *Perth Freight Link: Business Case Executive Summary* (December 2014), p. 29.

2.36 The Business Case Executive Summary provides a more detailed outline of the project's benefits, both for the freight industry and for the community more generally:

In tangible terms the purpose built freight route will:

Bypass 14 traffic lights resulting in less delay and frustration for heavy vehicles;

Benefit the community by having 500 fewer trucks per day on sections of Leach Highway by 2031, reducing noise and increasing mobility by removing slower vehicles from the road; and

Improve access to the Murdoch Activity Centre and Fiona Stanley Hospital.⁴²

2.37 Main Roads Western Australia has set out a much more comprehensive list of the Freight Link's potential benefits, namely:

Improved safety for all road users.

By 2021, a forecast 5,000 heavy vehicles per day will be removed from Perth's southern urban arterial road network (such as Leach Highway,

42 *Perth Freight Link: Business Case Executive Summary* (December 2014), p. 3.

Farrington Road, North Lake Road, South Street and Beeliar Drive), as a result of Roe 8.

Fourteen current sets of traffic lights to be eliminated or bypassed, resulting in reduced free flowing vehicle movement with shorter journey times, cutting congestion and the current patterns of 'stop-start' traffic.

Reduced operating costs for transport industry, business and commuters through freer flowing traffic movement.

Environmental benefits through non-stop traffic movements, resulting in lower fuel use, less exhaust emissions and reduced noise levels.

More than 400ha of native vegetation is to be purchased as an environmental offset.

Estimated to deliver CO² equivalent savings of nearly 450,000 tonnes by 2031.

Economic projections show a \$2.80 return for every dollar invested, representing a \$3.9 billion return for the State.

Expected to create 2,400 direct jobs and many more indirect jobs during the life of the project.

Better access to Kwinana Freeway, Bibra Drive, North Lake Road and Stock Road for road users and residents in the cities of Cockburn and Melville.

Improved access to the Fremantle inner harbor.

Improved access for the proposed Fremantle outer harbor and the expanding Kwinana industrial area.⁴³

2.38 The department has also outlined the benefits of the Freight Link reducing congestion in suburban areas:

The project is also expected to reduce freight traffic and congestion on local arterial roads, resulting in improved safety, reduced noise and enhanced amenity, with 500 trucks per day removed from sections of the Leach Highway by 2031. The project will also provide a more effective southern connection to the Murdoch Activity Centre, which will address local traffic pressures as the Fiona Stanley Hospital progressively opens.⁴⁴

43 Main Roads Western Australia, 'Perth Freight Link' at www.mainroads.wa.gov.au/BuildingRoads/Projects/UrbanProjects/Pages/Perth-Freight-Link.aspx (accessed 15 September 2015).

44 Department of Infrastructure and Regional Development, 'Perth Freight Link' at http://investment.infrastructure.gov.au/projects/ProjectDetails.aspx?Project_id=052776-14WA-PKG (accessed 20 October 2015).

Implementation of the Freight Link

2.39 Infrastructure Australia's assessment of the full Business Case for the Freight Link noted in May 2015 that:

The project is still at early phases, so much of the work relating to deliverability has yet to be completed, including the detailed design, so risk assessments as well as other material, such as construction timelines are preliminary. Once the tender process for the road construction is completed, anticipated to be by the end of 2015, the proponent will be able to provide more detail.⁴⁵

2.40 The Business Case Executive Summary provided an overview of the implementation plan for the Freight Link project (see figure 5).

2.41 Main Roads WA also provided an overview of the next stages of the Freight Link project on its website. In late-October 2015, this overview included information that suggested tendering processes were already well-underway for all stages of the Freight Link project:

Two major contracts (Roe 8 and Section 2) for the Perth Freight Link project are scheduled to be awarded in late in 2015, with infrastructure work expected to commence in early 2016 and to be completed in 2019. Construction of the Perth Freight Link is subject to environmental approval.

The first section of the Perth Freight Link (Roe 8) will provide improved access into the Murdoch Activity Centre, including Fiona Stanley Hospital in the first half of 2017.

A third section will see widening of a 1 km pinch-point section of Roe Highway between Tonkin Highway and Orrong Road. Tenders for Section 3 will be called at the end of August under a separate construct-only contract, with award in late 2015. Construction of Section 3 is expected to be completed by end of 2016.⁴⁶

2.42 Main Roads WA outlined the procurement process on their website:

Three proponents have been invited to participate in the Request for Proposals (RFP) phase of the Perth Freight Link project.

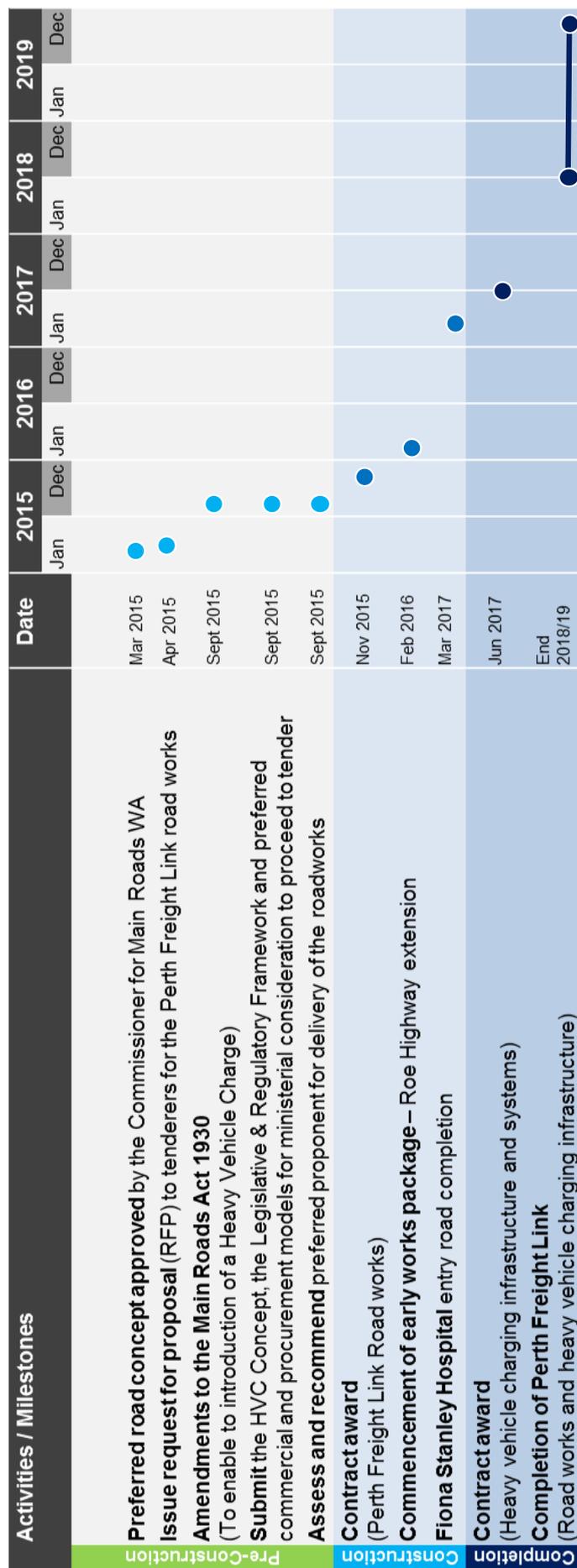
Proposals will be sought for two sections as follows:

- Roe 8 – a 5km extension of Roe Highway (Stage 8) from Kwinana Freeway to just west of Coolbellup Avenue; and
- Section 2 – upgrades to Stock Road, Leach Highway, High Street and Stirling Highway, spanning 8.2km.

45 Infrastructure Australia, *2014-2015 Assessment Brief: Perth Freight Link*, pp 3-4.

46 Main Roads Western Australia, 'Perth Freight Link' at www.mainroads.wa.gov.au/BuildingRoads/Projects/UrbanProjects/Pages/Perth-Freight-Link.aspx (accessed 27 October 2015). Note that some stages of the Freight Link have been delayed as discussed later in this report.

Figure 4: Implementation of the Perth Freight Link Project – ‘Critical Path Items’



Source: Perth Freight Link: Business Case Executive Summary (December 2014), p. 25.

The three consortia comprise the following experienced teams:

- BGC Contracting, Laing O'Rourke, Arup and Jacobs
- Clough, Brierty, WSP/Parsons Brinckerhoff and Hyder
- Leighton Contractors, Georgiou, GHD, AECOM, BG&E and WA Limestone.

The consortia were chosen following the evaluation of Expressions of Interest (EOI) applications which were submitted in March 2015. The consortia will now participate in the RFP stage of the procurement process and prepare detailed proposals for design and construction.⁴⁷

2.43 In late October 2015 the Western Australian government awarded the contract for the Roe 8 highway stage of the Freight Link (stage 1) to the consortium headed by Leighton Contractors, which also includes civil infrastructure company the Georgiou Group, as well as GHD, AECOM, WA Limestone, and the civil and structural engineering consultants BG&E.⁴⁸

2.44 Regarding Section 2 of the Freight Link, in late October 2015 Main Roads WA indicated there had been no definite route set for the Stock Road works:

Proponents for Section 2 are being asked to conduct a feasibility study for an alternative route, which includes a tunnel option, during the RFP stage. The feasibility of an alternative route for PFL Section 2 will be considered against environmental, economic and social impacts measures.⁴⁹

2.45 Main Roads WA stated that the procurement process would be finalised by the end of 2015, with alliance contracts being awarded 'in October 2015 for Roe 8 and in December 2015 for Section 2'.⁵⁰

2.46 Despite this, it appears that there is some uncertainty over the progress of the second stage of the project. On 1 November 2015, the Western Australian Premier, Mr Colin Barnett, confirmed the plans and tendering process of the Stock Road phase of the Freight Link would be deferred for at least one year, saying:

47 Main Roads Western Australia, 'Perth Freight Link' at www.mainroads.wa.gov.au/BuildingRoads/Projects/UrbanProjects/Pages/Perth-Freight-Link.aspx (accessed 27 October 2015).

48 The Hon Colin Barnett, Premier, and the Hon Dean Nalder, Minister for Transport, *Preferred proponent named for Roe 8*, Media Release, 27 October 2015.

49 Main Roads Western Australia, 'Perth Freight Link' at www.mainroads.wa.gov.au/BuildingRoads/Projects/UrbanProjects/Pages/Perth-Freight-Link.aspx (accessed 27 October 2015).

50 Alliance contracts refer to agreements where 'a public sector agency delivers the project collaboratively with private sector parties in procuring major capital assets, and agrees to take uncapped risks and share opportunities'. See *National Alliance Contracting Guidelines: Policy Principles* (September 2015), p. 3. See Main Roads Western Australia, 'Perth Freight Link' at www.mainroads.wa.gov.au/BuildingRoads/Projects/UrbanProjects/Pages/Perth-Freight-Link.aspx (accessed 27 October 2015). See also the Hon Colin Barnett, Premier, and the Hon Dean Nalder, Minister for Transport, *Preferred proponent named for Roe 8*, Media Release, 27 October 2015.

We might see where we're at in 12 months' time, but for the moment all of our effort is Roe 8, the rail line to the airport and Forrestfield and the Swan Valley bypass. They are the highest priorities... They are more important and they're happening first. They're the ones that we're ready to go on...

I'm not about to rush into a decision on a link from the end of Roe 8, yet to be built, to the Fremantle Port. Because it's incredibly complicated, incredibly expensive for what it does... We've also got one eye firmly on the construction of an outer harbour at Cockburn so the decision will also be influenced by that.⁵¹

2.47 The committee understands that no Commonwealth funding has been delivered for any stage of the Freight Link project, despite the tendering process having commenced in early 2015 and being well underway in late 2016. The department commented that procurement processes:

...provide the opportunity to refine the project design and sharpen the cost estimates in the competitive market environment. While the Australian government funding has been committed, the final step to allow the payment of funds to be approved is for Western Australia to submit detailed project proposals. This will be based on the extensive development work that has been undertaken.⁵²

The approvals process

2.48 The implementation of the Perth Freight Link project was subject to an approvals process that included assessment by both Commonwealth and state government agencies. These processes are outlined in turn, and include the project's evaluation by:

- Infrastructure Australia;
- state and Commonwealth portfolio environment departments; and
- the Western Australian Department of Aboriginal Affairs.⁵³

Infrastructure Australia

2.49 The board of Infrastructure Australia evaluated a submission on the Perth Freight Link made by the Western Australian government on 7 May 2015.⁵⁴ On 7 August 2015 Infrastructure Australia published the findings of this assessment on

51 The Hon Colin Barnett, Premier of Western Australia quoted in Rebecca Carmody, 'Perth Freight Link: Colin Barnett shelves 'incredibly expensive' second section', *ABC Online*, 1 November 2015 at <http://mobile.abc.net.au/news/2015-11-01/colin-barnett-parks-stage-two-of-perth-freight-link/6903282> (accessed 2 November 2015).

52 Mr Roland Pittar, General Manager, North West Roads, Department of Infrastructure and Regional Development, *Committee Hansard*, 7 October 2015, p. 71.

53 Note: the approvals process will be discussed in greater depth in chapter 3.

54 Infrastructure Australia, *Submission 15*, p. 2.

its website, alongside five other briefs on projects assessed by the board in the same quarter.⁵⁵ Infrastructure Australia's overall assessment of the project found:

Infrastructure Australia considers that the proponent has provided good evidence that access to port gateways in Perth is a nationally significant problem. In addition, Infrastructure Australia has a high level of confidence that the proposed solution will deliver net economic benefits.⁵⁶

2.50 The Freight Link project was placed on the Infrastructure Australia list with the rating of 'Threshold'. Infrastructure Australia state that projects given this rating:

...have strong strategic and economic merit, and are only not ready to proceed due to a small number of outstanding issues.⁵⁷

2.51 However, the Infrastructure Australia assessment expressed some concerns about the estimated capital costs and economic benefits of the Freight Link:

The [early] stage of the project indicates that there are significant risks around estimated costs. There are also risks to benefits depending on the timing and extent of transition to the Outer Harbour, south of Perth. While these risks are likely material for gains for heavy vehicles, they are likely of an order of magnitude smaller for the overall benefits of the project. This is because only a small part of benefits (9%) accrue to heavy commercial vehicles.

The transport modeling that underpins the economic appraisal of the project does not allow for inducement of additional traffic as a result of lower costs of travel.⁵⁸

2.52 Moreover, Infrastructure Australia noted other risks to the Freight Link, particularly regarding environmental approvals and lack of community support:

Major risks for the project include costs, environmental approvals and community support. The most contentious component of the project from an environmental and community perspective is likely to be the extension of Roe Highway across the Beeliar Regional Park, which encompasses two significant chains of wetlands.⁵⁹

55 Infrastructure Australia, *Submission 15*, p. 2.

56 Infrastructure Australia, *2014-2015 Assessment Brief: Perth Freight Link*, p. 4.

57 Infrastructure Australia, *2014-2015 Assessment Brief: Perth Freight Link*, p. 1. Note that Infrastructure Australia's pipeline has four ratings: 'Early Stage' (indicating a defined issue needing to be addressed, but with a solution yet to be found); 'Real Potential' (where considerable analysis of potential solutions to significant infrastructure problems has been undertaken); 'Threshold' (see above); and 'Ready to Proceed' (for projects that 'meet all of Infrastructure Australia's criteria'). Infrastructure Australia's Priority List at http://infrastructureaustralia.gov.au/projects/files/IPL_Web_update.pdf (accessed 28 October 2015).

58 Infrastructure Australia, *2014-2015 Assessment Brief: Perth Freight Link*, p. 4.

59 This assessment was made before conditional environmental approval for the Freight Link was granted by Western Australia. Infrastructure Australia, *2014-2015 Assessment Brief: Perth Freight Link*, p. 4.

2.53 In 2013 Infrastructure Australia considered the proposal to upgrade Leach Highway/ High Street Fremantle, a project that is now part of the Freight Link proposal. Infrastructure Australia assessed these upgrades as as 'Threshold', recommending that:

...a final business case be developed to support an investment decision. This should include design optimisation and reform measures, detailed BCR, risk assessment and cost estimates and their peer reviews.⁶⁰

Environmental assessment

2.54 The preferred route for the Roe 8 stage of the Freight Link would pass through the Beeliar Regional Park between the North Lake and Bibra Lake (see figure 4). The Business Case Executive Summary for the Freight Link notes that the works would affect around 100 hectares of grassland, and outlines the significance of this area for the natural environment and local Indigenous heritage:

These areas are considered high value environmental and Aboriginal heritage areas. Consequently the Roe Highway extension is going through an extensive environmental review process.⁶¹

2.55 The Hon Albert Jacob MP, West Australian Minister for the Environment, granted conditional environmental approval for the Roe 8 stage of the Freight Link on 2 July 2015.⁶² Following this, the Commonwealth Minister for the Environment, the Hon Greg Hunt MP, granted conditional approval for Roe 8 on 22 October 2015, subject to the project incorporating requirements to:

- provide fauna underpasses to maintain fauna connectivity and develop plans to manage and monitor fauna and flora, wetland health and water drainage;
- purchase 10 packages of land identified by the Department of Parks and Wildlife to satisfy all or part of the 523 hectares of native vegetation offset requirements for the project;
- provide nesting hollows for birds and trap and tag more than 100 southern brown bandicoots living in the area and relocate them to the offset areas;
- build the road on land partly cleared for overhead power lines in order to minimise the environmental footprint;

60 This assessment brief noted that the proponents of this project estimated capital costs of \$100 million for these upgrades (based on a P90 estimate) as well as a BCR of 1.6 to 1 (P50, 7 per cent discount). This estimate is substantially less than the \$118 million committed by Commonwealth and state to these works, as discussed above. See Infrastructure Australia, *Assessment Brief: Leach Highway Fremantle Upgrade* (June 2013), p. 3.

61 *Perth Freight Link: Business Case Executive Summary* (December 2014), p. 3.

62 Main Roads Western Australia, 'Perth Freight Link' at www.mainroads.wa.gov.au/BuildingRoads/Projects/UrbanProjects/Pages/Perth-Freight-Link.aspx (accessed 27 October 2015).

- [undertake a] wetland restoration program at North Lake and Horse Paddock Swamp;
- build two bridges through the wetlands - a 120 metre long bridge over Roe Swamp and a 70 metre bridge over Horse Paddock Swamp;
- [employ a] top-down construction approach at Roe Swamp Bridge to minimise clearing footprint and compaction during construction; [and]
- [ensure] wetlands bridges are used in required locations to maintain ecological connections for local fauna.⁶³

Figure 5: Preferred route for the Roe 8 extension (as at 12 August 2015)



Source: Main Roads WA , 'Roe 8 Highway Extension: Location' at <https://project.mainroads.wa.gov.au/roe8/NewsInfo/Pages/location.aspx> (accessed 20 October 2015)

2.56 The committee understands that a case appealing the approval of the Roe 8 works has been lodged in the Supreme Court by the Save Beelihar Wetlands Group.⁶⁴

Heritage assessment

2.57 Regarding the significance of the Beelihar Wetlands to local Indigenous communities, the Roe 8 stage of the Perth Freight Link was granted heritage

63 The Hon Dean Nalder MLA, Western Australian Minister for Transport, *Environmental approval for Roe 8*, Media Release, 22 October 2015.

64 David Weber, 'Roe 8 approval challenged in Supreme Court as wetlands group seeks to prevent highway extension', *ABC Online*, 10 September 2015 at www.abc.net.au/news/2015-09-10/roe-8-approval-challenged-in-supreme-court/6766362 (accessed 20 October 2015).

approval on 10 September 2015 by the Western Australian Minister for Aboriginal Affairs, the Hon Mr Peter Collier MP, under Section 18 of the *Aboriginal Heritage Act 1972*.⁶⁵

High Court challenges subsequent delays to the project's implementation

2.58 The committee understands that the implementation of Roe 8 stage of the Freight Link has been delayed by ongoing cases before the Supreme Court of Western Australia, which challenge the project on environmental and heritage grounds.⁶⁶

2.59 The environmental and heritage aspects of the Freight Link are discussed further in the following chapter of this report. However, it should be noted here that the Western Australian government have withheld information on commercial-in-confidence grounds regarding how these cases will affect the implementation of the Freight Link and already-awarded tenders.

2.60 Despite this, the committee understands from evidence received at Senate Estimates 2016 that the outcomes of the 2015 tendering process may have to be abandoned. According to Mr Mike Mrdrk, Secretary, the department:

...the issue with the delay in the project is that there are options which Western Australia needs to pursue as to whether the tendered project remains valid. That will obviously be dependent on the time frame that the Western Australian government will require to address the findings of the court and the environmental assessment process. That may mean that WA is unable to continue the current tender price and contract and therefore may require a new market process... I think there is just too much uncertainty at this stage as to both the planning and approval process but, more importantly, what procurement process would have to flow if there was an extended time frame for the completion of the environmental assessment process.⁶⁷

2.61 The next chapter looks at the issues raised by witnesses and submitters, particularly concerns that interrogate and question the case made for the Freight Link proposal by its proponents as described in this chapter. This includes questions raised about the policy development of the Freight Link project, its planning and implementation, and the ongoing approvals process for environmental and heritage consent.

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- 65 Main Roads Western Australia, 'Urban Projects: Perth Freight Link' www.mainroads.wa.gov.au/BuildingRoads/Projects/UrbanProjects/Pages/Perth-Freight-Link.aspx (accessed 20 October 2015).
- 66 Charlotte Hamlyn and Briana Shepherd, 'Roe 8: New court fight over Perth Freight Link stage one set to begin', *ABC Online*, 29 March 2016 at www.abc.net.au/news/2016-03-30/roe-8-perth-freight-link-highway-extension-supreme-court-appeal/7283560 (accessed 4 April 2016); 'Roe 8: WA Government to seek new environmental approvals', *ABC Online*, 22 Jan 2016 at www.abc.net.au/news/2016-01-22/wa-government-to-seek-new-roe-8-environment-approvals/7108014 (accessed 4 April 2016).
- 67 Rural and Regional Affairs and Transport Legislation Committee, *Estimates Proof Committee Hansard*, 8 February 2016, p. 37.