

## Chapter 3

### Concerns about the development and proposed benefits of the Perth Freight Link

3.1 The previous chapter considered the case made for the Perth Freight Link project by its proponents, the Commonwealth and Western Australian governments. This chapter considers the concerns raised to the committee about the development of the Perth Freight Link proposal and the Commonwealth's commitment of \$1.2 billion funding for its implementation, particularly issues relating to:

- the lack of transparency of the decision to fund the Freight Link, including the ongoing lack of clarity around how the project was developed and approved for financing by the Commonwealth and state governments;
- economic concerns that the project will be more expensive than current estimates suggest, including from:
  - the lack of works to support the movement of freight from the terminus of the Freight Link through Fremantle itself;
  - potentially increased capital costs from tunnelling parts of the route; and
  - the business cost ratio (BCR) outlined in the Business Case Executive Summary relying upon flawed economic modelling, so positive returns will not be as great as estimated.
- suggestions that forecast expenditure on the Freight Link should be diverted to other projects which may deliver greater long-term returns for Western Australia, particularly:
  - the development of a second port at the outer harbour at Kwinana; and/or
  - improving existing rail links and management of traffic flows to the existing Fremantle Port.

#### The decision to fund the Freight Link

3.2 Some evidence considered by the committee suggests that the Freight Link project was developed by the Commonwealth without sufficient consultation with the Western Australian government and Infrastructure Australia.<sup>1</sup>

3.3 As noted earlier in this report, the Freight Link project was first announced by the Commonwealth Government on 19 May 2014 as part of the 2014-15 Budget.<sup>2</sup>

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1 Note concerns about the lack of consultation with local governments, the business and agricultural sectors, employment stakeholders and the wider community are discussed in the following chapter, as well as other negative effects the Freight Link would have on local communities.

Mr Roland Pittar, General Manager, North West Roads, Department of Infrastructure and Regional Development (the department), told the committee that this announcement was:

...the result of long-term planning for a new freight connection to the Fremantle port. It incorporated development work already undertaken for the Roe Highway stage 8 and the High Street upgrade projects.<sup>3</sup>

3.4 However, Infrastructure Australia noted in its Assessment Brief that the Freight Link concept was markedly absent from all existing Western Australian government policy statements on future priorities for the state:

At the time of assessment (May 2015), the Perth Freight Link project is not directly mentioned in any of these State plans and policies:

- State Planning Strategy 2050 and Metropolitan Region Scheme;
- Directions 2031 and Beyond;
- Murdoch Specialised Activity Centre Structure;
- Draft Moving People Network Plan;
- WA Regional Freight Transport Network Plan;
- Draft Perth Freight Transport Network Plan;
- Draft State Port Strategic Plan; and
- Fremantle Port Inner Harbour Port Development Plan.<sup>4</sup>

3.5 It appears some limited consultation with the state government on the Freight Link proposal was undertaken by the Commonwealth prior to the 2014-15 Budget. For instance, the then Assistant Minister for Infrastructure and Regional Development, the Hon Jamie Briggs MP, stated on 19 May 2014 that 'a comprehensive plan' for the project had been developed by the Commonwealth and state governments over 'the last two months'.<sup>5</sup>

3.6 However, just a few weeks after this assertion was made, the Hon Jim Chown, Parliamentary Secretary for Transport (WA), suggested that the idea for the Freight Link had actually come directly from the Commonwealth, so the state government did not have definitive designs for the project:

The commonwealth has a propensity to make these announcements, as you well know, but the reality is that the Main Roads department and this government will be implementing and designing the Roe 8 extension, and at

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2 '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.

3 Mr Roland Pittar, General Manager, North West Roads, Department of Infrastructure and Regional Development, *Committee Hansard*, 7 October 2015, p. 70.

4 Infrastructure Australia, *2014-2015 Assessment Brief: Perth Freight Link*, p. 2.

5 From around mid-March 2014. See *Perth Freight Link - Joint Press Conference of Senator Mathias Cormann, Minister for Finance and Acting Assistant Treasurer, the Hon Jamie Briggs MP, Assistant Minister for Infrastructure and Regional Development, and the Hon Dean Nalder MP, Western Australian Minister for Transport and Finance*, 19 May 2014.

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this stage we have not actually got design plans that are worthy of public scrutiny...<sup>6</sup>

3.7 It also appears that the Commonwealth did not consult Infrastructure Australia about the proposal before December 2014, well after funding for the project was committed in the Budget. Professor Peter Newman, a founding board member of Infrastructure Australia, stated in his submission:

I was appointed to the Board of Infrastructure Australia from its origin in 2008 to 2014. I was part of the process that set up the guidelines for assessing transport projects and helped to develop the pipeline of projects which became the main task of IA and enabled the Federal Government to have enough confidence that they were funding good projects. By the end of my time on IA we had seen the commitment of funds to all of the top projects on our pipeline. At no stage did the Perth Freight Link appear anywhere near this list, it was not anywhere to be seen, even as a conceptual idea.<sup>7</sup>

3.8 Some witnesses from the local government sector also expressed disappointment about a perceived lack of consultation by the Commonwealth and state governments on the Freight Link.<sup>8</sup> For example, Councillor O'Neill, Mayor of East Fremantle, told the committee:

Our concerns when it comes to the decision-making process include that the decision to commit funds to the PFL project by the state and federal governments appears to have bypassed the usual processes that the public would reasonably expect for an infrastructure investment of this magnitude.<sup>9</sup>

### **Potential for greater capital costs than estimated**

3.9 The committee received evidence that the capital costs of the Freight Link would be far greater than estimated, which would make the business-cost ratio (BCR) benefits much less than the current forecast suggests.

3.10 The Business Case Executive Summary estimates total expenditure on the Freight Link's capital costs at \$1.5 billion.<sup>10</sup> Regarding this estimate,

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6 Western Australian Parliament Standing Committee on Estimates and Financial Operations, *2014–15 Budget Estimates Hearings: Session Four: Main Roads Western Australia*, 12 June 2014, p. 6.

7 *Submission 5*, p. 1.

8 See following chapter for a more detailed discussion of the lack of consultation on the Freight Link proposal with local communities.

9 *Committee Hansard*, 7 October 2015, p. 2.

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

Infrastructure Australia commented that one of the concerns about the project is that 'there are significant risks around estimated costs'.<sup>11</sup>

3.11 Some other evidence received by the committee agreed that the costs of the project could greatly exceed current estimates.<sup>12</sup> Most significantly, Professor Peter Newman and Dr Cole Hendrigan suggested in their research for the Town of Fremantle:

The final costs of the PFL will be much higher than the initial phases as it will necessitate further investments in bridges, interchanges and improvements in other parts of the logistics chain, especially in the final route through East Fremantle and North Fremantle.<sup>13</sup>

3.12 These concerns clustered around two potential areas where the Freight Link's costs could increase significantly which will be discussed in turn, namely:

- bottlenecks in traffic around Fremantle caused by increased traffic volumes, particularly given there is no provision to improve the existing bridge across the Swan River; and
- substantial elements of stage 2 (Stock Road) have not been determined, and may include tunnelled sections, adding substantially to the project's capital costs and delaying the project's delivery.

3.13 These concerns seem to have been borne out by the April 2016 announcement of an extra \$260.8 million federal funding for tunnelling parts of stage 2 of the project, which takes the total cost of the Freight Link to at least \$1.9 billion.<sup>14</sup> The committee notes that this further funding does not address the matter of current bridges not being able to handle increased traffic to and through Fremantle that would result from the Freight Link.

### ***Congestion in Fremantle***

3.14 The Freight Link works are currently planned to end at the Leach Highway/High Street Fremantle junction, around 1.5 km from the port itself. The committee heard there are some serious impediments to traffic movement between this location and the port that are not addressed in the current Freight Link proposal. Most importantly, the committee understands that the Stirling Bridge across the Swan River may not be able to handle increased traffic flows from the Freight Link.

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11 As noted in the previous chapter, this assessment estimated capital costs for the Freight Link at \$1.742 billion, based on more cautious assumptions than used by the Business Case. See Infrastructure Australia, *2014-2015 Assessment Brief: Perth Freight Link*, p. 4.

12 See, for example: Ms Maureen Flynn, *Submission 58*, p. 3; Mr Dafydd Emmanuel, *Submission 77*, p. 2; Dr Sajni Gudka, *Submission 84*, pp 3-4; Ms Colleen Ryman, *Submission 110*, pp 3-4 and Mr Clint Shaw, *Submission 129*, p. 1.

13 Professor Peter Newman, *Submission 5 - Attachment 1* (Peter Newman and Cole Hendrigan, *Perth Freight Link: Making the Right Investment in Perth's Freight Task: A Position Paper for the City of Fremantle*), p. vii.

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

3.15 Infrastructure Australia told the committee that there was no indication the Freight Link would cause congestion around the Stirling Bridge:

The surface solution has traffic modelling which shows the traffic modelling going from the Perth Freight Link across the Stirling Bridge into the port... The transport modelling did not show a bottleneck across the existing bridge in the foreseeable future.<sup>15</sup>

3.16 However, many witnesses and submissions disagreed with this view. For example, Councillor O'Neill, Mayor of East Fremantle questioned why solutions to ease traffic over the Swan River were not included in the project's original design:

What project starts without addressing the most difficult solution, which is the last half a [kilometre], from the Town of East Fremantle - the Stirling Bridge, if you like - into the port? That will be the most expensive cost per metre and probably the most destructive on our town. It is our concern you cannot start a project without having it in its entirety and its detail.<sup>16</sup>

3.17 Other witnesses also noted that the Freight Link proposal does not include measures to improve traffic flows from the end of the Freight Link (Leach Highway/High Street Fremantle) through to the Fremantle Port itself. Professor Newman submitted that this could add at least \$500 million to capital costs, bringing total expenditure to over \$2 billion:

The final stage to get through to North Fremantle has not been announced but is likely to cost at least \$0.5b extra as it will most likely involve doubling Stirling Bridge and providing large overpasses to miss lights around Tydeman Road. The total [for the Freight Link] is thus more likely to be around \$2b, if not much more.<sup>17</sup>

### ***Uncertainty regarding tunnelled sections and the implementation of stage 2***

3.18 The committee heard that there is still great uncertainty over elements of the Freight Link, which have the potential to increase the project's costs, as well as to substantially delay its implementation. For example, Dr Brad Pettit, Mayor of Fremantle, told the committee that he was unsure about how the plans for the Freight Link were proceeding, at the time of the hearing in early October 2015:

We certainly expect we may find out further information later this year, but it would be fair to say that the range of options seems to be increasing rather than decreasing. The original plan A, which was obviously a fattening and upgrading to freeway standard of the existing Leach Highway and Stock Road network was put forward. Since then the second plan was around tunnelling under the former Fremantle Eastern Bypass route. What was certainly reported on the front page of the *Fremantle Herald* last week

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15 Mr Paul Roe, Director, Financing and Funding Policy, Infrastructure Australia, *Committee Hansard*, 7 October 2015, p. 75.

16 *Committee Hansard*, 7 October 2015, pp 2-3.

17 *Submission 5 - Attachment 1* (Peter Newman and Cole Hendrigan, *Perth Freight Link: Making the Right Investment in Perth's Freight Task: A Position Paper for the City of Fremantle*), p. 17.

was new options for tunnelling that may go more diagonally, running from Stock Road at the Winterfold Road intersection through to the Fremantle Golf Course. They seem to be changing, but none of those, other than the first two, have we been informed of formally.<sup>18</sup>

3.19 Mr Andrew Mangano, a professional engineer with experience of operating road tunnels, submitted that, were they used, they would add significant costs, not only to the construction budget, but also to maintenance expenses in the future:

The construction and operation of road tunnels is extremely costly and high risk. The cost to construct road tunnels is far higher than roadways. Placarded loads cannot use tunnels. There will have to be exhaust chimneys, possibly every 0.5 kms along the route. There is a strong likelihood all houses above the tunnel will need to be demolished due to the limestone geology in the Fremantle area. Operational costs will be far higher than roadways, due to lighting, fire controls, ventilation and monthly shutdowns for maintenance.<sup>19</sup>

3.20 As noted in chapter 2, the Western Australian Premier, Mr Colin Barnett, suggested in early November 2015 that work developing and implementing stage 2 of the Freight Link would be delayed for at least a year.<sup>20</sup> This appears to realise the fears of some submitters to the inquiry, such as Ms Christine Cooper, Chairperson, Bibra Lake Residents Association:

Our major fear is that the WA government is very likely to delay or cancel the second section, which is Roe 9, because of a lack of planning, but proceed with Roe 8, which will end at Stock Road and then cause major problems for us local residents. It also means not having a direct connection to the Fremantle port or the proposed outer harbour—and what a mess that will be.<sup>21</sup>

### ***Lower business-cost ratio than forecast***

3.21 As discussed in the previous chapter, the Business Case estimated the Freight Link would deliver a BCR of 2.8. However, the committee received evidence that suggested the realised BCR could be much lower, not only from larger-than-expected capital costs but also due to flawed assumptions being used in the Business Case modelling.

3.22 Professor Newman's submission commented that the return from the estimated BCR of 2.8 is good compared to many other infrastructure projects.

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18 *Committee Hansard*, 7 October 2015, p. 9.

19 *Submission 221*, p. 2

20 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).

21 *Committee Hansard*, 7 October 2015, p. 45.

However, he considered that some of its underlying assumptions were flawed, so actual returns would be much lower:

...most of the benefits are based on a 10 minute time savings by trucks, despite there being no solution to the traffic at North Fremantle yet. A faster route around the city may be possible but in the end it will not save time if trucks are stuck in truck jams in East Fremantle and North Fremantle. The benefit cost ratio is thus illusory and misleading.<sup>22</sup>

3.23 This point was also raised by Councillor O'Neill, who suggested that additional expenditure on improving traffic flows between the end of the Freight Link and the port would reduce the BCR:

If trucks are banked back at that bridge, there will be no cost benefit. In fact, our concern is that we will have trucks banked back to a fair distance in our town. We did find that the cost of the additional infrastructure—that is, working out how to get the trucks across the bridge—would have a serious impact on the BCR of 2.8. Unless you have costed everything, how can we rely on the BCR?<sup>23</sup>

3.24 The committee also heard concerns that the return from the Freight Link's toll system may not be as great as expected. As discussed in the previous chapter, the Business Case Executive Summary is clear that the rate for Freight Link user charge has not been confirmed.<sup>24</sup> Moreover, the department could not confirm to the committee that the beginning of the charge would coincide with the opening of the Freight Link:

One would expect that once the infrastructure is operating...there would be an opportunity for the charge to be applied. But, as I say, the detail for the implementation arrangements for the heavy vehicle user charge has not been settled. That is still a decision for government.<sup>25</sup>

3.25 The committee also heard that the cost-benefit analysis undertaken for the Business Case did not take into account social and environmental factors, or the opportunity cost of implementing the Freight Link over other potential infrastructure projects. As Mr Samuel Wainwright, Spokesperson, Fremantle Road to Rail Campaign, suggested:

An investment of over \$1.6 billion demands an exhaustive analysis, including all social and environmental costs. This should then be stacked up against the alternatives, whether that be investment in public transport, outer harbour, rail freight or accommodation of all three. This, you would

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22 *Submission 5 - Attachment 1* (Peter Newman and Cole Hendrigan, *Perth Freight Link: Making the Right Investment in Perth's Freight Task: A Position Paper for the City of Fremantle*), p. 17.

23 *Committee Hansard*, 7 October 2015, p. 3.

24 See chapter 2.

25 Mr Roland Pittar, Mr Roland Pittar, General Manager, North West Roads, Department of Infrastructure and Regional Development, *Committee Hansard*, 7 October 2015, p. 73.

have thought, would be the very first stepping stone for an investment of this magnitude, but we have seen nothing like that.<sup>26</sup>

### **The lack of consideration of other infrastructure to support freight**

3.26 Another theme of evidence received by the committee was that in developing the Freight Link proposal, the Commonwealth and state governments had not sufficiently considered options for infrastructure to support the long-term health of Western Australian shipping and freight industries, including:

- the lack of consideration of the pressures on the existing port;
- ways freight movement to the existing port could be improved at minimum cost without the Freight Link; and
- the construction of a second port at Kwinana.

3.27 As Infrastructure Australia stated in its assessment:

A rapid BCR was completed for the preferred option only, assessed against the Base Case. A rapid BCR was not completed for additional options to determine if the preferred option provided the greatest net benefits.<sup>27</sup>

3.28 Infrastructure Australia particularly highlighted that the Business Case for the Freight Link omitted any consideration of a second port to support the current Fremantle Port, although it considered some other relevant issues were examined:

The options considered included pricing and efficiency using existing road infrastructure, investment or subsidisation of rail and a number of road investment options. The options did not include consideration of the Outer Harbour at Cockburn Sound South [sic] of Perth.<sup>28</sup>

### ***Pressure on, and limits to, the existing port's capacity***

3.29 The committee heard that the existing facilities at Fremantle Port are currently close to reaching capacity and, moreover, that the harbour has insufficient depth to handle the new generation of larger cargo ships.

3.30 The department stated in its submission to the inquiry that:

The port is still operating well within its capacity (estimated at 1.2 to 1.4 million TEUs per year), so has considerable growth potential.<sup>29</sup>

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26 *Committee Hansard*, 7 October 2015, p. 54. See also Councillor O'Neill, *Committee Hansard*, 7 October 2015, p. 3. Note social and environmental factors are discussed later in this report.

27 Infrastructure Australia, *2014-2015 Assessment Brief: Perth Freight Link*, p. 3.

28 Infrastructure Australia, *2014-2015 Assessment Brief: Perth Freight Link*, p. 3.

29 *Submission 71*, p. 5.

3.31 However, the *Fremantle Ports Annual Report 2014* found that optimal capacity would be reached at some point between 2024 and 2029, depending on trade trends and other factors:

Fremantle Port's Inner Harbour container trade is expected to reach optimal capacity within the next 10 to 15 years, with the timing dependent on trade trends and other factors. When this occurs, additional facilities will be needed to cater for further growth.<sup>30</sup>

3.32 A 2003 Main Roads WA report noted not only the limits to the volume of cargo at the existing port, but also identified other issues supporting the construction of a second port, including:

...land availability, constraints imposed by the road and rail system and the intensification of urban development around the periphery of the harbour area. Therefore another site is required to accommodate the long term growth in the container and breakbulk trade through the metropolitan area.<sup>31</sup>

3.33 Mr Dale Park, the former President of the WA Farmers Federation appearing in a private capacity, told the committee that Fremantle port could not handle the new generation of international cargo ships:

The port of Fremantle really is too small; we cannot get capes and mini-capes into it, although they are looking at all sorts of interesting ways to get mini-capes in, like backing them in and that sort of thing. But if we are going to look at a 40-, 50- or even 100-year plan, the use-by date of Fremantle port is well and truly past.<sup>32</sup>

3.34 This perspective was shared by the Maritime Union of Australia (MUA), which told the committee that:

...[Australia needs] a facility to trade with the world—a conduit to trade with the world—that will accept the new generation of ships, width-wise and draught-wise. We will be able to handle container cranes with a smaller footprint so that we can work bays side by side. Then we will be world competitive and be able to compare the productivity of Australian waterside workers with others in the world.<sup>33</sup>

3.35 Kwinana Industries Council noted that the gentrification of Fremantle town had also changed community expectations about the port's continued growth:

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30 Town of East Fremantle, *Submission 57*, Attachment 1 (Western Australian Planning Commission, *Fremantle Ports Outer Harbour Project Information Brochure*, [2004]) p. 1 and *Fremantle Port Authority Annual Report 2014*, p. 28.

31 Mr Joe Branco, North Lake Residents, *Submission 4*, Attachment 2 (Main Roads WA, *Northern Transport Access Naval Base/Kwinana Port Site (Rowley Road Extension)* [June 2003]), p. 2.

32 *Proof Committee Hansard*, 20 March 2016, p. 34.

33 Mr Christopher Brown, Organiser, West Australian Branch, Maritime Union of Australia, *Committee Hansard*, 7 October 2015, p. 36.

The Fremantle inner harbour can grow within its boundaries, but in the long term, the pressure the gentrification process is placing on the Port continues to make it more difficult for the freight task to and from the Port. In addition community expectations around an improvement in air quality and greater product transfer safety will put further pressure on the strained freight network.<sup>34</sup>

### ***A second port at Kwinana***<sup>35</sup>

3.36 The committee notes that the proposal to open a second port to support the existing facilities at Fremantle has had broad bipartisan and community support for many decades. As Counsellor Carol Adams, Mayor of Kwinana, noted, a second port was both 'viable and inevitable' in the future. Given this, she questioned the need to invest so heavily in the Freight Link project:

...as the inquiry knows, [a second port for Perth] is not a new concept. It has its genesis back with the Stephenson and Hepburn report in 1955. More recently, the Fremantle Port Authority was in the advanced stage of design options for a port in Cockburn Sound, and also a private port was well advanced in design and EPA approvals with conditions. So I would pose the question: if a new port is both a viable and inevitable option, why is so much public money proposed to be spent on [the Freight Link's proposal to build] freight routes to an inner harbour that has limited capacity to grow?<sup>36</sup>

3.37 Dr Pettit, Mayor of Fremantle agreed, commenting that it was odd the proposal for the second port had not been evaluated as part of the Freight Link Business Case:

...there has actually been a bipartisan agreement around the need for an outer harbour in Kwinana for 50 years, as the [Infrastructure Australia] report says. But very explicitly from both sides of state government over the last 20 years there have been active steps towards that, with the exception of the last few years... [given this] it is pretty clear that when you have had a bipartisan approach to building a port - be it an overflow port at Kwinana or a new port at Kwinana - that should have been part of the comparison that happened.<sup>37</sup>

3.38 Ms Joanne Abiss, CEO, City of Kwinana highlighted that the Federal Government had already seen a second port as essential future infrastructure for Western Australia, as have other stakeholders:

Regional Development Australia have recently finalised their Perth and Peel economic development strategy and infrastructure priority plan. The

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34 *Submission 74*, p. 2

35 Note: proposals for a second port have used a range of descriptors for its location, including: 'Kwinana' (the name of the suburb); the 'Fremantle Ports Outer Harbour' (as opposed to the existing port at the Fremantle Inner Harbour); 'Naval Base' (referring to facilities currently located at Kwinana); or as the port at 'Cockburn Sound' (the body of water).

36 *Proof Committee Hansard*, 20 March 2016, p. 2.

37 *Committee Hansard*, 7 October 2015, p. 36.

No. 1 nation-building project for WA is the outer harbour. So you have a federal government agency saying it. You have [the Property Council] a private-sector agency saying it... [alongside] local government saying it.<sup>38</sup>

3.39 The MUA also asked why the massive expenditure on the Perth Freight Link had been committed given the limited returns it offered:

Why commit \$2 billion of funding to build a road to a port that is nearing capacity, when those funds could be redirected to a new port with safe and reliable access and egress for rail and road transport?<sup>39</sup>

*The City of Kwinana's Indian Ocean Gateway proposal*

3.40 The committee held a hearing to consider the City of Kwinana's Indian Ocean Gateway proposal, which includes the construction of a second port at Kwinana and associated freight and transport networks. Evidence at this hearing overwhelmingly confirmed that investment in a second port is necessary to assure the long-term economic health of Western Australia. According to Counsellor Adams, Mayor of Kwinana:

The outer harbour is the future of the port trade in WA. It futureproofs our economy, provides certainty and places infrastructure in the most logical and effective location for growth in this region, if not WA, for the next 50 to 100 years.<sup>40</sup>

3.41 The City of Kwinana highlighted to the committee the many benefits of the proposal for the area and Western Australia as outlined in its submission, including:

- an annual ongoing revenue of \$42.4 billion from the port directly;
- a further \$28 billion annually of flow-on revenue from indirect sales and output;
- the creation of 37,383 jobs directly from the project, which is three-times the current level of direct employment in the area (13,757 employees); and
- indirect employment in local areas boosted by a further 49,657 jobs.<sup>41</sup>

3.42 These claims were supported by detailed planning work undertaken by the City of Kwinana for a second port, which it estimated could be operational within the next decade, just as the Fremantle port facility reaches its optimum capacity:

Our current estimation is that stage 1 [port facilities] could be operational within seven years, if there was a whole-of-government approach and the funding was secured. That is inclusive of the environmental approvals... we

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38 *Committee Hansard*, 7 October 2015, p. 12.

39 Mr Christopher Brown, Organiser, West Australian Branch, Maritime Union of Australia, *Committee Hansard*, 7 October 2015, p. 34.

40 *Proof Committee Hansard*, 20 March 2016, p. 2.

41 City of Kwinana, *Indian Ocean Gateway Consultative Draft* (August 2015), p. 5. See also City of Kwinana, *Submission 75*, p. 2.

took a conservative approach of 10 years at the outside - so, between seven to 10 years.<sup>42</sup>

3.43 The City of Kwinana representatives also told the committee they had factored in improvements to freight infrastructure to support this growth. According to Ms Abiss, City of Kwinana, the first step toward a second harbour would be to improve existing roads and rail networks to support the significant industries already based at Kwinana:

The total cost of all of the road and rail upgrades that are needed comes to \$920 million, which is equivalent to the current federal government commitment for funding the Perth Freight Link...<sup>43</sup>

3.44 These upgrades would not only support existing industry at Kwinana, but also draw new businesses and industries to the area. Ms Abiss commented that, in undertaking this work:

The city wanted to be able to demonstrate to both tiers of government that an outer harbour could cope with the capacity of Western Australia's future port trade for the next 50 years. We were able to task the international designers with demonstrating that this port could cope with at least three million TEU, as well as what was anticipated to be all of the general cargo, dry bulk, motor vehicles and livestock out to 2070.<sup>44</sup>

3.45 The City of Kwinana representatives also told the committee that they had undertaken significant consultation with the business sector and the local community in the development of this proposal.

3.46 Regarding private sector stakeholders, the committee heard that local and multinational businesses with local operations were all concerned at the current economic outlook, especially given the state government's lack of engagement with the second harbour proposal.<sup>45</sup> For example, Mr Des Gillen, Managing Director, BP Refinery (Kwinana), commented that the private sector required certainty in future government infrastructure investment:

...we all work in internationally challenging industries, and the Australian economy, particularly the cost base that we have, is already challenging. So the uncertainty that comes with whether ports will be developed or not is just an additional challenge that we have to deal with, particularly in terms of future investments and where we want to put our piece. The biggest piece in the short term is that there are decisions around rail and road infrastructure that are pretty critical to all of our businesses in terms of how we move things around that are essentially stalled until we work out where

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42 *Committee Hansard*, 7 October 2015, p. 4.

43 *Committee Hansard*, 7 October 2015, p. 2.

44 *Proof Committee Hansard*, 20 March 2016, p. 2.

45 See evidence given by: members of the Kwinana Industries Council and Mr Aaron Begley, Managing Director and Chief Executive Officer, Matrix Composites & Engineering, *Proof Committee Hansard*, 20 March 2016, pp 12-15 and p. 20 respectively.

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the port is going to be—and that has been the case for almost 10 years now.<sup>46</sup>

3.47 Mr Albert Romano, Manager LPG/LNG Production and Engineering, Wesfarmers Kleenheat Gas, drew out the potential benefits for the private sector that would come from the Indian Ocean Gateway proposal going ahead:

For us, it is all about future proofing what is good business for the community as well as for industry. To have sustainable industry, you need a sustainable community and vice versa... By bringing port infrastructure to this [Kwinana] area, you help to further future proof the benefits that exist already for industry in this location but also help to future proof the other consideration which is less encroachment into sensitive land use areas that currently exist [including residential and environmental concerns].<sup>47</sup>

3.48 Representatives from the Kwinana Industries Council (KIC) also told the committee that the plan had widespread support from businesses based in Kwinana, as well as the Western Australian business sector more broadly:

The primary thrust for KIC [and its members] supporting the Indian Ocean Gateway, and all that it would bring, is around the principle of business efficiency. It is critically important for the long-term health of industry that port operations - be they the existing or the possible future ones - are an efficient and effective operation. Any additional cost associated with an inefficient port operation comes down to industry. Those who are exporting are operating in internationally competitive marketplaces and every dollar counts, especially in these current times. Efficiency is the key driver, because of the cost associated with import export.<sup>48</sup>

3.49 The committee also spoke with representatives of the Western Australian agricultural sector, who confirmed that the future efficiency and productivity of the sector was dependent on the construction of a larger second port servicing Western Australia.<sup>49</sup>

3.50 Regarding consultation with the local community, Councillor Adams, Mayor of Kwinana, told the committee that the proposal was popular given:

... the whole employment or lack of employment in the area. It is not just in Kwinana; this is about the whole region. We have the areas of Rockingham, Mandurah and Armadale, which have pockets of very high unemployment as well. So, as far as community support goes, I think they are supportive that the City of Kwinana has taken the leadership role and tried to address a problem, which is not going away and which is indeed increasing, if you

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46 *Proof Committee Hansard*, 20 March 2016, p. 12.

47 *Proof Committee Hansard*, 20 March 2016, p. 12.

48 Mr Chris Oughton, Director, Kwinana Industries Council, *Proof Committee Hansard*, 20 March 2016, p. 10.

49 See: Mr Roy Duncanson, Executive Chair, Agribusiness Council of Australia Ltd and Mr Dale Park, Private capacity, *Proof Committee Hansard*, 20 March 2016, p. 38 and pp 3-4 respectively.

were going to take the planning documents of 750,000 people coming to a region of already high unemployment.<sup>50</sup>

3.51 Ms Abiss, City of Kwinana, said that data collected on the city's website pointed to widespread community support, with well over 75 per cent of the submissions received on the council's Indian Ocean Gateway website favouring the proposal.<sup>51</sup>

3.52 Regarding environmental approvals, the committee heard that preliminary scoping work suggested the project's environmental impacts could be managed effectively:

Principally, the environmental impacts will come in the construction phase, through the dredging and the actual reclamation. It is the release of the turbidity there that needs to be managed carefully so that it does not impact on what they called the benthic environment and particularly the seagrass beds... [T]he intake for the desalination plant is also very important; it needs to be managed. But there is the opportunity for filters to be retrofitted to that... On the land side, the principal environmental impacts are around Mount Brown and the ecological communities that exist there, as well as managing any potential contamination that exists from historic uses. But it is not anticipated, as mentioned in the report, that that will be an issue, given that most of the construction is to the west of that existing area.<sup>52</sup>

3.53 Most of the evidence received by the committee suggested there were very few drawbacks to the development of a second port at Kwinana. However, it is apparent that some work is needed on how freight could transfer between the ports of Kwinana and Fremantle, and consideration of whether both ports could be maintain viability over the long term. As the Kwinana Industries Council commented:

In time, if we have two operating container terminals, the ships will only stop in one port; they will not stop in two. That, by definition, means there will be a lot of traffic, preferably rail, as opposed to road between the two ports. That means at every level crossing the bells will be ringing on the hour, pretty much seven days a week, all night, because it will be a busy railway line... and the trains blaring their horns, and I reckon that that will result quite quickly in curfews being talked about because there will be a lot of very angry people. That is a problem that I foresee and am putting on the table, and have been putting on the table.<sup>53</sup>

3.54 At the hearing, the committee asked Mr David Rice and Mr Ian Ker, of the Sustainable Transport Coalition, to comment on the respective merits of the Perth Freight Link and the Indian Ocean Gateway proposals. Despite noting some issues that needed further consideration in the City of Kwinana's proposition, they found:

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50 *Proof Committee Hansard*, 20 March 2016, p. 5.

51 *Proof Committee Hansard*, 20 March 2016, p. 5.

52 Ms Joanne Abiss, CEO, City of Kwinana, *Proof Committee Hansard*, 20 March 2016, p. 5.

53 Mr Chris Oughton, Director, Kwinana Industries Council, *Proof Committee Hansard*, 20 March 2016, p. 12.

At best, the PFL buys a little time, deferring the need for major investment in Outer Harbour container facilities and access, while attempting to manage the congestion, social and environmental effects of a sole focus on the Inner Harbour.

The Kwinana [Indian Ocean Gateway] proposal, on the other hand, provides an opportunity to address the more fundamental and longer-term issue of handling continuing increases in container traffic to and from Western Australia - beyond the capacity of the existing Inner Harbour.<sup>54</sup>

### ***Privatisation of Fremantle Port***

3.55 There have been reports that the Western Australian Government is preparing to privatise the existing Port at Fremantle. However, there is little information in the public domain about the government's intentions.<sup>55</sup>

3.56 According to the MUA, the state government has not revealed its intentions concerning the divestment of Fremantle Port:

Information is sparse - even the case studies. I believe that there is a study underway now that is to be finalised at Christmas by the port authority and the state government. Again, that is only rumour; it is not confirmed. If you ask questions you find closed doors.<sup>56</sup>

3.57 *Fremantle Port's Annual Report 2015* hinted that plans for the state government's divestment of Fremantle Ports could be imminent:

Over the coming months, Fremantle Ports will continue to be closely involved with the Department of Treasury and its advisers as the State Government pursues its announced divestment of Fremantle Port. At the time of preparation of this Annual Report our role has been to assist with information and advice for the due diligence phase.<sup>57</sup>

3.58 The Kwinana Industries Council submitted that there was a clear willingness in the private sector to consider funding and developing facilities in Kwinana, should it be a condition of sale:

The private investment sector has made it clear it wants to fund and build a port in Kwinana, in association with a bid to purchase Fremantle Ports, if indeed it is to be sold.<sup>58</sup>

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54 Additional information provided by Sustainable Transport Coalition of WA on 1 April 2016, pp 1-2.

55 For example, see evidence given by: Dr Cole Hendrigan, Private Capacity; Dr Brad Pettitt, Mayor, City of Fremantle; Mr Christopher Brown, Organiser, MUA; and Mr Roland Pittar, General Manager, North West Roads, Department of Infrastructure and Regional Development, *Committee Hansard*, 7 October 2015. pp 18, 19, 35 and 79 respectively.

56 Mr Christopher Brown, Organiser, West Australian Branch, Maritime Union of Australia, *Committee Hansard*, 7 October 2015, p. 36.

57 *Fremantle Port Authority Annual Report 2015*, p. 56.

58 Sub 74, p. 3. See also Sarah Thompson and Anthony Macdonald, 'Infra funds tip January kick-off for Freo port' in *Australian Financial Review*, 12 October 2015.

3.59 However, the MUA cautioned that the potential for new owners to have rights to both Fremantle and a second port could potentially lead to price gouging and significantly higher costs for end users.<sup>59</sup>

3.60 The City of Kwinana commented that the lack of transparency over the divestment of Fremantle Port, including what infrastructure would be built to support its ongoing viability, could adversely affect potential investors and the price achieved by the state government:

The engagements that we have had with either investment funds or their advisers have been to the effect that they are really looking for that certainty. They really want to know when and what is proposed, because then they can factor that into their bid price. It is an essential element of information that they need.<sup>60</sup>

### **Options to improve existing freight links to Fremantle port**

3.61 Some evidence suggested there were far more effective and cheaper ways of improving freight heading to Fremantle port than the proposed Freight Link, particularly improving existing rail capacity and managing traffic flows more effectively.

3.62 Mr Healy, Fremantle Road to Rail, emphasised that the Freight Link would provide infrastructure that was not based in sound transport planning or management principles:

[Improving freight to and from the port] is going to require actual transport management, and that is the problem with this Perth Freight Link. The government has confused transport infrastructure with transport planning. What we really need to do with Fremantle port is plan what we are going to be doing with the freight and then decide what infrastructure we need.<sup>61</sup>

3.63 The MUA told the committee that certain measures to support the operations of the current port could be implemented at very little cost, while facilities at Kwinana are being developed:

There are measures that can be implemented in the port of Fremantle at far less cost than the freight link to ensure safe and effective transport of containers whilst the outer harbour is being built.<sup>62</sup>

3.64 Infrastructure Australia noted the Business Case's modelling was inherently biased against low cost alternatives to the Freight Link:

Infrastructure Australia notes that the options identification and assessment for this project could have been improved by undertaking quantitative

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59 Mr Christopher Brown, Organiser, West Australian Branch, Maritime Union of Australia, *Committee Hansard*, 7 October 2015, pp 35-36.

60 Ms Joanne Abiss, CEO, City of Kwinana, *Proof Committee Hansard*, 20 March 2016, p. 6.

61 *Committee Hansard*, 7 October 2015, p. 62.

62 Mr Christopher Brown, Organiser, West Australian Branch, Maritime Union of Australia, *Committee Hansard*, 7 October 2015, p. 34

modelling of traffic and economic impacts for multiple short listed options. The multi-criteria assessment used has significant weaknesses. In particular, criteria weights used allocate 80% of the weight to benefits and only 20% to costs. This is likely to bias assessment against low cost options and in favour of higher cost options.<sup>63</sup>

### ***Better rail freight networks***

3.65 A number of witnesses and submitters highlighted the need for better management of, and infrastructure for, rail freight servicing Fremantle Port. For example, Dr Pettitt, Mayor of Fremantle, stated that:

The other key impact that we have is trains running at unsociable hours, shall we say, because currently the constraints around the Fremantle traffic bridge mean that they cannot run during the day [as they have to share the bridge with passenger trains]. So we need some better management of that to get more of the freight train task happening during daylight hours. That is something that we feel very strongly.<sup>64</sup>

3.66 Mr Barry Healy, Fremantle Road to Rail Campaign told the committee that investment in improved rail networks to Fremantle Port would not only be the best way of improving freight to and from the current port, but were also essential for servicing a second port at Kwinana:

...the railway line would be the first place to look to improve the distribution and delivery of containers to and from Fremantle port. And if you also look at that map from the City of Cockburn, you will see the railway line goes down to Kwinana and so if there is an outer harbour built, we contend that we should be looking at the railway line as the primary way of dealing with the freight burden for the new port.<sup>65</sup>

3.67 This perspective also reflects the aspirational targets set by government, which were noted by the *Fremantle Ports Annual Report 2015*:

Although Fremantle Ports has been able to work with industry to gradually build the rail share, the volume of container freight on rail is subject to market fluctuations. Since 2002, rail's share of the container trade has grown from about two per cent to the current level of 13 per cent but has been slightly higher in some years. The aspirational target is 30 per cent of total container trade.<sup>66</sup>

3.68 The position paper undertaken for the City of Fremantle by Professor Peter Newman and Dr Cole Hendrigan noted that all current rail links to Fremantle Ports are now privately owned, and that larger freight volumes to Fremantle would necessitate:

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63 Infrastructure Australia, *2014-2015 Assessment Brief: Perth Freight Link*, p. 3.

64 *Committee Hansard*, 7 October 2015, p. 20.

65 *Committee Hansard*, 7 October 2015, p. 60.

66 *Fremantle Port Authority Annual Report 2015*, p. 56.

...significant investments in double-stack train cars, electrification of the trains and raising the catenary, a second bridge to support more trains and a great deal of tolerance of the visitors and residents in the West End of Fremantle.<sup>67</sup>

3.69 Several other witnesses highlighted the need for an upgraded or dedicated rail bridge across the Swan River.<sup>68</sup> This was costed at \$150 million in the Fremantle integrated transport bridge draft submission to Infrastructure Australia for federal funding in August 2012.<sup>69</sup>

### **Road transport management solutions**

3.70 A number of witnesses and submissions highlighted the need for better road transport management and planning for trucks servicing Fremantle Port, rather than investment in the Freight Link. For example, the position paper for the City of Fremantle undertaken by Professor Newman and Dr Hendrigan suggested that:

There is a strong case to be made for managing the flow of containerised trucks with either pulses and/or extending the port operation hours. This would involve staggering the trucks so they can both travel in 'green waves' of signal lights all tuning for them in unison or, at least, travel in offpeak hours. This is likely already in effect to some degree in peak hour traffic, however it is noticed that almost all trucking is done between 5am and 7pm, Monday to Friday, 250 days a week... Were this managed differently the trucks could be running before and after the peak hours with large convoys in the evening.<sup>70</sup>

3.71 The MUA agreed that there were simple changes to traffic management that could deliver dividends for the freight industry at very little cost:

There are some simple measures that could take place. That revolves around road transport and working outside of what is deemed to be the nine to five hours. That does happen now on a limited basis. Both of the two major stevedores do what is termed a bulk run, where they will run a dedicated freight trucking line to a holding yard of anywhere between 100 containers to 150 containers. But there is a lot of scope to switch to the back hours of 6 pm to 6 am to alleviate the trucks on the road.<sup>71</sup>

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67 Professor Peter Newman, *Submission 5 - Attachment 1* (Peter Newman and Cole Hendrigan, *Perth Freight Link: Making the Right Investment in Perth's Freight Task: A Position Paper for the City of Fremantle*), pp 62-63.

68 For example, see evidence given by Dr Brad Pettitt, Mayor, City of Fremantle and Mr Christopher Brown, Organiser, West Australian Branch, Maritime Union of Australia, *Committee Hansard*, 7 October 2015, pp 20 and 35 respectively.

69 Mr Christopher Brown, Organiser, West Australian Branch, Maritime Union of Australia, *Committee Hansard*, 7 October 2015, p. 35.

70 Professor Peter Newman, *Submission 5 - Attachment 1* (Peter Newman and Cole Hendrigan, *Perth Freight Link: Making the Right Investment in Perth's Freight Task: A Position Paper for the City of Fremantle*), pp 62-63.

71 Mr Christopher Brown, Organiser, West Australian Branch, Maritime Union of Australia, *Committee Hansard*, 7 October 2015, p. 35.

3.72 The position paper for the City of Fremantle argued these changes would save a great deal of expenditure, although they conceded that this option would have some effects on noise levels near truck routes:

Of course, this would mean operating the port and receiving destinations differently than current: this is the rise of Perth as a 24 hour city, as most global cities are. The proposal to build a \$1.6 [to] 2 billion dollar highway seems a very expensive option in light of simply changing operating hours. It would, of course, mean increased noise impacts in those areas near the truck routes.<sup>72</sup>

3.73 The following chapter outlines the concerns that were raised to the committee by local governments, community groups and individuals who would be affected by the Freight Link.

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72 Professor Peter Newman, *Submission 5 - Attachment 1* (Peter Newman and Cole Hendrigan, *Perth Freight Link: Making the Right Investment in Perth's Freight Task: A Position Paper for the City of Fremantle*), pp 62-63.

