

Fremantle Port Discussion Paper

Presentation to WA Freight Council
June 2017

Driving Forces

- On Port transport carriers (tier 1) current financial position is commercially unsustainable
- This has been driven by:
 - Higher property costs
 - Downturn in freight volume
 - Increased competition from tier 2 and 3 day shift operators
 - Which has seen container rates drop over the past 2 years
- The infrastructure upgrades to the Port have:
 - Improved day shift turnarounds measurably
 - Allowing tier 2 and 3 carriers to become more efficient at no cost or change to the business
 - 70,000 boxes pa handled on night shift by the tier 1 carriers
- The risk of doing nothing could see 70,000 boxes return to day shift; an increase of 20%
- This will deliver:
 - Increase in turnarounds on day shift
 - Less casual available wharf slots

Levy/Rebate Model

- Current VBS/stevedore levy of \$11.00 per box replaced with \$20.00 day shift levy
- Along with current and ongoing State Government Rail rebate revenue estimated to be \$3.5m pooled to deliver:
 - \$20.00 night shift rebate per box
 - Increase in rail rebate from \$30 to \$65 per loaded box
 - Introduction of a rail subsidy of \$15.00 per empty box rebate
 - Fund One Stop to administer
 - Acceptance of current lease cost increases
 - Fund lost revenue of VBS and infrastructure revenue from the rail and night moves
 - Fund potential behaviour changes:
 - 20% increase in night shift volume from day shift
 - 10% increase in rail volume
 - Equates to 50,000 boxes moving off day time road movements

Fremantle Port Infrastructure Levy/Rebate Revenue Model

12 month trial – effective 1st August 2017

AREA	VOLUME	LEVY/REBATE \$ PA	TOTAL REVENUE / COST \$M PA
TOTAL PORT LOADED CONTAINER VOLUME	378000		
AM/PM levy and Revenue	228000	\$20.00	\$4,560,000
Suggested Rail Rebate contribution - DOT		Current Government rail subsidy + increase	\$3,500,000
TOTAL LEVY REVENUE			\$8,060,000
Night shift rebate	70000	\$20.00	\$1,400,000
Rail Subsidy cost breakdown	loaded		
loaded	45000	\$65.00	\$2,925,000
empty	35000	\$15.00	\$525,000
Stevedore VBS + infrastructure levy's	115000	\$11.00	\$1,265,000
Rail and Night moves only			
One Stop fee to manage model			\$150,000
Additional costs			
20% increase in AM/PM to night	45000	\$31.00	\$1,395,000
10% increase in rail volumes	4500	\$65.00	\$292,500
TOATL REBATE COSTS			\$7,952,500
REVENUE SURPLUS			\$107,500

Considerations

- On Port carriers and rail system become financially viable, attract competition
- Levy/rebate system allows for tier 2 and 3 carriers to offset day shift cost increases
- System allows for current port operations' environment to improve
- Delivers a level “paying field” for all users and flexibility to change behaviour
- Suggest higher level of scrutiny or auditing of the rail rebate and rebate/levy volumes and behaviour
- Future property lease cost increases indexed based on industry behaviour towards use of night shift and rail
- Delivers short term improvement on road movements post Roe Hwy extension cancellation
- Allows a flexible, user pay system, delivering an even playing field to be adjusted once volumes increase back to critical levels
- Provides more time for planning and commitment date on Outer Harbour
- 12 month trial, adjusted by independent body