



## Fact sheet

# Fremantle Container Rail Subsidy

## Background

The Port of Fremantle is Western Australia's largest general cargo port, operating from the Inner Harbour in Fremantle and the Outer Harbour in Kwinana. Handling more than 715,800 twenty-foot equivalent units (TEU) in 2016-17, the port is the gateway for most of the imported goods used in our homes and businesses, and a vital link to world markets for our exporters.

Container rail operations play a significant role in improving landside transport efficiency at the port. Moving containers by rail reduces the number of truck movements along metropolitan roads that link to the port, which in turn helps to improve community amenity and provide environmental benefits.

However, short haul rail services, such as the port shuttle between Forrestfield Intermodal Terminal (FIMT) and the North Quay Rail Terminal (NQRT), are more costly to operate on a commercial basis than trucking operations. Rail has higher fixed costs, and rail services incur additional costs associated with multiple staging points. Freight moved by rail still requires some distribution by road to or from the importer/exporter.

In 2006-07, the State Government established the Fremantle Container Rail Subsidy in an effort to lower the cost and increase the proportion of container freight on rail in and out of the Inner Harbour.

The Subsidy is one of the policy tools Government uses to help reduce total costs associated with moving containers by rail, making it more competitive with road.

## How the subsidy program works

The **State Government** allocates funding towards the subsidy for each financial year through the State Budget process.

The **Department of Transport** (DoT) administers the subsidy on behalf of the Minister for Transport, through a Subsidy Deed with the operator of the NQRT (at the Inner Harbour).

The **Subsidy Deed** agreement between the rail operator and the Minister for Transport stipulates the responsibilities and requirements of the rail operator and the Minister's representative in delivering the subsidy.

## Eligibility for a subsidy

For rail containers to be eligible for the subsidy, they must fall into one of the following categories:

- Full intermodal containers transported by rail between NQRT and FIMT.
- Full intermodal containers transported by rail between NQRT and Kwinana Intermodal Terminal.
- Intermodal containers that are filled with Hay and are received by rail at NQRT for international export.

Interstate or Kalgoorlie-based full intermodal containers transported by rail are not eligible for the subsidy.

## Subsidy rate paid per container

Rail customers receive the subsidy per TEU, with an eligible forty-foot equivalent unit (FEU) receiving double the rate of a TEU.

From **1 January 2018**, the subsidy paid per eligible TEU is **\$50**.

## Subsidy payments to rail clients

The NQRT operator, Intermodal Link Services (ILS), passes on the subsidy in full to its rail customers. The rail operator reduces the overall freight rail charges shown on the client's invoice.

The State Government then reimburses the rail operator for the subsidy payment retrospectively, that is, after the rail operator provides proof of moving an eligible TEU for a rail customer.

DoT requires the rail operator to submit invoices before making the reimbursement payments. The invoices identify what the rail operator is claiming from DoT and must show:

- the number of eligible containers moved for the rail customer;
- the subsidy rate per eligible type of container (TEU/FEU); and
- the total subsidy amount that is passed on to the rail customer.

The rail operator submits its invoices weekly for payment by DoT; DoT makes payment within four weeks of receiving the invoice.

## Governance of the subsidy program

An annual external audit verifies the processes used and subsidy payments provided to the rail operator against the amount passed on to rail clients.

DoT undertakes a quarterly audit of a randomised sample of the rail operator's data to ensure compliance and consistency with invoices DoT received.

DoT monitors and reports a key performance indicator (KPI) for the rail subsidy, the percentage of containerised freight transported via rail in relation to total metropolitan container movements to and from Fremantle Port. The KPI is checked annually by the Office of the Auditor General.

DoT regularly reports to Treasury on the performance of the subsidy, including the rail volumes eligible for the subsidy and how actual subsidy payments are tracking against the annual subsidy funding provided through the State Budget process.

