

CORRECTED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into 2002–03 budget estimates

Melbourne – 21 June 2002

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Witnesses

Ms C. Broad, Minister for Ports;
Mr D. Powell, Executive Director, Ports and Marine;
Mr B. McDonald, Chief Finance Officer, Department of Infrastructure.

The CHAIRMAN — I declare open the Public Accounts and Estimates Committee hearing on the budget estimates for the portfolios of ports, and energy and resources. I welcome the Honourable Candy Broad, Minister for Ports and Minister for Energy and Resources, Mr Des Powell, executive director, ports and marine, and Mr Bob McDonald, chief finance officer, Department of Infrastructure, other departmental officers, members of the public and the media.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript early next week. Before I call on the minister to give a brief presentation on the more complex financial performance information that relates to the ports portfolio, I ask all present to ensure their mobile telephones are turned off. We are also expecting the Honourable Theo Theophanous.

Minister, would you care to make a brief presentation to the committee on the ports portfolio?

Ms BROAD — Thank you. I welcome the opportunity to make a presentation to the committee on the Bracks government's progress and future directions in the ports portfolio. The presentation takes into account the scope of the portfolio as well as bringing the committee up to date with the main issues.

Growing Victoria Together expresses the government's broad vision for the future, and in it the Bracks government has committed to the sustainable growth of the Victorian economy through a more competitive and innovative economy. That objective is balanced with its social and environmental goals and objectives, with sustainability being a key theme.

Our ports are among the state's most crucial economic assets. Port and port-related activities employ almost 18 000 Victorians and contribute around \$5 billion to our gross state product. Trade growth patterns show continuing growth, with some examples being dairy products forecast to double over the next 10 years; exports of wood products to treble by 2020; and motor vehicles and parts to grow by 50 per cent in the decade to 2010 and a further 50 per cent of current tonnages to 2020.

To respond to that growth and to ensure that it is sustainable, the government has set a target in Growing Victoria Together of 30 per cent of freight into ports onto rail. Progress on this target is being made. The percentage of port-related rail was approximately 10 per cent in 1996. That share increased to approximately 15 per cent in 2000–01 and is estimated to be approximately 17 per cent in 2001–02.

The competitive environment is changing and the market is evolving from transport to logistics, with an ever-increasing percentage of traffic being contestable across state borders. The speed and efficiency with which you can move freight from its source to its distribution channel in the ports, for instance, can have an enormous impact on the economic performance of companies and the state. The Bracks government has recognised this and is taking a very strategic view of the system and the role that ports play. The government's strategic focus includes Ports Agenda, the freight and logistics strategy, review of port reform and marine environment and safety — and I will briefly outline each of those in turn.

To date the government has released Ports Agenda 2000 and 2001. The Ports Agenda for 2002 will be launched on 12 July, at which time the government will outline its future initiatives. The policy initiatives are aimed at developing Victoria as the principal national centre of distribution and value adding for our international and domestic trade. We aim to improve access to our ports, improve their capability and efficiency, increase the number of cruise ship visitors and ensure that our ports and marine environments are managed in a safe and sustainable manner.

The Victorian freight and logistics strategy will address matters across all transport modes. It will encompass the full breadth of the sector throughout Victoria and the freight catchment area of our ports for the period to 2030. Some of the issues to be addressed in the strategy include gaining greater cooperation and alignment within industry, between government and industry and across government in a range of issues including investment, improving intermodal transport connections, the role of intermodal freight terminals and strategies to increase the mode share of rail freight as well as improving statewide rail access. That draft strategy is due for government consideration in the third quarter of 2002.

As committee members may be aware, in 2001–02 the government announced its intention to commission an independent review of port reform, and Professor Bill Russell was appointed to carry out that task. His brief was to review the legislative and institutional changes made in the Port Services Act, which established the new

corporatised entities as successors of the old port authorities. That review has been through a very consultative and public process and assessed what is working well and what adjustments need to be made to facilitate the delivery of government policy. The government has received that report and is preparing its response. I expect to be in a position to announce that later in the year.

In accordance with the objectives in Growing Victoria Together, the government has developed strategies to improve the marine environment and safety. We have successfully implemented a new ballast water management system for ships as part of a national system. We are actively encouraging the development of environmental management plans for Victorian ports, and on 10 April I launched the whole-of-port environmental management plan for the port of Melbourne. Through legislation and institutional changes the government has introduced marine safety initiatives to contribute to the reduction in the incidence, severity and cost of boating accidents and incidents.

Turning to budget initiatives in 2002–03, Lascelles wharf is an initiative which will see dual-gauge rail access at Lascelles wharf at the port of Geelong through a \$5.1 million commitment. That line will link to the Corio independent goods line as part of the government's \$96 million regional freight links rail gauge standardisation program. Channel deepening is a \$5.2 million initiative to improve capability and efficiency to meet customer requirements in a safe and sustainable manner. The aim of this project is to strengthen Victoria's competitiveness by developing better access to the port of Melbourne.

Continuing with rail standardisation in terms of progress on 2001–02 initiatives, in the past 12 months the government, through the Department of Infrastructure, has finalised the scope of the rail standardisation works and determined the optimum staging of the proposed works. In addition to a \$3 million order of steel rail the Bracks government has awarded some 12 contracts for project elements including design, project management, survey work and provision of various track materials.

In waterway safety last year I reported that the government had made a \$16 million commitment over five years to waterway safety, and a number of milestones have been achieved there. Computerised licensing testing has commenced at Vicroads offices. All operators of mechanically powered recreational vessels who are under 21 years of age and personal watercraft operators were required to be licensed from 1 February this year. Applications for some \$2 million in grants have now been made under this boating safety funding program.

More than \$1 million has been spent this year on refurbishing Station Pier. This saw the completion of stage 2 with the installation of the automatic sewer infrastructure, of course with careful regard for Station Pier's important heritage values. This brings to \$18 million the works undertaken at Station Pier since 1999 as part of the government's commitment to attracting cruise ships.

Other achievements are listed there. The Geelong grain loop is a key freight link to export markets in the port of Geelong which commenced in October 2001; work is expected to be completed in the middle of this year. The construction of Dock Link Road, which began in April 2001, has been completed, linking rail, road and sea freight facilities at Swanson Dock, West Swanson Dock and the North Dynon and South Dynon rail freight terminals. More than 1 million tonnes has been exported through Australian Bulk Alliance's Appleton Dock facility in Melbourne during its first year, which has exceeded all expectations. The bulk of this represents grain exports which might otherwise have been exported out of Australia through competitor ports.

In conclusion, the government has a clear vision for ports in Victoria. It is developing strategies to achieve that vision, and it is delivering initiatives in line with its strategies.

The CHAIRMAN — Can I take you to an issue you raised during that presentation? It is mentioned at page 198 of budget paper 2 and is the channel deepening investigation for the port of Melbourne. Clearly for some time one of the constraints to further trade through the port of Melbourne has been the depth of the channel. Can you advise the committee in relation to the money that has been allocated for those further investigations and what your expectations are of the outcomes for the port from the money that is being spent on the channel deepening investigations?

Ms BROAD — Last year the Victorian Channels Authority completed a range of preliminary studies into issues surrounding the deepening of the approach channels to the port of Melbourne. Those studies confirmed that there is a need to deepen the approach channels to the port of Melbourne — in fact, they found that it would be very much to the detriment of the Victorian economy if that did not happen. The studies also showed that it is technically feasible to deepen the channels and that there are a variety of ways to mitigate the environmental impacts of dredging. On the basis of those studies the Bracks government has given its in-principle support to the

proposal to deepen the shipping channels to the port of Melbourne, subject to the proposal satisfying stringent environmental, technical and financial criteria which will be the subject of further detailed studies. The commitment of \$5.2 million in funding in the 2002–03 budget is to support those detailed investigations to ensure that those criteria are properly addressed.

During 2002–03 approximately \$2.8 million will be spent on project management, environment effects studies, further technical assessments and, importantly, communications, so that the wider community is kept fully informed about the progress of these studies. The Minister for Planning has an important role in this and has advised the channels authority that an environment effects statement (EES) should be prepared in accordance with the Environmental Effects Act 1978. As well as considering the potential impacts of the proposal on coastal processes, marine flora and fauna and the social environment, the EES will also consider the economic implications of the proposal.

Significantly, Environment Australia has advised the channels authority that the proposed channel deepening is a controlled action. That means that approval is required under the Environment Protection and Biodiversity Conservation Act 1999 — commonwealth legislation — before the action can proceed. In order to ensure that the approvals process proceeds in a timely and cost-effective manner and as efficiently as possible, Environment Australia has now agreed to accredit the Victorian environment effects statement process for the channel deepening proposal. This enables the one process to meet the federal environment assessment requirements at the same time as addressing the state's requirements, which is a big advantage in terms of ensuring that the processes proceed in as timely a manner as possible.

The final scope of the environment effects statement (EES) has not been confirmed but it is likely it will take between 12 and 24 months to complete. The Victorian government and the Victorian Channels Authority as a proponent will be seeking to ensure that this happens as efficiently as possible. Following that the time required for dredging is expected to be in the order of 12 to 18 months. As I have said, the VCA will be undertaking a comprehensive consultation and education program in the course of that EES process. I think those are probably the main things to draw attention to in terms of how the Victorian government sees this very important project proceeding over the near term.

Mr DAVIS — Minister, you may remember last year one of the questions I asked was about the deepening of the channel and the government's processes in getting to that. I make the point that the studies you have outlined are studies rather than actions as such. I also note the money that has been spent on the wharf in Geelong and the connections through to the rail system there. What impact would the deepening of the major channel through the heads and up to the port of Melbourne — and I understand the deepening of the channelling would happen further up along Port Phillip Bay — have on the port of Geelong, in a competitive sense?

Ms BROAD — At this point the advice to me is that shipping to the port of Geelong is not constrained in the way that we are already seeing shipping to the port of Melbourne being constrained. We are already at this point seeing a proportion of shipping into the port of Melbourne not at full capacity as a result of the constraints imposed by channel depth. We would see in the future advantages to the port of Geelong through the deepening of the entrance and the deepening of the channels, but at this point in any competitive sense or any immediate issue the port of Geelong, according to the advice to me, is not constrained at this time and is not an immediate issue in the way that it is for the port of Melbourne.

Mr DAVIS — I understood that the channel to the port of Geelong was not the sort of full depth and would not allow all craft that might want to go in there to get in there. I think there would be an aspect or a restriction on craft that could get in through the heads and may get up to the port of Melbourne with a deepened channel but would not be able to get across to Geelong.

Ms BROAD — You might recall that there has been, prior to this government, a deepening of the channels to Geelong, but I might seek some further advice here from Mr Powell. As I have said, my understanding in terms of the shipping traffic to the port of Geelong is that at this time it is not constrained and is not expected to be constrained by channel depth.

Mr POWELL — That is correct. As I understand it, the dredge depth at Geelong is in fact less than the declared dredge depth in Melbourne. That depth was extended approximately two years ago in terms of requirements for operators. As a consequence the level of current depth in Geelong is adjudged generally to be suitable for the types of ships that have the bulk requirements for the port of Geelong. Therefore the dredging at the

entrance would provide the capacity if required for the operators to request the extension of the dredging in Geelong over time to be able to take greater vessels.

Mr DAVIS — It would require further dredging?

Mr POWELL — Yes. It is not expected in that type of general bulk shipping that uses the services of Geelong that there is going to be demand to that dredge depth in the immediate future.

Mr DAVIS — But that is the point, is it not, that you will get very large ships being able to come in through the dredged heads or the opened heads and up the deeper channel to the port of Melbourne and therefore that will increase the competitiveness of the port of Melbourne in comparison to the port of Geelong?

Mr POWELL — There are two distinctive operating features of the two ports you have mentioned. In respect of the dredge depth that the minister is referring to, it refers to responding to container traffic. Geelong fundamentally is a bulk port. Hence that is the distinctive difference.

Mr DAVIS — So there is no advantage that is going to flow to Geelong?

Mr POWELL — They are completely different markets.

Mr RICH-PHILLIPS — Is there any competition between the port of Geelong and the port of Melbourne or is it literally two entirely different — —

Mr POWELL — There is obviously general cargo at both ports. In fact the operator of Geelong operates also within Melbourne.

Mr RICH-PHILLIPS — In terms of vessels, it will not be a case of a choice between Geelong or Melbourne in terms of ships coming into — —

Mr POWELL — It would be fair to say that operators make those choices now. A lot depends on the type of market segment. The Geelong market is driven very much by grain. The Melbourne market is generally driven by the general purpose general cargo — again, two distinctive market segments.

Mr DAVIS — Geelong has been trying to expand its general — —

Mr POWELL — No — —.

The CHAIRMAN — Geelong does not have a container terminal.

Mr DAVIS — No.

The CHAIRMAN — Melbourne does a lot of container freight and is the very large container freight port for Victoria. Geelong does not have container freight. It does bulk grain, which it would do the monopoly of for Victoria, I would think. Geelong would do a massive amount more than Portland, I would think, in bulk grains. But even so, the taking out of the extra metre of depth a couple of years ago meant that what was happening previously of ships not being able to fully load at the bulk grain port, they now can fully load. That was a big constraint to the port of Geelong back then. It is a factor of having different types of shipping in different cargoes in different ports.

Ms BROAD — I think it is important to note again for the benefit of the committee that the current channel deepening project which is before the government at this time really is being driven by container shipping and the fact that that is already constrained and that that issue needs to be addressed for the sake of the state and indeed the national economy. That really is the driving factor here.

Mr DAVIS — I understand that.

Ms BARKER — To put it in a football analogy, unlike football, Geelong is not in huge competition with Melbourne.

Ms BROAD — I will let that one go.

Ms BARKER — I did that for the benefit of the members from Geelong.

Minister, could I refer you to the Westgate terminal project which as you know was endeavouring to assess the market opportunity for a third container stevedoring operation within the port of Melbourne based on private sector funding. Can you outline the outcome of the Westgate project and implications for the port of Melbourne operations?

Ms BROAD — Yes. As members would be aware, in line with the government's election platform the government provided an opportunity for the third container stevedoring operation to enter the port of Melbourne by undertaking an expression of interest process. After assessing the commercial viability of introducing a third operator, the market has now clearly determined that it is not ready for a third container stevedoring operation. Notwithstanding the market side of the need for a multi-port presence along the eastern seaboard as well as recent trends by incumbents towards vertical integration as key factors impacting on the viability of the Westgate project, the market commented that it was impressed with the process and the quality of the project documentation.

From the beginning of this process the government has maintained that any move to deliver new competition, which was the government's objective, in the port of Melbourne must be commercially viable and involve strong market support. In addition to that, the government stated that the project was to be financed by private sector capital and that no warranties or representations of government funding of infrastructure were to be provided to the market.

Following the outcome of that process, the government remains committed to ensuring that the port of Melbourne continues to be the most significant container port in Australia, and it is committed to ensuring that this is achieved by facilitating an economic and commercial environment which is conducive to investment by the existing port operators.

The government is encouraged by the commitment of the existing operators that have been watching the process we have just been through with great interest — and, indeed, other operators who have continued to invest in the port. To mention some of those investments: Patrick Corporation has invested some \$100 million since 1995, including \$16 million in the past 12 months to develop new container facilities and improve truck access to those facilities; P & O is continuing with its \$100 million 10-year plan and the finalisation of arrangements with the Melbourne Port Corporation for rail to West Swanson Dock, with an additional \$20 million investment to deliver further efficiencies; and the third operator, Toll, has with its initiatives expanded its general cargo stevedoring through the acquisition of Strang and an ongoing additional investment in facilities at Webb Dock.

We are certainly looking forward to the port of Melbourne remaining a very vibrant area for future infrastructure investment, with the government committing in-principle to channel deepening, which we discussed earlier, and, at the same time, the long-term strategic assessment of the whole Swanson-Dynon hub precinct, which is continuing apace. That work is aimed at assessing and strengthening future infrastructure in this area to facilitate increased integration between the intra and interstate rail freight yards in that area, through to the docks.

The government is confident that following the completion of the Westgate project we will continue to see, and the government will be acting to facilitate, strong ongoing investment in the port of Melbourne.

Mr RICH-PHILLIPS — Do you and the government continue to be opposed to Hastings being upgraded as a deep water port?

Ms BROAD — What I can say about the port of Hastings is that as part of the feasibility studies, which I was referring to earlier in relation to channel deepening, there was consideration of a range of options. Those options included a do-nothing option, and they also included moving directly to development of the port of Hastings as a deep water container port.

The outcome of those studies were, as you might expect, to immediately discount the do-nothing option. In assessing the options between channel deepening of the existing facilities at the port of Melbourne and immediately moving to upgrade facilities at the port of Hastings, those studies clearly show that at this time the most viable option was channel deepening. Notwithstanding the outcome of those studies, the government is of the view that it is important to protect future options for the port of Hastings in terms of, for example, access corridors for transport links. The government is ensuring that those issues are addressed in the forthcoming Melbourne metropolitan strategy. Certainly through the ports and marine area, the Department of Infrastructure is ensuring that those issues are fully considered in the metropolitan strategy so as to ensure that that future option is secured, but certainly at this time the studies have shown that channel deepening is the preferred option.

Mr RICH-PHILLIPS — So in the context of addressing the constraints you spoke about earlier, it is not the government's intention to do anything with Hastings?

Ms BROAD — As I have indicated, after very careful consideration the government has determined that at this time the most viable option is channel deepening at the port of Melbourne and ensuring that future options to the port of Hastings are secured. The infrastructure required to move to establishing the port of Hastings as a container port in the future is estimated to be in the vicinity of some \$1 billion. That is in anyone's terms a massive investment. The feasibility studies show that channel deepening at the port of Melbourne at this time is a far more efficient proposition; but as I say, the government is acting and is concerned to ensure that future options for the port of Hastings are protected.

Mr RICH-PHILLIPS — Did those feasibility studies investigate private sector interest in developing that infrastructure at Hastings?

Ms BROAD — It is my understanding that those studies did not proceed to that stage, given the very clear preference for channel deepening at the port of Melbourne. To move to something like an expression-of-interest stage, which was the process followed, for example, for the Westgate project, is a very resource intensive and expensive undertaking. Given that the cost of the Hastings option was indicated to be far in excess of the channel deepening option for the port of Melbourne, it was considered that incurring that expenditure was not a responsible course of action or warranted at this time.

Mr RICH-PHILLIPS — Was that \$1 billion figure the total investment by the government and the private sector that would have been required, or was it the government contribution that would have been required?

Mr POWELL — My understanding of that study is that the estimate of \$1 billion related to port infrastructure. In addition to that rail and road — —

Mr RICH-PHILLIPS — That would have been private sector?

Mr POWELL — That would have been the total infrastructure costs for the port. In respect of road and rail, it would be required in addition to that.

The CHAIRMAN — Road and rail was in addition to the \$1 billion?

Mr POWELL — That is correct, in that particular study.

Mr DAVIS — I am not an expert in this area, but have those studies that you have relied on in reaching the conclusion about Port Phillip channel deepening been released publicly?

Mr POWELL — All of those studies are available on the Victorian Channel Authority's web site.

The CHAIRMAN — I will be a little parochial here — it was mentioned before, and Mr Davis also mentioned it — and refer to the \$5.1 million for Lascelles wharf. I must say it is something we are very grateful for in the Geelong region, and it is something that we have been looking for for some time. In particular I refer to the \$5.1 million investment at Lascelles wharf to put the linkages in place. Are you able to detail the expected beneficial effects and impacts of that investment on the port of Geelong — rather than, as Mr Davis was asking about, the port of Melbourne? What do you expect the impact of that to be on Geelong in terms of movements through the port, or whatever?

Ms BROAD — This infrastructure investment is expected to facilitate a reduction in freight costs, as you might expect, leading to an increase in the mode share of rail freight to and from the port of Geelong and stimulating the development of warehousing, as well as other like infrastructure on what is — you would be very familiar with this — a 25-hectare site within the confines of the port of Geelong.

The CHAIRMAN — And the electorate of Geelong North?

Ms BROAD — Yes, indeed. The construction activity related to the provision of the new rail infrastructure and the storage and material handling will of course generate job opportunities, as well as additional ongoing job opportunities once that infrastructure is in place.

The estimates provided to me to date are that 665 000 tonnes of product per annum would be delivered to or distributed from Lascelles wharf, via the wharf rail connection, within five years of the completion of construction.

Two hundred and thirty-five thousand tonnes of that is expected to be entirely new business for rail operators. So the transfer of that amount of freight from road to rail will certainly have benefits in terms of reducing road maintenance costs and road accident risks, as well as vehicle emissions and noise. It fits in very well with and is part of the government's agenda, which aims to grow and link all of Victoria and to generate jobs, which are both key objectives under the government's Growing Victoria Together vision.

In terms of the timing of the project, construction is expected to commence early in the first quarter of 2003 and to be finalised before the end of the second quarter.

Mr DAVIS — Minister, I return to the \$5.2 million you have allocated for studies on channel deepening — and you mentioned a number of parts to that examination. Can you detail which groups have tendered to undertake those series of studies and the communications aspect which you referred to and say what the cost of each of those parts of the \$5.2 million is — at least to date?

Ms BROAD — Yes. Bearing in mind that this is a budget initiative for 2002–03, I might ask Mr Powell to outline the progress to date.

Mr POWELL — I will break it down into four parts: project management, environment effects studies (EES), technical assessments, and communications. If you like, we could provide you with some of those in more detail, because the VCA is really only in the process of making the various appointments to those particular functions.

Mr DAVIS — Have you made any yet?

Mr POWELL — No, there has been no appointment of a prime EES consultant, which would be the major driver of that process.

Mr DAVIS — Okay. I would be interested to see that; that would be helpful.

Ms BARKER — Minister, in your overview you referred briefly to the boat operator licensing system from February 2002 and the intention to reinvest that money over a period of time into the local boating community. I think you gave a couple of examples of how that is progressing. Can you give us some more detail on the progression of that program?

Ms BROAD — Yes. The total commitment here is \$15.9 million — I constantly wonder why we did not make it 16 — which has been committed over five years and which is being generated through the boat-operator licensing initiative of the government. This is a very important way of reinvesting back into the boating community those revenues and demonstrating to all those boat operators who are now needing to obtain a licence and pay for that licence that the government is backing up its commitment to boating safety by reinvesting these funds in a whole series of boating safety programs. That is occurring right across the state, so that people who go boating right around Victoria's coast and on our inland waterways can see in a very tangible way how they are being assisted.

I think another important feature of this to point out is the delivery of this through a whole series of organisations, ranging from the volunteer coast guard to the CFA. They are organisations which depend on large numbers of volunteers to do their work. One of the real benefits of these grants is that these volunteers, who put in a lot of work and a lot of time and effort and who from time to time take significant risks in providing this service to the whole community, are assisted by the provision of equipment which is necessary for them to provide this service.

As recently as this week I was able to announce the 2001–02 grant recipients after a very extensive process overseen by Marine Safety Victoria for the government. Organisations right across the state were able to submit applications for these funds. The grants included: for search and rescue vessels and equipment, some \$504 000; for education and training, \$204 000; some \$38 000 for regional initiatives; \$68 000 for special needs; and some \$190 000 to improve navigation aids and signage.

There is a very wide range of safety-related programs being supported by the government. Some further examples of those include some \$100 000 to support the Southern Peninsula Helicopter Rescue Service — which is, I might say, the only helicopter service which is of a volunteer nature. It is strongly supported by the Victoria Police and provides a very important service. It was not having its operational needs met, and through this grant it is able to continue to provide this very important service. Also some \$175 000 is being provided to ensure the ongoing operation of marine radio services.

We are seeing in the marine radio communications area a withdrawal of responsibility by the commonwealth government, which has now adopted the position that this is entirely a state responsibility. The state has acted to ensure that from 1 July this year, when the arrangements will change following the commonwealth government's decision, adequate marine radio services are available right around Victoria.

Some \$80 000 is being provided to review best practice arrangements for the engagement of volunteer search and rescue organisations by the Victoria Police. Following the provision of grants over the last couple of years to our volunteer search and rescue organisations, there is a need to look at the best way of ensuring that we support these organisations and that the approach to this funding is uniform and brings these organisations up to a suitable standard right across the state. These are some of the examples that I can give.

I should also assure the committee that in line with the government's commitment to financial responsibility and accountability, the random auditing of grant recipients will take place to ensure that funds are being utilised according to the criteria which the government set for this boating safety funding program.

Ms BARKER — Can you again say how much the marine radio safety program is?

Ms BROAD — That is an amount of \$175 000.

Ms BARKER — Will that be recurrent?

Ms BROAD — I am pretty sure that is an annual grant. I will follow that up and clarify it.

Mr RICH-PHILLIPS — I would like to ask you a bit more about the channel dredging project itself rather than the investigative study. Can you put some parameters around the project in terms of costs and ongoing costs? You mentioned that the actual dredging would take 12 to 18 months. Do you have ballpark figures on what that will cost and on what the ongoing maintenance will be, once the channel is dredged, to keep that depth?

Ms BROAD — I will ask Mr Powell to indicate what it is possible to provide of the detail of the estimates that have been made available to the government to date in terms of feasibility studies.

Mr POWELL — The feasibility studies raised a range of issues about the technical solution, and that is what the next-stage process will be investigating. That has to do with the ultimate dredge depth that is chosen, and therefore issues associated with the ongoing maintenance of that have not been specified within the original work. Part of the process of this work includes the economic analysis of funding and financing, and that will be part of this process.

The VCA has a normal maintenance process that it conducts annually. A combination of its maintenance dredging and other initiatives that it is adopting in terms of the dynamic under-keel clearance system provides the capacity for shipping to operate to the allowed depth. Once the design is fully understood the issues associated with the costs for maintenance dredging and any recurrent costs would then become clear. That is a part of the assessment that will be undertaken in this stage.

Mr RICH-PHILLIPS — What factors will go into deciding the final depth of the channel? I took it as a given that you were going to go down sufficiently to allow the largest ships into the port of Melbourne. I take it that that has not yet been determined.

Mr POWELL — No, it has not.

Mr RICH-PHILLIPS — What factors will influence that decision?

Mr POWELL — There is the balance of a whole range of technical, financial and environmental issues that will be part of this stage.

Mr RICH-PHILLIPS — That will be determined through this \$5.2 million study?

Mr POWELL — Through the current investigations, yes.

The CHAIRMAN — That concludes the time allocated for the portfolio area of ports.

Witnesses withdrew.