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**AUSCRIPT**

## **TRANSCRIPT OF PROCEEDINGS**

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**ESSENTIAL SERVICES**

**COMMISSION HEARING**

**PUBLIC FORUM – PORTS REVIEW**

**MELBOURNE**

**TUESDAY, 3 MARCH 2009**

**TRANSCRIBED BUT NOT RECORDED BY AUSCRIPT**

## RECORDING COMMENCES

- 5 DR R. BEN-DAVID: Welcome to the public hearing for the Essential Services Commission's ports review, and thank you for attending. My name is Ron Ben-David and I am the Commission's new chairperson. Before this, I was at the Department of Premier and Cabinet as Deputy Secretary for the climate change review undertaken by Ross Garnaut last year. So I was heading up a team on that.
- 10 And then before that I've, sort of, had many years in the Department of Premier and Cabinet. So I am a – I won't say a newcomer to the regulatory space - I've sort of touched on it over the years in many different ways - but, certainly, I've never worked inside a regulator before and so this is all a new experience for me.
- 15 You would all be well familiar with the Ports review. The issues paper was released in January. We have received submissions. Thank you for the seven submitted that we received. That's from ANL, Asciano, Geelong Channels Users Group, Port of Melbourne Corporation, Port of Portland, Shipping Australia Limited and the Victorian Regional Channels Authority. And some of those organisations will be
- 20 presenting this morning.

- Clearly, ports in these sort of troubled times are going to be very important for Australia's economic prosperity, there can be no doubt about that. But while a good competitive, good efficiently operating port system/port sector, isn't a sufficient
- 25 condition for economic prosperity it's certainly a necessary condition. And so our view is very much around thinking about how do we ensure that we get good, efficient outcomes from the Victorian Ports sector, to use the term fairly loosely. And in the 2004 review we outline a number of principles that we took into account then and we will be taking into account now because of how we think about the
- 30 regulatory framework.

- The five principles that we articulated were preference for market solution, proportionality, promotion and protection of competition, consistency – in terms of an early approach taken across the industry – and espousing short and long-term
- 35 benefits to consumers. And the Commission will use these principles when assessing whether there is indeed a market power which is a critical test for us – the risk of market power being misused over the next period and whether a lighter or heavier handed regulatory framework is warranted. We will certainly be looking at the conduct of industry participants over the past regulatory period including compliance
- 40 with the typical pricing principles and the pricing policy statement of the – and the pricing policy statement by the Port of Melbourne Corporation as well as other matters listed in the Commission's 2005 Ports Monitoring Determination.

- Today what the order of proceedings will be, that Michael Cunningham, our
- 45 regulatory program manager in the industry sector's group, will be providing about a 15 minute presentation. It really outlines the process or the procedures that we are undertaking, the way we are approaching this review, process and methodology overview. That will then be followed by four presentations. Firstly, from Andrew Newman from the Department of Transport, followed by James Berry from the Port

of Melbourne Corporation; Phil Kelly from Shipping Australia - Phil will be joining us in a few moments - and Philip Dixon-Flint from Asciano.

5 After that we will have a short – we'll have time for questions and once that's concluded a bit of refreshment. I should say if anyone wants to have a coffee in the meantime, you know, don't feel that you can't get up and have a coffee. I should point out that today's forum, again, this public forum is being recorded. This is more for our records and to ensure that we can maximise our learning from today. So if you do ask questions later on if you could just, please, state who you are and what  
10 your affiliation is. So on that note what I might do is hand over to Michael and he will take us through the processes and the methodology being applied by the Commission. Thanks, Michael.

15 MR CUNNINGHAM: We have got a sort of problem with the slides. If you don't mind, I'll just change that. It will take me one minute.

What I'm going to talk about is, well, broadly, I'm going to firstly start by talking about the background to the current regulatory framework. I'm then going to talk about the objectives and the scope of the review, the review timetable and the  
20 principles and the criteria for the ESC to have regard to. And then I'm going to talk about the views that the Commission received in submissions and I'll discuss those under the headings of the main questions that were asked of the Commission in the issues paper. And then, finally, I'll just outline some of the questions for consideration, for the hearing.

25 So, firstly, in terms of the background to the current regime, the current regulatory regime is set out in the Port Services Act 1995. The Act specifies that there are certain regulated services, prescribed services, which are subject to a price monitoring framework established by ESC in the Price Monitoring Determination of  
30 2005. The four prescribed services include provision of shipping channels and berths and cargo marshalling areas and short-term storage. Division 4 of Part IIIA of the Port Services Act also includes channel access regime, however, that only applies to declared channels by order of the Governor-in-Council and no channels have been declared to date.

35 The main elements of the price monitoring framework are, firstly, there's transparency. A requirement that all reference prices must be published. Its financial and statistical information must be published by the Commission, must be reported to the Commission and the Commission publishes an annual monitoring  
40 report. Port of Melbourne Corporation must comply with pricing principles in the Price Monitoring Determination and must prepare a pricing policy statement. There is also a complaints handling process and potential for inquiries and investigations which is the regulatory threat element of the framework.

45 In the event that price controls were imposed there are principles governing the calculation of the asset base in those circumstances. And there's the scheduled review after five years which is the current review. The purpose of the review is to examine whether or not the prescribed services are to be subject to price regulation and, if so, the form that the price regulation should take. Any relevant transitional  
50 issues that arise in relation to any recommended changes to the form of price

regulation and then that we've received terms of reference relating to additional matters and they include, firstly, that the Commission is to have regard to sections 4.1 and 4.2 of the Competition and Infrastructure Reform Agreement. And, secondly, whether the channel access regime should be retained and, if so, whether there are changes required to ensure it can be certified as an effective state-based regime.

The review timetable is that the issues paper was released in early January. Seven submissions were received in early February; one of those is confidential. The draft report is planned to be released by mid-April. Submissions on the draft report will be invited for four weeks after its release and then the final report is to be submitted to the Minister by the end of June. Some of the main principles the Commission will have regard to are, firstly, that the ESC Act and Port Services Act include certain objectives. Some of those objectives include promoting competition in port services and promoting the long-term interest of users.

The Competition Principles Agreement also includes relevant principles. For example, regulation is only warranted where the benefits exceed costs. And the requirements of an effective state-based access regime for shipping channels. And then the principles of good regulation including preference for market solutions, proportionality, promotion of protection and competition assistance and so forth.

The Competition Infrastructure Reform Agreement includes a number of principles directly relevant to this review. Firstly, ports should only be subject to economic regulation where a clear need for it exists to prevent misuse of market power or to promote competition in an upstream or downstream market. Where regulatory oversight of prices is warranted it should be undertaken by an independent body. Where third party access is warranted it should be based, wherever possible, on the terms and conditions agreed by ports and users. And commercial charges of government-owned port operations should include guidance to seek a commercial return while not exploiting market power.

Submissions to the issues paper were received from ANL, Asciano, PoMC, Geelong Channel Users Group (GCUG), Shipping Australia, Victorian Regional Channels Authority and Port of Portland and I will now present a selection of their responses under the main topics that were invited – that submitters were invited to comment on in the issues paper.

Firstly, is the Commission's proposed approach focusing on the net benefits of regulation and its emphasis on the question of market power and its proposed approach to assessing the form of regulation appropriate?

Port of Portland and Asciano support the Commission's proposed approach. PoMC did not agree with the Commission's structural approach to market power assessment and expressed the need for a more dynamic framework based on identifying commercial relationships and the nature of constraints.

Is there market power?

Port of Portland and Asciano were of the view that core trades of the regional ports are contestable and typically a range of cargoes are handled at several of the ports. Some trades that are port specific tend to have countervailing power. Overall, regional ports work competitively. Port of Melbourne Corporation maintains that it has no market power because shipping lines have a significant degree of countervailing power due to their ability to switch routes. Relationships of stevedores are based on commercial property leasing agreements and cannot discriminate between captive and contestable trades. Its statutory charter includes facilitation of trade and other elements which – and it could not achieve those without acting competitively.

Shipping Australia gave its emphasis on containers but there was little competition between Victorian ports but even less so in other states. On the market conduct of ports during the price monitoring period, Port of Portland Limited and Asciano indicated there was no evidence of misuse of market power. Users have alternative options, shipping lines have countervailing power, price and service quality trends support this. The GCUG identified the charge of one cent per gross tonne of vessels with summer draught exceeding 12.1 metres using shared channels as to be inconsistent with the pricing principles.

Should regulation of prescribed services continue and, if so, in what form?

Victorian Regional Channels Authority indicated that price monitoring appears to be working reasonably well with the exception of shared channel charges. Port of Portland supported the current level of regulation or no regulation but not increased regulation. Asciano considered that there is an opportunity to end the price monitoring regime without any appreciable effect on competition. And Shipping Australia felt that the ESC should retain responsibility for continuing regulation. Port of Melbourne felt there was no case for continuing regulation while several submitters stated or implied that all ports should be treated equally.

Should any shipping channels be subject to channel access regime?

Port of Portland noted that the entrance to Port Phillip Bay are the only channels that could be considered as candidates for shipping access regime but it did not support a shipping access regime as a matter of policy. Victorian Channels' access appears to be working – the Victorian Regional Channels Authority felt that the access regime appears to be working satisfactorily at an operational level. However, the only channel-related issues concerning the channels were charges for their use in regards to shared channels. GCUG maintained that Port of Melbourne's charges for the shared channels since April 2008 are contrary to the pricing principles and Shipping Australia felt that shipping channels should be declared and access charges set by ESC.

On the adequacy of the price monitoring framework the VRCA felt that price monitoring has not been a factor in pricing decision at ports. PoMC felt a five year pricing framework does not fit in with the long-term horizon of its investments and will lead to

pricing inefficiency. VRCA and SAL had concerns about the transparency and effectiveness of the complaint handling process and ability to resolve disputes. PoMC indicated that prescribed services are not adequately defined. They include facilities managed by tenants and only channel services are purely Port Authority services. On the asset valuation question that the Commission raised in its issues paper Port of Portland felt that asset valuations are a legitimate basis for price increases especially when based on replacement cost.

10 Do the benefits of regulation outweigh the costs?

Asciano felt they don't because effective competition means benefits are small whereas the costs are significant and should be reduced if regulation is to continue. Port of Melbourne noted the recent reviews in New South Wales and Queensland found that regulation in the major ports is not warranted. Several submitters, including Port of Portland Limited, Victorian Regional Channels Authority and Asciano indicated that the price monitoring regime appears not to have impeded investment, or commercial flexibility or the development of competition. And PoMC noted that the price monitoring regime exposes it to regulatory risk due to the discretion exercised by the ESC.

20 So some of the questions we are going to suggest would be useful topics for discussion today will include do any of the ports have market power. If so, which ports and in what trades? Is vertical integration an issue. Should port services continue to be subject to price regulation? If so, which ports and what trades? Is price monitoring appropriate? Is a channel access regime needed? If so, what channels should it cover? How should asset revaluations be treated for pricing purposes? Does PoMCs charter address the principles in this era?

30 DR BEN-DAVID: Okay. Thanks, Michael. Because of our little technological glitch at the moment, Andrew is going to see if we can get someone to come and have a bit of a fiddle to fix it. So maybe what we will do is we'll have a bit of a five minute break to have a coffee so that our presenters can actually have access to their slides. If anybody wants Michael's slides, given the technology problem we've had, it's probably best to just let us know and we can email them out to you, but we rely on technology but it's always bound to fail when you need it.

## 40 **ADJOURNED**

## 40 **RESUMED**

DR BEN-DAVID: Okay. I think, we'll continue. So sorry about that little glitch but it did give us a chance to have a coffee. Okay. So, first up we've got Andrew Newman from the Department of Transport.

MR NEWMAN: Good morning. I'm here to talk a bit of a general run-through of freight futures and patterns, also the Victorian Transport Plan which is the recently released government strategy around all things freight. And also I'll focus on a couple of points in that strategy that are related to port regulation and port management that are in there but I'll try and whip through these slides fairly quickly. It's a fairly general background presentation on the strategy that gives you just a little bit of a feel of where freight and port policy thinking is in the government at the moment.

10 So this slide just demonstrates some of the background of where our current thinking on freight policy is really just thinking ahead of the exceptionally large population growth. Population drives freight demand very directly and there is always a very direct link between people and the amount of freight we're consuming. So we're expecting by 2036 there will be about five and a half million people living in Melbourne, nearly seven and a half in Victoria. So we're expecting very, very strong growth. This is a bit more of a historical look at state-based product growth which, again, has been very strong over the past – what's that – 20 years and really the forecast is for that growth to continue really very much driven by that growth in population.

20 So we're not just growing but we're also becoming more prosperous. Prosperous people like prosperous products and we're not expecting any great – in the long-term sense the current financial crisis is a bit of a blip but we're not really expecting any great change in the long-term trend. So the freight task. Projections from BTRE are that Victoria's total freight task will add about more than 97 per cent - it's effectively double – by 2030. It means freight is also going to take up an increasing percentage of the vehicles moving around on our roads. So, currently, it's about 15 per cent. We're expecting total car kilometres to grow by 22 per cent by 2020. But freight kilometres we're expecting to grow by 77 per cent by 2020. This will increase about 15 per cent of vehicles on our roads that are freight-related to about 20 per cent. So it's a significant jump.

The freight challenge. In addition to that growth picture, the freight logistics industry has also been going through a lot of changes over the last 10 to 20 years. There's been a fall in domestic manufacturing, there's globalisation and cheap imports kicked in that's chipped at a lot of the freight moving around that was domestic freight moving around and the cost patterns that are related to that, it's really – a lot of our patterns are based on international freight now coming into our ports. A very large volume can be moved out to very large locations in outer urban areas. So you only have to look at the major freeways and arterials, they have huge warehouses that have popped up all over Melbourne, right around the western ring road. This meant parts of our freight network are already reaching capacity. For example, heavy dependency on that M1 corridor. Very, very, very strong movements along there.

45 The reality with freight in Victoria is that it's dominated by road. This slide shows the dominance of road freight against other modes. Especially in Melbourne, we're really all on road. 89 per cent across all Victoria is on road. So this highlights the

challenge of supporting efforts to get more freight onto rail in place of highly competitive and efficient road. So road does the job well. Rail, however, is far more competitive for that longer stuff particularly Melbourne to Perth where about 70 per cent of the freight moving on that corridor is on rail and Melbourne/Brisbane where it's about 30 per cent.

But, really, one where we really have to grow the task is between Melbourne and Sydney. Currently, only 7 per cent of that task goes on rail, it's all on road primarily, and that's a real opportunity for growth in the future. Looking within Melbourne, though, this slide highlights a couple of things. The difference between freight, the freight movements you can see there are just in that, sort of, a red blob there at the bottom where there is all, you know, cars through the day. So cars have two peak periods. Whereas freight you can see really just travels right through the day from 6, 7 am right through to 8, 6, 7 at night. It's really a very constant line right through the day.

This slide also demonstrates the significant spare capacity at night on our road network. So the big challenge we've got from a policy perspective is to improve utilisation of our network and looking at ways to encourage freight movements to utilise that spare capacity at night. So what if we do nothing? If we don't release freight futures and if we just currently stay on our current trends, this is our forecast looking out to 2030 of freight movements. Just freight movements on our road network. You can see there that by – this is in the am peak – along that M1, right along that corridor, you essentially have one lane full of trucks during the am peak.

If the same spread of truck movements continues and we don't get any increase in the freight on rail, or we don't get any rail movements within Melbourne itself, so critical pressure particularly on that M1 corridor there. You can even see the freight movements on the eastern freeway where currently there is very little during the morning peak. And also a lot of freight continuing to move through the centre of Melbourne which presents problems. So freight futures. That's where freight futures come in. There is a strategy that – catering for the expansionary spectrum, catering for the change in the movements. It's the first comprehensive long-term freight strategy that Victoria has produced. I think it's the first long-term pure freight strategy in Australia actually.

It supports and articulates the Victorian Transport Plan. There was a chapter in that plan that was very much written by our area of the division – of the department, sorry. Now, it's also important to note that it's a network strategy, it's focused on government's roles and responsibility in planning, building and managing and regulating a freight network. Because it recognises that, you know, that's government's role and it's really been the private sector that's operating on the network. So some important themes through the strategy. The government needs to work in partnership with other levels of government and the private sector.

The importance of integrated planning is also a thing that came through in the Victorian Transport Plan for both the public and freight transport networks and for



land use. So, really, planning where we put our land uses and understanding how they're going to drive movements on networks in the future. The need for better information about current freight flows and drivers and better tools to understand and model future freight demand and scenarios. In developing this strategy we really  
5 realise we're very dependent on all of the data they collect nationally which really does have a focus on long-term movements, long distance movements and where those vehicles are going, you know, very large movements. Not really any focus on LCDs and vehicles moving around metropolitan areas. So we realise we've got to go out there and collect and analyse a lot more of our own data than we do currently.

10 Key objectives of freight futures. Simply to promote efficiency, capacity, and sustainability in the freight network. They are the three areas that we will be focusing on through the strategy. And then to improve and maximise utilisation of the existing infrastructure. Better implementation of infrastructure so that the  
15 network will operate more efficiently. Increasing capacity and new infrastructure where it's required and also new, high capacity vehicles for road and rail. So larger trucks carrying more freight on less vehicles and also trains. Getting freight onto rail and making – and assisting it to become viable to change that trend of really there being far too much over-reliance on road transport currently.

20 Sustainability. Mitigate the impact of freight activities and ensure the viability of freight activities in existing locations. A lot of you would be aware that, particularly ports, there might be locations next to the water. Some of our most important freight activity centres are really under pressure by people living around them, people  
25 moving to areas don't really want to be next to all night freight terminals. You have to be able to identify those key areas and protect them and make them – allow them to be viable in the longer term so they're not continually under pressure.

30 Strategic directions in the strategy. There were 20 directions in freight futures and 80 supporting actions under each of those directions around those three things I mentioned earlier – the planning, the freight network, building, maintaining, managing and regulating. On planning and protecting, what we've done for the first time is identify a principal freight network. Government have never done this  
35 before. There's been a principal public transport network, being on the books for quite a while, but for the first time we've identified a principal freight network that really before now really all of the road network and all of the rail network being freight network which, of course, is not a very strategic way to plan and invest in what you're trying to do.

40 We have identified future freight corridors and activity centres to protect them and also get that protection in the state planning schemes and also to continue planning for some of the future development of Victoria's ports, airports and intermodal terminals. One of the key directions under this area of strategy was long-term  
45 development of a metropolitan freight terminal network which you may have seen involves some long-term planning around a new interstate terminal out in the Donnybrook area, long-term terminal out to the west of Melbourne. Really trying to encourage a more viable metropolitan rail shuttle network but also encouraging the

use of high productivity vehicles shuttling between large terminals to consolidate flows and try to mitigate the growth in truck numbers as freight grows.

5 So there you can see that's the principal freight network there on the top left. The road there is in the pink and the rail is in blue. So it's really – and over on the right there is that metropolitan principal freight network. So really, as a tool, it's a hardy investment and to identify this is where freight operators, if you're planning for the future, this is where government is interested in the principal freight network planning and also we're developing intermodal terminals both in the regions - and  
10 planning for Hastings there, on the bottom right, is another key, long-term planning exercise the government is developing.

Building and maintaining principal freight networks. So, here, investment and to upgrade principal freight network, you will know there's an Infrastructure Australia process happening at the moment that Victoria is very heavily involved in. Money  
15 for many key projects is in that process. We should be hearing more at the end of this month about what the government is looking for and supporting. And continued investment in the rail freight lines. The Victorian Government has spent a lot of money over the last couple of years buying back and investing in the rail freight  
20 network. That is going to continue. And strategic upgrades of key metropolitan rail connections in unison with ARTC. There's some works going on in the Dynon area, WTrack and Missing Link are progressing – and also the Dynon Port rail link which is now complete, that are targeted at improving rail capacity in that corridor and access into the port.

25 Also an ability of maintaining the strategy there are some key directions around increasing container handling capacity in the Port of Melbourne and the government committing to commencing a process to find an additional stevedore capacity in the Port of Melbourne, probably towards the end of this year. Commencing a process to  
30 undertake that. So that's another key part of the building section. Another key strategy is HPFVs, high productivity freight vehicles. We have identified a notional, potential network for those vehicles to operate on in the future. The government is commencing trials of those vehicles in Melbourne and also in the green triangle area over the next 12 months.

35 Managing and regulating. So in this area – there are a number of key issues in this area. There is a trial I mentioned. Various measures to maximise use of the principal freight network. One of the issues in there was a notion of a freight access charge to the Port of Melbourne as a vehicle to encourage more freight movements  
40 through the port during the off-peak and at night. You may have heard of a system called PierPASS in LA where operators have been charged for slots during peak times and it's really been very effective in encouraging a movement to shift to night time operations. But that freight access charge also appears to also contribute to a lot of initiatives the government has put forward, but that's going to be developed over  
45 the next 12 months as well.

Improved government arrangements for ports and a proposed Metropolitan Freight Terminals Authority. So that in the case of Port of Melbourne, we're looking at some initiatives like joining up Port of Melbourne and Port of Hastings in the future. We're looking at the Port of Melbourne's role, particularly its powers and responsibilities beyond the port gate. I've got a couple of slides covering those port things. Over-dimensional routes, protecting them in the future. Various safety and security measures and also there was a lot of discussion in that area about the national transport regulatory reform agenda which is going to be very important over the next five years, be involved with.

So HPFVs, there's the trials coming up, key trials commencing, probably, in the next six months we will hopefully be getting that green triangle trial going and Melbourne trial on some key roads which will tell us more about how HPFVs should operate and could operate and any measures that need to be put in place. They are going to have all IAP, intelligent access, on all those trucks so that we will be able to track exactly where those trucks are going to keep them on certain routes and side under run protection. There's going to be various safety measures that will be tested in those trials to ensure that the introduction of those vehicles is as safe and sustainable as possible.

In the Port of Melbourne we're looking at expanding the role of Port of Melbourne Corporation to look at their functions and objectives and particularly look at how the Port of Melbourne might be usefully involved in activities outside the port gate. Currently, the port has an objective that the port is to essentially engage with operators that currently work outside the port to ensure that it's properly integrated. We're looking at probably strengthening those objectives and also looking at some of the powers so the port can be actively involved in the efficiency of the freight network in and out of the port. So that could be involvement with the metropolitan freight terminal network, an involvement with that authority possibly through joint venture arrangements, but there are a lot of options that are being looked at.

There will be another strategy coming out towards the middle of this year for port futures which will look at a lot of these issues in more detail including update of the port strategic framework that was released back in 2004 that had various settings for future development at Hastings, maximising the capacity of Melbourne before the future development of Hastings. So a lot of those policy settings in that document will be looked at in that port futures document.

So, in conclusion, Victoria must protect its position as Australia's freight hub and freight futures is unashamedly about ensuring that Victoria is very much, on many measures, the freight capital of Australia. It's got the largest port. Many of our large freight operators are based in Melbourne. A lot of the largest distribution centres are based in Melbourne. We've got plenty of advantages in our road network which is extremely efficient and freight futures is unashamedly about protecting and building on Victoria's position.

Freight efficiency is under pressure, though, population, demand to provide cheaper imports, industry changes, land use pressures, so it's critical to bring in planning now

to accommodate significantly larger freight paths to ensure that we maintain our position. We have released a comprehensive response in transport managed planning through the transport plan and freight futures which I would encourage you to have a squiz at. They're both on the department's website.

5

But, in conclusion, to meet the challenge the government is focusing on the shared network as a whole. Encouraging efficiency, capacity, maximising utilisation, mitigating the impact of the freight tasks and the various initiatives I have discussed briefly. The way forward can only be through successful partnerships. Federal Government, Ausnet funding is going to be critical, that Building Australia fund. Local government has a vital planning role which we have got to work with them on – with. And the private sector, of course, actually operates on the freight network, so we have got to be working hand in hand with them, too, in delivering the strategy.

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But that is my brief run-through. Hopefully, I've touched sufficiently on some of those particular port elements that may be of interest, but any questions, we will do them later?

DR BEN-DAVID: Yes, might do them a little later.

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MR NEWMAN: Later on. Excellent. Thank you.

DR BEN-DAVID: Thank you, Andrew. Thank you very much. Now, we've got James Berry from the Port of Melbourne.

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MR BERRY: Thank you very much for the opportunity to present today. The Port of Melbourne Corporation is very dedicated to its application of the current price regulation framework to ensure its smooth operation across the broader Port of Melbourne over the last four years. We now feel that with the knowledge and history of the monitoring framework's operation it is time to remove price regulation and allow the ongoing operation in an environment consistent with the principles of CIRA which indicate that regulation is only required as a need is presented rather than as a default position.

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The Port of Melbourne Corporation has a broad role in facilitating trade and recognises the large number of customers throughout the port. We think there is a need to differentiate the role of Port of Melbourne Corporation and the broader Port of Melbourne. Port of Melbourne Corporation's main commercial or transactional relationship is with the shipping lines. The shipping lines determine where the trade is going to come into in Australia, and they have the relationships with the stevedores. There is no long-term volume commitment from the shipping lines into any particular port and the customers can switch between shipping lines at their will. Shipping lines rarely have sunk costs invested in the port and hence retain the flexibility and the power in the supply chain relationship.

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The ESC Port Planning Review released in January 2008 also noted the stevedores in fact had the market power supply chain. We also note more recently that the Competition Tribunal and the courts have been looking beyond the traditional constraints of market share in assessing market power and focusing more on commercial relationships and the substance of the transactions.

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PoMC is a statutory entity established under the Port Services Act to support the growth of the port in an economically sustainable manner and on a fair and reasonable basis and must carry these functions out in accordance with the Act.

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Specifically, those functions are: to manage and develop the port in an economically, social and environmentally sustainable manner; to ensure that port services are available and are cost-effective; to work in co-operation with other bodies in ensuring an integrated system; looking at developing sustainable growth through the port; and, establishing and managing channels on a fair and reasonable basis. These are pretty strong guidelines for the Port of Melbourne Corporation to be operating within. And, of note, these sorts of principles are consistent with CIRA which states that commercial charges should include guidance to seek a commercial return while not exploiting market power.

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The requirements of the Port Services Act really drive the operations of the PoMC and are reflected in our corporate plan, and the corporate plan identifies the key objectives for the PoMC including matters relating to the facilitation and expansion of trade. Specifically, promotion and marketing: the PoMC does invest directly in advertising as I'm sure you will be acutely aware. PoMC also invests heavily in trade development and has trade facilitation officers throughout some of the regional areas. But that facilitation of trade in the contestable areas is subject to direct competition and that's why we invest so heavily in those regions.

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Contestable trade in those extremities is a material percentage of trade for the Port of Melbourne Corporation, and we are acutely aware that that pricing that we offer those contestable trade areas is exactly the same as the pricing that's offered to every other user of the Port of Melbourne.

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PoMC has a heavy focus on enhancing the port's competitive advantage. We feel that regulation of prescribed services under the Port Services Act actually does nothing to promote competition.

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Facilitating business and logistic solutions requires ongoing investment from PoMC. It does require us to maintain the volumes and to remain in a very competitive position to do that.

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Future challenges for PoMC. The draft port development plan which was released a couple of years ago reflects the forward planning nature of PoMC and that's very much in line with the requirements of the Port Services Act. It does require substantial investment to do it right and the current climate requires a focus on flexibility for the business model delivering that. You saw in the earlier slides from Andrew what that kind of growth that they are predicting in the State of Victoria and we need the PoMC to be planning and investing ahead of that growth. Investment ahead of the growth curve does cause us some issues with price regulation; price regulation is a five year horizon but obviously our investments are for a 30+ year horizon.

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Ongoing regulation imposes an additional level of risk for us with our financial modelling. In addition to the volume risk which I talked about earlier in terms of having no secure volume from the shipping lines, to have the price risk on top of that imposes a lot of uncertainty that you would not expect to see in a normal commercial environment.

Finally, continued regulation of PoMC, we feel, doesn't meet the principles of COAG and CIRA. CIRA principles, as Michael alluded to earlier, state that the port should only be subject to economic regulation where a clear need exists in the promotion of competition in upstream or downstream markets or to prevent the misuse of market power. And, where possible, commercial outcomes should be sought in preference to economic regulation.

We note that New South Wales and Queensland reviews ostensibly for the same players and commercial and market influences determined that economic regulation is not required.

So in concluding, I would say that requiring the Port of Melbourne Corporation to operate within a regulatory template does not further the PoMCs ability to respond in an innovative manner to the changing commercial environment, potentially impacting on Victoria's competitive framework and advantage to importers and exporters into the future. PoMC do not feel that the interests of the port in the future competitive development will be best served under a price regulated environment. That's about all from me. Thank you very much for the opportunity to speak today.

DR BEN-DAVID: Thank you, James. Again, we'll leave questions until the end and we'll open it up more broadly. Okay. Now, we've got Phil Kelly from Shipping Australia.

MR RUSSELL: Llew Russell.

DR BEN-DAVID: Llew Russell.

MR RUSSELL: Thank you very much for the opportunity to present here today. We had a very brief submission but I'd like to elaborate quite a bit. I haven't got any slides so you'll have to pay attention to me. I'll be fairly quick. I think the first thing I would like to say is that – and perhaps, not surprising, we disagree with Port of Melbourne Corporation. Now, we have very close relationships with the port as we do with all ports in Australia, both container and of course non-container ports and regional ports and I would like to canvass that relationship today.

I suppose, starting with CIRA because that's where the Port of Melbourne Corporation started with their submission, is that we put to CIRA that there is no real competition between the main ports in Australia. That's the fundamental point. Being a thousand kilometres apart with clearly captured trades, it is impossible to suggest that the basic – their basic core tasks or cargo is contestable. On the margins very much so, particularly in Melbourne. There's marginal contestability as outlined in the PoMC submission – we won't go over it – and that's where you're competing, but it's on the margins.

The core trade, whether it be through Portland, Geelong or Melbourne, is pretty captured. And shipping lines, and this appears in a number of submissions surprisingly, stated that they come and go at will almost – that’s certainly not the case. We’ve got to go where the cargo is and it’s the cargo that determines where we go and how often we go and how we serve those ports. And that’s a very important point. So we’ve got as much demand as the port has. We’ve got the same amount of uncertainty. No one gives us assurances the cargo will be there tomorrow and, of course, we’ve just seen a substantial reduction in container imports into this country and, you know, and we’re trying to deal with that in any way we can and reduce costs.

And, therefore, under the CIRA criteria the main ports do have market power. They do have the potential to abuse that power. I’m not saying they are abusing it, in fact, the exact opposite. There’s no evidence that they have abused that power. There’s not the evidence they’ve abused it, it’s the evidence of the potential to abuse it that is the point that we’re making; it’s the potential. There is a lot of price elasticity at the moment for many people stuck in a port. You can’t tell me Goodman Fielder is going to up from Melbourne and move to Sydney because of a hundred dollars a container cheaper or because the port makes their rent a bit cheaper.

They are, in fact, really basically captured certainly within a large percentage rise of prices. I mean that as a generality there is a price at which certain importers and exporters might consider relocating, either in Australia or overseas, but that is unlikely, as I mentioned before, there’s a low price elasticity at the moment. So on that basis Shipping Australia strongly recommends that the light-handed part of regulation which was introduced in 2005 be continued. That’s our first point.

I think a lot of the Port of Melbourne Corporation submission, which is quite comprehensive, relates to, I would have thought, a heavy-handed regulation. In a lot of the issues raised about a risk about a change – the fact that they have a risk, others don’t, relates to, in my view, a heavy-handed regulation. That will only be brought into play, as I understand it, Mr Chairman, if the Essential Services Commission finds that they have in fact used their market power. So it’s basically a monitoring role. I don’t see that’s very risky or, in fact, an unfair operation on the port. And I take PoMCs view about PoMC is not the Port of Melbourne. PoMC is only part of the Port of Melbourne; this very powerful point.

I was surprised to read in the submission that a reference was made to the stevedores’ relationship between the stevedores and the shipping companies. Now, clearly, we don’t have that relationship, nor have we ever been offered it. It would be interesting to see if, in fact, the corporation turned around to the shipping lines and said, look, let’s look at where we could reduce your charges in exchange for providing these services at this price in exchange for what you can give us. We’ve never been offered that. That’s a relationship we have with stevedores. But I think that that actually is not a valid comparison.

Secondly, talking about Sydney and Brisbane. First of all, we put to the Minister in New South Wales, Mr Tripodi, and New South Wales Maritime, that they should have an Essential Services Commission in New South Wales. And we've taken the opposite view. We feel what happens here and in South Australia is something that  
5 New South Wales should emulate, not what the State of New South Wales gets away with. Secondly, the Minister there has introduced into the house draconian legislation that goes far beyond what the Essential Services Commission can do.

10 The Minister has the power to set prices in the port. He has the power to set minimum conditions for which there are substantial penalties if the stevedores or trucking companies or anyone detracts from those standards. He has the power to acquire information and there's no protection of commercial confidentiality in that legislation.

15 I was in the public service a long time ago and I was there in Canberra for twelve and a half years and 26 years in private enterprise, but I can say I've never seen any legislation in Australia in my lifetime that is so draconian. So we would prefer that there was an independent look at how the Minister, the future ministers or future  
20 government may use that legislation. So we are very, very keen on an Essential Services Commission or something equivalent where you could change the regulatory authority up there into an Essential Services Commission or they should have a role – a light-handed regulatory role over the operations of ports in New South Wales.

25 As far as Brisbane is concerned, we've had a lot of issues with Brisbane recently. I think one of the biggest issues is commercial land valuations. And Brisbane is of the view that they are commercially competing with land in the city of Brisbane and that their fair value is valued at that same value. My answer to that is, well, sell the port. I mean, if you've got a port and, contrary to what PoMCs objectives are, if you – if  
30 the port's own lands disappear, which it has in Brisbane, then you're better off selling it to the highest bidder. The land is valuable to, you know, as any piece of light industrial or heavy industrial land in the metropolitan area, then really you are questioning the future of the port.

35 So I would suggest to you that Brisbane also needs, Queensland needs, a stricter regulatory regime than it presently has. Therefore, Mr Chairman, what we've put to CIRA was that those – certainly the three major capital city ports were – weren't a case of very low levels of competition and if you go into regional ports you'll find fairly captured trades which are very, very expensive to shift. And that's Western  
40 Port, or Geelong or Portland. It is difficult for those users of that port to shift. Therefore, I'd suggest, even in those cases, one would question the levels of competition.

45 Yes, but, finally, we note that Geelong has raised this issue of the shared channel and it's certainly something we took up with the Chairman of the Essential Services Commission, because there's one cent extra for Geelong and the fact the ships can't use that level of depth to get into Geelong is something we would like to still pursue. We're not entirely happy with the response which was that we set the sort of broad



parameters and the corporation decides how the pricing will be. And we suggest that needs looking at and we support the Port of Geelong in its submission in that respect.

5 One issue we didn't raise in our submission, which is brief I appreciate, Mr  
Chairman, was the issue of valuation of channels. That's a very old debate. Again,  
it's very hard to value a channel, certainly, in cost accounting terms, when it can last  
forever. In fact, once you build a channel you may maintain it but unless you build a  
new one, in fact, you've got a very difficult issue of having to value it. And that's  
10 something that people have been struggling with in this country for at least 25 years.  
So we didn't cover that in our submission but I'm just saying that we'd be happy to  
progress that later if needed and to provide our views on it which we have in the past.

15 So, Mr Chairman, certainly from the shipping lines' perspective I just want to, in  
summary, say that, first of all, we don't decide which port we go to on a whim. That  
we are responding to the requirements of the importers and exporters of Australia  
and in terms of domestic trade and the consignees and consignors. And in that  
respect we need to meet their requirements and that's our prime focus. Even if one  
day we decided to hub on one port in Australia, and that may be Melbourne, we  
20 don't know, but you would find that we would use shipping, we would use coastal  
shipping, more likely than road and rail to feed to and from the other ports. So you  
would still be getting that sort of throughput in the port.

25 So I don't think there's a great risk that shipping lines are going to disappear  
overnight or go to another port than Melbourne, for example, if we miss out on trade.  
I think the risk of that is extremely low, if at all. And on that basis, as I said, Mr  
Chairman, we would be opposed to a heavy-handed system of regulation but we very  
much support the continuation of the light-handed regime that was introduced in  
2005. I thank you for your attention. Thank you.

30 DR BEN-DAVID: Thank you, Llew. Some of the issues you raised there, maybe  
we'll ask some of the other presenters today to respond to those in a few moments.  
Now, we have Philip Dixon-Flint from Asciano.

35 MR DIXON-FLINT: Yes, that's right.

DR BEN-DAVID: Thank you, Philip.

40 MR DIXON-FLINT: Good morning, everyone. Phil Dixon-Flint is my name.  
Apart from my experience of getting here this morning I think they probably need to  
do a bit of a review on the efficiency of the Sydney and Melbourne Airports. A two  
and a half hour delay is a little bit ridiculous. First of all, I'd like to thank the  
Commission for the opportunity to make a presentation today on Asciano's views on  
the review of the Victorian ports regulation. As joint owner and operator of the Port  
of Geelong and as manager of the Port of Hastings, Asciano focused its comments on  
45 those issues directly related to the operation and regulation of the Victorian regional  
ports. So most of our comments or the majority of our comments are based around  
the regional ports, particularly Hastings and Geelong.

Outline of our submission. There were two key areas that we sought to address. Market power and market development was the first one, and under that we looked at what factors have substantially changed since 2004. We looked at the market structure, contestability within the market, service quality and pricing. And then we  
5 also looked into the appropriate form of regulation. Asciano's view is that we should look at the option of transitioning to further deregulation, and if this is the case, then what form of regulation Asciano believes is appropriate and then I'll summarise at the end.

10 When we first started looking into the issues paper we thought, well, it's probably appropriate to go back and look at what was said in the 2004 report and the conclusions that were made by the Commission then and we believe the views expressed by the Commission in 2004 are still valid. Particular regional ports operated in contestable markets for core trades (being dry bulk and general cargoes).  
15 We believe there is a credible threat of new entry and that cross-ownership did not effectively limit competition between the ports. Key factors we believe that led the Commission to these conclusions were market structure (being the number of competitors and barriers to entry), active rivalry between ports, and market outcomes (when compared to those expected from a workably competitive market).

20 So, what factors have substantially changed since 2004? We believe there has been no real significant change in the market structure. Port customers have real choice between ports for many cargoes. Those that have less choice are protected by countervailing power and long-term contracts. The service quality remains high at  
25 the ports and price increases have been small and, in general, the Victorian ports remain competitive with national benchmarks. So, in essence, we believe that there has been very little, if no, substantial changes since 2004.

30 Market structure. There has only been one change really in the market since 2004 in that Asciano, and not Toll, is part-owner and operator of Geelong and operator of Hastings. We believe this has had no influence on the competitive dynamics of the market. Probably an important note here which leads us to this conclusion that we have limited influence is the fact that we don't make any investment decisions at either port and we are subject to performance obligations under our management  
35 contracts.

Contestability. The ports of Geelong and Hastings, Portland and Melbourne do handle, or have the capabilities to handle many of the same cargoes, which ultimately provide port users with options. When we first started looking into the contestability  
40 side we put together a little bit of a table that we believe just shows that, for example, with bulk products currently handled at Geelong and Melbourne, and not currently handled at Portland, however, we believe there is also a capability [at Portland] to handle bulk products should a customer become unhappy with the service quality or, in particular, the price at the other ports. So what we tried to show here is that there  
45 is effective choice between the ports for some users.

Finally, on this one, is berth capacity. There is substantial capacity at the various Victorian ports, between 55 and 80 per cent vacancy rates, which we believe is very high and this provides incentives for operators to be more competitive, and it also provides for users with additional bargaining power when negotiating contracts and prices with port operators.

Service quality – one of the indicators of lack of market power. Average ship turnaround times at Hastings have reduced from 40 hours in '05/'06 to 36 hours in '07/'08 and at Geelong they have reduced from 72 hours in '05/'06 to 65 hours in '07/'08. When we were looking into some of the data that was presented to the Commission we actually found that for the vessels delayed at Geelong the data actually contained vessels that were both in operation and under repair (or laid-up). So we would expect that the number for Geelong would have to be reduced substantially more than that as well. At present we don't have a filter in the data to be able to decipher between these two occurrences.

Vessels delayed at Geelong in '05 to '08. There has been a zero percent of vessels delayed from the scheduled berthing time or advised arrival time. And for compliance at Geelong and Hastings in '07/'08, there's been zero non-compliances in the development of safety and environmental management plans and there's been zero formal non-compliances with environmental and security legislation.

Pricing. Since 2004 real reference prices have increased only modestly, 5 per cent by '07/'08 for Geelong and in 2007 the prices at Geelong were competitive when compared with other Australian ports for liquid bulk vessels. So, (as shown in figure 2.4 of the issues paper), we believe this is especially relevant for the fact that this is a commodity in 2004 that the Commission thought would have been subject to market power situations. So this is showing that even though that was a concern it's very competitive in comparison with the other ports.

The Hastings pricing figures in the issues paper shows that reference prices have doubled over the period. We didn't believe this was the fact. We did quite a lot of work in looking into this and we found that the Commission's figures didn't truly reflect the real price changes that were occurring there. The Commission's figures used reference prices, not actual prices. I think that's a key factor. We also believe that there was some inconsistent use of both inclusive and exclusive GST figures. And it also included revenue from new services, (ship-to-ship services), which was not present in each year and as a result from '07/'08 it had a real spike in the price.

We believe a good way of actually showing what's really happened at the port is to look at the actual changes in prices in revenue per vessel and revenue per tonne. When we did this we came up with a figure that showed the increases were significantly lower than what the Commission had analysed. We believe that these were approximately around 5 to 17 per cent from '05/'08. When we looked at the revenue per vessel, that was around 5 per cent and the revenue per tonne was from 5 per cent up to 17 per cent. The figures that we

calculated were adjusted for inflation, and deducted the ship-to-ship transfer revenues which were not present in each year and were brought in '07/'08. Finally, there were no formal complaints to the Commission regarding pricing or service quality at Geelong or Hastings during the regulatory period.

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Appropriate form of regulation. Asciano believes that an opportunity exists to go to, or transition to, further to deregulation. We believe the regional ports are operating in a competitive market. Dry bulk and general cargo remain contestable. There is no evidence that regional port operators have misused any alleged market power and we believe there's no evidence or expectation that this will occur over the next regulatory period. We believe removing price monitoring and any regulation from the ports will address the unnecessary regulatory costs and regulatory burden on all operators, and the Commission as well.

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And we believe that a safety net does exist for the Commission to be satisfied – that there is a threat of reverting back to price regulation at any time if it's deemed that market power is being misused in the ports. And we believe this will provide sufficient incentive to operate in a fair and reasonable manner, and for that to continue. So, in summary we believe an opportunity exists to transition further to deregulation.

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If regulation is to continue, following the Commission's review, we believe that there is no evidence that would support the reintroduction of a more intrusive regime, for example, price capping, and I think I missed a couple of the presentations earlier, but that seems to be the feel that was in some of the submissions. If this was to happen there would be significant implementation costs for all port operators, and like any regulatory regime, particularly a heavy-handed regime, there is a chance that regulatory error in price setting could happen which could lead to under-investment.

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We believe one of the key factors that could be addressed is improving the existing price monitoring regime in regards to minimising the cost of the regime. For example, a key cost for our business is the requirement for a full balance sheet audit. For '07/'08 we're expecting around a hundred thousand dollars of audit costs which, considering that we already audit all our financials through the whole business, this is just another cost that we don't think we need.

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We sat down and went through what possible alternatives we believe could be considered to reduce the cost. We came up with four possible alternatives. The first one is having certification of the financial statements by a responsible officer only (so a letter of comfort that the financial statements are true and reflective). Secondly, for the Commission to accept the published group financial statements; which are already audited. Thirdly, reduce the scope of the financial information. For example, an income statement audit only together with a cost allocation statement and disclosure of the accounting policies used (and provide assurance that they are in conformity with the generally accepted accounting policies). And, finally, auditing of the financial statements possibly every second year or when instructed by the Commission if they believe it is necessary due to some market analysis or feedback they've got through some complaint.

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So, in summary, since 2004, we believe there's been no significant change in market structure. Port customers still have a real choice between ports for many cargoes. Those that have choice are protected by countervailing powers and long-term contracts. The service quality remains high. We believe this will continue,  
5 particularly given that berth capacities are so high. Price increases have been small and the Victorian ports remain competitive with national benchmarks.

As stated earlier, the case for removing the price monitoring regime – I think the key one there, really, is that the price increases have only been moderate and the threat of  
10 re-regulation is always present. If regulation is to continue, Asciano would not support price control. We believe this isn't warranted and if price monitoring is deemed to be the appropriate form that the Commission decides to go with we believe that options do exist to reduce the cost burden to current operators, in particular their audit requirements. Thank you.

15 DR BEN-DAVID: Okay. Well, that ends our formal presentations. Just remind everyone that this is a public forum and it is being recorded for our records. So if you have a question if you could just state your name and affiliation, that would be really helpful. You can direct your questions to the Chair and then we'll have an  
20 appropriate respondent to answer. If perhaps I could just kick off with a question, or a couple of questions perhaps. The first is to Phil, because that's fresh in my head. You talked about the threat of re-entry of a regulator as being a sufficient threat - - -

25 MR DIXON-FLINT: Yes.

DR BEN-DAVID: - In terms of maintaining competitive behaviours, have you done any analysis to suggest what the cost of regulators who are coming out, or coming back in, would then impose on a business, or whether it's better to have, sort of, an ongoing level of, you know, predictable behaviour by the regulator as opposed  
30 to withdraw and then re-entry in what could be any one of many different ways? Have you got any thinking around that?

MR DIXON-FLINT: No, we haven't done any analysis of the cost, but given that there's already a regime in place and it's set up, we think there would be minimal  
35 cost in doing that. It would probably be a fact of collecting the evidence to be able to support it would probably be the real cost for the Commission. And, look, the cost then back on the operators would really be, you know, starting up all the reporting mechanisms again which, again, is already there. So I think that the option is there to progress to deregulation – I don't think the cost would be that expensive to  
40 implement again but, in saying that, we haven't done any analysis of that and given the short term turnaround times it is probably a bit difficult to do today.

DR BEN-DAVID: Does the Port of Melbourne want to make any comment on that issue given - - -  
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MR BERRY: Oh, look, I would support Phil's comments there. I think we understand clearly what the cost is of living under the current regime. Should it be removed and reimposed at a later date it would, really, just be a matter of adding back in those external verification costs and audit costs and some internal costs but,  
5 largely, not inconsistent with the cost infrastructure we have.

DR BEN-DAVID: And if I could just ask the same question before I move on. And this is really a point that Llew was making in the Port of Melbourne submission. Llew said that most of your concerns were in relation to heavy-handed regulation.  
10 Do you agree with that comment or did he mischaracterise your submission?

MR BERRY: No, certainly, our submission was in relation to the current regime. We haven't addressed heavy-handed – I think should heavy-handed be something that we were asked to consider, a number of the arguments may be of a similar vein,  
15 but our arguments were directed at the current light-handed regime.

DR BEN-DAVID: I don't know if you want to follow up on that, Llew, at all, or?

MR RUSSELL: No, I guess my point was that – I think the last point, a lot of the argument seemed to me to be directed at a heavy regime in the sense that if you're  
20 talking about risk and the ability to cope with the heavy regime is quite different from a light-handed monitoring that has the imposition of a heavy regime, if warranted. And I think a lot of our submission related to that potential abuse. I mean, as I said before, we're not saying there has been any abuse of market power  
25 but it really, from an economic perspective, is the potential, is what worries us and to keep someone like the Commission as a sort of background monitoring. And we have no comment on how that's done.

I mean, the last submission related to, perhaps, saving costs. I mean, we would  
30 support saving costs but that's a matter, I think, for the Commission to decide what they can do in a cost-effective way to maintain that monitoring.

DR BEN-DAVID: Okay. Well, on that point, I might – sorry, is there any questions from the floor? Are there any comments on some of the suggestions that Asciano put  
35 forward in their submission in regards to an alternative form of intervention by the regulator as a means to reduce costs?

MR DIXON-FLINT: The only comment I would probably like to make is that if the Commission moves to further deregulation, it's in the best interests of everyone in  
40 the ports to actually make that work. The last thing we would want to see is reversion back to a price monitoring regime (or any regulation) and in particular the chance for a heavy-handed regime to be implemented would probably be something that no one would really want. So I think that's probably something else that should be considered – we would want to make it work and make sure that regulation wasn't  
45 re-implemented.

DR BEN-DAVID: Any other questions?

5 RUSSELL: Sorry. Llew Russell, Shipping Australia. I think I forgot to mention before, was we realise that pilotage and towage in, certainly, the Port of Melbourne are not declared services for the purposes of the Act. I'm just wondering whether you consider, for example, on the pilotage front, re-looking at that?

DR BEN-DAVID: Mike?

10 MR CUNNINGHAM: Well, the terms of reference, the additional terms of reference, ask us to have a look at – have regard to clauses 4.1 and 4.2 of CIRA - are potentially broader than the normal terms of reference the Commission has, although it's not something we have identified in the issues paper as a matter the Commission would consider. So it would not normally be part of the scope of matters the  
15 Commission would look at. The way the inquiry process is framed within the Port Services Act is the Commission makes recommendations on whether existing prescribed services should remain regulated but doesn't, sort of, invite the Commission to consider whether other non-regulated services should be subject to regulation.

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MR KENWORTH: David Kenworth from Geelong Port. I was just wondering about the dredging in Melbourne and the extra two metres of water. What effect that will have on competition between Melbourne and Geelong given we're only about 60 ks apart, particularly for itinerant trades? Maybe Port of Melbourne people could  
25 comment?

MR BERRY: I'm not sure I can provide a detailed analysis from a trade perspective. The channel deepening project for the Port of Melbourne is focused on the future demand forecast and knowledge and understanding of the shipping  
30 industry and is really addressed on meeting the requirements of that forecast future demand and maybe that's something we could discuss further..

DR BEN-DAVID: Well, that might be a matter for Port of Geelong and Port of Melbourne to - - -

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MR BERRY: Sure.

DR BEN-DAVID: Okay. Well, if there are no other questions? Michael, are there any comments that you need to make, sort of, wrapping up?

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MR CUNNINGHAM: No

DR BEN-DAVID: Okay. Well, if I could just thank everyone for attending today but to also put the submissions that they made, they are very, very important to our  
45 process. The Essential Services Commission has a well-developed process in developing its – well, developing its advice for its – preparing for its decisions. And a very important part of that process is the contributions that are made through the submissions. So if you could please thank the management, the Boards of your organisations to let them know that we are really very genuinely appreciative.

Of course, the next round now will be following the draft paper which is in – the draft decision, sorry, which will be in early April and in the meantime I presume that we will be having ongoing dialogue to clarify certain points. So let me just, finally, say thank you for attending. To Philip and Llew who had to battle to get out of  
5 Sydney - I had to do a lot of that myself last year, I know just how painful that can be. And we look forward to your further contributions. Thank you.

**FORUM CONCLUDED**