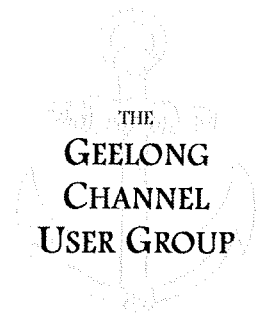


Ports Regulation Review 2008-09
Essential Services Commission
Level 2, 35 Spring Street
Melbourne, VIC 3000
Attention : Patrick Ho



GPO Box 1135
Geelong VIC 3220

13th February, 2009

Dear Sir

Re: Review of Victorian Ports Regulation Issues Paper January 2009

The Geelong Channel User Group (GCUG) wishes to comment on a particular aspect of the current Review of Victorian Ports Regulation Issues Paper dated January 2009.

The GCUG is made up of a number of large companies including Shell Australia, GrainCorp, Midway Pty. Ltd., GeelongPort Pty. Ltd., Alcoa, Terminals Ltd. and Incitec Pivot Ltd.

The members of the User Group would like to draw to the attention of the ESC a particular reference within the Issues Paper.

Paragraph 3.2.3 of the paper refers to the rules under which POMC is to operate in determining the prescribed charges for Shared Channels. The rules clearly state that:

- ❖ *“Charges for use of a Shared Channel should generate expected revenue equal to the specific costs of providing the Shared Channel and a reasonable allocation of common costs (including an appropriate return on capital)*
- ❖ *The rules by which common costs are allocated should be reasonable, the allocation basis verifiable, and the rules consistently applied*
- ❖ *The cost of improvements to a Shared Channel that can be demonstrated to benefit only the users of one port should be borne by users of that port....”*

Commencing on 1st April, 2008, POMC increased the Shared Channel charges for all vessels entering the Port of Geelong with a ‘summer draught’ of 12.1 metres or more as a result of perceived benefits brought about by the current channel deepening project in Port Phillip Bay. No attempt has been made to explain a direct benefit to those Geelong bound vessels which would justify such a charge.

The GCUG appreciates the need to cover costs and agrees with the general principle of 'user-pays'. However, there is no advantage or additional value from the channel deepening work for Geelong-bound vessels because maximum draft in the Geelong channels cannot exceed 11.6m (with tide), regardless of the design capacity of the vessel.

Our line of reasoning was accepted and endorsed by former Transport Minister Peter Bachelor at a lunch in Geelong on Thursday 12 August 2004. At that time we were reassured by the Minister that Geelong shipping would not be disadvantaged by any deepening of the common channels serving both ports of Melbourne and Geelong.

Furthermore, the Ports Agenda 2004 – Direction 3 – Strategy 5 states that:


'The Government will ensure that port and related rail infrastructure is properly regulated by:

c. supporting the ESC's proposals to declare the shipping channels of Port Phillip Bay and its entrance for the purpose regulating access and, in particular, protecting the access rights of the users of the Port of Geelong.'

GCUG requests that Geelong-bound vessels be exempt from the any shared channel charge increase on basis that Geelong-bound ships cannot use the increased depth and to ensure that companies using the Geelong port are not competitively disadvantaged by unfair charges.

Attempts by Channel Users in the Port of Geelong to obtain an explanation from POMC have been unsuccessful to date. As a result we would ask that the Essential Services Commission review the unilateral decision made by POMC with a view to reversing the decision to increase charges based on 'summer draft' and revert to the practice of raising charges based on the actual draft of the vessels bound to and from the Port of Geelong.

Yours faithfully,



Kas Szakiel

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