Victorian Regional Channels Authority

Annual Report 2008-09

Victorian Regional Channels Authority - Annual Report 2008 – 2009

Table of Contents

Our vision

By employing the world's best practices, we aim to:

- Provide customer focussed navigation services.
- Enhance overall port performance.
- Provide safe and secure management of port waters.
- Ensure environmentally responsible marine operations.

Our mission

To provide safe, secure and environmentally responsible navigation services to the users and operators of Victoria's regional commercial ports.

Scope of operations

The Victorian Regional Channels Authority (VRCA) was established under the *Port Services Act 1995 (PSA)* to manage channels in the port waters of Geelong, and oversee channel operations in the ports of Hastings and Portland. It began operations on 1 April 2004.

The principal functions of the VRCA, as provided in Section 21 of the Act, are to:

- establish, manage, dredge and maintain the channels in port waters and provide and maintain navigation aids in port waters in accordance with standards of the Director of Marine Safety;
- provide general direction and control of the movement of vessels within port waters in accordance with the *Marine Act 1988*;
- provide technical advice and support to port managers about the management and operation of port waters and channels in port waters; and
- assist port managers, at their request, and with the approval of the Minister, with integrated planning, development, management and promotion activities for the port.

The VRCA charges for the use of channels and related services in accordance with a price monitoring framework established by the Essential Services Commission (ESC). The price framework allows the VRCA to set its own tariffs subject to oversight of the ESC for a period of 5 years from 1 July 2005.

The VRCA is directly responsible for shipping control in the port waters of Geelong and contracts the shipping control and navigation channel services for the ports of Portland and Hastings to their owner and manager respectively.

The VRCA has approximately 20 customers, being agents and owners of vessels who use its services. These owners and agents are charged according to the Gross Tonnage (GT) of their vessels for the use of channels, navigation aids, shipping control and other associated services. Income is derived almost entirely from this charge.

The VRCA reports to the Minister for Roads and Ports with respect to industry policy and regulation and to the Treasurer with respect to shareholder and governance matters. The VRCA has a three-member Board of Directors and an establishment of six employees.

Chairperson's report

In this annual report, the sixth since the Victorian Regional Channels Authority (VRCA) commenced operations, I am pleased to report a before tax profit of $1.3 million, based on a total turnover of $6.0 million.

This result follows a full year of successful operations focused on ensuring the safety and efficiency of shipping in Victoria's regional ports including Hastings, Portland and Geelong, as well as managing the port waters of Geelong.

Access to ports via easily navigable shipping channels is vital to the economic interests of the region and to Victoria in general. Failure to address potential hazards or limits to shipping movements and capacities early enough endangers human life and our environment, and will have economic repercussions within the region.

It is also the case that the infrastructure supporting safe shipping, such as channels and navigation aids and systems, is costly to build and the planning and construction process can take years. Organisations tasked with overseeing that infrastructure must be able to operate within planning frameworks of twenty or more years based on careful study of economic, demographic, industry and technological trends.

The reality facing Geelong and Victoria is that the size of ships visiting our ports is growing, partly as a result of technological innovations but largely due to economic imperatives, and poses significant challenges for existing infrastructure. The new ships are longer, wider and deeper. Channels and port facilities must be upgraded to accommodate them. Failure to do so could see our ports being by-passed and goods transported into and out of Victoria via ports in other states.

For this reason the VRCA has sought to acquire the tools we need to better monitor shipping trends and test where constraints might arise in our ports. A key advance this year has been the development of more effective computer simulations of future shipping traffic and trade within existing channels. The models use detailed mapping data from the existing channels and measure it against ship transits of different size, speed and displacement. The simulations test how effectively ships transit the channels based on future changes to vessel traffic and commodity tonnages. It allows us to discover choke points, establish future requirements for turning circles and other adjustments that may need to be made to the current channel configurations.

Detailed forward planning and earlier acquisitions of advanced navigation and communications technologies have enabled us to respond rapidly to new requirements. They have, for example, supported our effective response to the Determination made by the Director of Marine Safety on 14 November 2008 that a formalised and approved Vessel Traffic Services (VTS) system was to be developed for all regional commercial ports. The VRCA is responsible for ensuring that all regional ports comply with the Determination, which is based on international standards set down by the IMO and the International Association of Marine Aids to Navigation and Lighthouse Authorities (IALA).

Many of the technological and operational preconditions for operating the required VTS have already been implemented by the VRCA, but we have undertaken risk assessments to determine where additional equipment, documentation and training of operators may be needed.

Once again, the small size of the VRCA allows us to respond effectively to change and to develop and implement new ideas rapidly. Once a need is defined, based on direct consultation with port stakeholders, it can move quickly through the investigation, planning and delivery stages of a project.

Throughout the year the VRCA has communicated daily with port users and stakeholders not just for operational reasons, but as a facilitator for port developments. Regular meetings with the Channel User Group are held at the VRCA's office and they provide an excellent forum for all parties to plan and coordinate their activities.

Our ongoing priority is to minimise risk and maximise port access to commercial shipping. In the coming year, the VRCA will continue investigations into channel improvements that will help to ensure this priority is addressed for the near term, and for the next two decades.

My fellow Directors and I would like to thank the management and staff of the VRCA for another year of excellent service to our customers and their continuing contribution to the safety and efficiency of the Port of Geelong.

Neil Edwards
Chairman

Chief Executive Officer's report

In 2008/2009 the VRCA's financial results were below budget expectations. The organisation posted a before tax profit of $1.3 million, based on a total turnover of $6.0 million. A tax expense of $0.5 million brings the after tax profit to $0.8 million. Operating expenses for year amounted to $4.7 million and were in line with budget expectations.

The satisfactory financial performance was achieved without channel fees rising above 26.0 cents per gross ton and despite significant investment by the VRCA in new technology and investigations relevant to the future operation of the port waters.

Much of the focus of the VRCA in recent years has been on implementation of new infrastructure and technologies to support safer access to the port waters. This has seen major upgrades to navigation aids, communications and other aspects of vessel monitoring and control over the past three years. In 2008/2009, there were further implementations of this type, albeit on a smaller scale, which included:

- replacement of all landline communications with a dedicated microwave system;
- installation of a third remote weather station and tidal array in the Hopetoun Channel.

The successful installation of new systems in recent years has enabled us to consider longer timeframes for planning and action. We are now looking at establishing a baseline of the data needed to inform our planning and have completed a study into the future characteristics of ships and shipping using the port of Geelong. The study encompasses forecasts of ship size and type and commodities and is a continuation of our investigations into improving access to the port of Geelong for larger ships. We see this as a major issue confronting the future economic viability of the Port of Geelong.

We have also looked at improving the tools we have for assessing and analysing the data we collect by:

- continued development of sophisticated computer modelling and other studies to establish potential limitations of our channels as ship sizes and commodity traffic increases;
- implementing the first phase of a 3D navigation simulation of the whole of the channel leading to Geelong.

The other major issue confronting the organisation during 2008/2009 was the Determination made by the Director of Marine Safety on 14 November 2008 that a Vessel Traffic Services (VTS) system was to be developed for all regional commercial ports. The VRCA has undertaken various measures to ensure that our ports comply with the additional requirements for VTS, although many of the key compliance measures have already been accomplished since the organisation was established.

As in previous years the Authority has engaged with port stakeholders and users to promote safety and develop risk and emergency management capabilities through:

- participation in all of the emergency, security, safety and environment committees and in exercises associated with the various plans;
- preparations for the revision of the Port of Geelong Emergency Plan;
- preparations for an annual audit of the VRCA's Safety and Environmental Management Plan; and

- revision of the VRCA's Risk Management Register to reflect the changing responsibilities and liabilities of VRCA.
- preparation of a Safety Management Manual

More broadly the organisation has continued to inform owners and users of smaller leisure craft that transit our channels about the risk their actions may pose to themselves and to the ships for which the channels were designed. As in previous years brochures and leaflets were sent to local yachting and fishing clubs, staff visited community groups and an awareness campaign was staged on local electronic media, spelling out to owners of small craft the need for greater safety awareness concerning large vessels.

Once again the Harbour Master's launch, George Molland, was used to provide a monitoring presence in port waters during major aquatic events such as the Skandia Festival.

Routine and formalised liaison between the Authority and port stakeholders via the Geelong Channel Users Group, and other committees involved with port security, safety and environmental issues occurred throughout the year. Formal membership of the Channel User Group was expanded to include the City of Greater Geelong and the towage operator Svitzer.

The task of minimising risk and maximising access for commercial shipping to the Port of Geelong is ongoing and the VRCA remains responsive to all new challenges and opportunities to make it one of the safest and most efficient in Australia and in the world.

I would like to thank fellow staff members for their efforts during the year and the port stakeholders whose cooperation is so vital for maintaining a safe and efficient port environment. We look forward to continuing that same high level of cooperation in the new financial year.

Captain Peter McGovern

Chief Executive Officer

Executive summary

Highlights of the year:

- Continuation of an awareness campaign warning small craft of risks associated with channel usage
- Delivery of study on the effect of increasing bulk carrier sizes
- Development and installation of a 3D navigation simulation system
- Development of a safety management plan
- Development of VTS for all ports for installation in 2009 / 10
- Expansion of a Port Educational Program targeting Year 9 and 10 students from Geelong and the region
- Identification of channel improvements opportunities in the Port of Geelong
- Improvement of telecommunications infrastructure platform.
- Purchase of new risk management software
- Revision of the Risk Management Register and review of the Safety and Environmental Management Plan
- Study of port environment and sea bed sediments

Ongoing provision of key services and facilities:

- 24-hour commercial shipping management service
- Coordination of pilot services, tugs, lines boats, lines men, quarantine services and customs
- Hydrographic survey of port waters
- Planning and supervision of tasks for the provision and maintenance of all navigation aids for commercial shipping
- Planning of contracts for all potential capital and maintenance dredging of commercial shipping channels and berths
- Preparation for the implementation of VTS in the channels in the ports of Geelong, Hastings and Portland as required by the Channel Operating Agreements.
- Provision of professional maritime advice about ships, cargoes and operations in port waters
- Strategic planning for future needs of commercial shipping in regional commercial channels

Establishment and functions

The Victorian Regional Channels Authority (VRCA) was proclaimed as a Government Business Entity on 1 April 2004 and commenced operations on that date. The VRCA was established pursuant to Section 18 of the *Port Services Act* 1995 with the responsibility of managing the shipping channels in the Port of Geelong and overseeing the channels in the ports of Hastings and Portland.

Objectives of the VRCA

The principal objective of the VRCA is to ensure that port waters and channels in port waters are managed on a fair and reasonable basis.

In pursuit of this objective, the VRCA aims to:

- operate a safe and secure channel operations business;
- exhibit a culture of sustainability including demonstrated social and environmental responsibility;
- provide the State with a reasonable return on investment;
- provide a quality service to its customers at a reasonable charge;
- manage all assets and liabilities on a prudent basis; and
- be a good employer by adopting and applying appropriate personnel policies.

Profiles of Geelong piers and wharves

Geelong is the largest regional port in Victoria, handling 25 per cent of Victoria's overseas exports, most of which are raw materials like petroleum products, fertiliser, grain and woodchips.

The port hosts a number of separate piers and wharves including:

- Point Henry Pier
- Bulk Grain Pier
- Corio Quay
- Lascelles Wharf
- Refinery Pier
- Point Wilson Explosives Pier
- Cunningham Pier
- Rippleside

Aside from the Point Wilson Explosives Pier, Cunningham Pier and the new Bulk Grain Pier, Geelong Port is managed by GeelongPort Pty. Ltd., which has owned most of the land-based infrastructure since the port was privatised in July 1996.

Point Henry Pier

The facility is owned by GeelongPort Pty. Ltd. but operated and managed by Alcoa Australia Limited.

Berth	Max LOA	Max Draft	Remarks
Point Henry Pier	209m	11.4m	Alcoa – alumina unloading

Bulk Grain Pier

The 'old' bulk grain pier is owned by GeelongPort Pty. Ltd. It is used as a tug berth and lay-up berth. The 'new' bulk grain pier is owned and operated by GrainCorp Ltd for export of bulk grain and woodchips.

Berth	Max LOA	Max Draft	Remarks
Bulk Grain Pier 1	210m	9.9m	Berth facilities used by Svitzer for their towage operations
Bulk Grain Pier 2	192m	11.6m	Lay up berth
Bulk Grain Pier 3	225m	11.6m	GrainCorp – dedicated grain/woodchip

Corio Quay

Corio Quay comprises Corio Quay North and Corio Quay South. The facility forms the nucleus of GeelongPort Pty Ltd's operations in Geelong.

Berth	Max LOA	Max Draft	Remarks
Corio Quay 1 & 2 North	375m	10.4m	Woodchip (priority)/dry bulk/general cargo
Corio Quay 3 North	166m	10.4m	General cargo
Corio Quay 1 South	180m	10.4m	General cargo

Lascelles Wharf

Lascelles Wharf is owned and managed by GeelongPort Pty. Ltd. for receipt and dispatch of general cargo.

Berth	Max LOA	Max Draft	Remarks
Lascelles Wharf 1, 2 & 3	621m	11.6m	Dry bulk cargo

Refinery Pier

This facility is owned by GeelongPort Pty. Ltd. but is operated by Shell Australia Ltd and Terminals Ltd for receipt and in some cases, the export of oil products and chemicals.

Berth	Max LOA	Max Draft	Remarks
Refinery Pier 1 & 2	185m	11.6m	Petroleum and chemical products
Refinery Pier 3	230m	11.6m	Petroleum products and VCM
Refinery Pier 4	265m	11.6m	Crude oil and VCM

Point Wilson Explosives Pier

Point Wilson is located north east of Corio Bay. The channels leading to the pier are serviced by VRCA. The site was used by the Australian Defence Industries as an explosives depot. It has been closed to shipping until further notice.

Berth	Max LOA	Max Draft	Remarks
Point Wilson Jetty North	168m	8.5m	Explosives
Point Wilson Jetty South	168m	8.5m	Explosives

Cunningham Pier

This privately owned facility is included under Victoria's declared port waters. The pier provides berthing for occasional visits by passenger liners and naval vessels.

Berth	Max LOA	Max Draft	Remarks
Cunningham Pier East	186m	7.9m	Cruise and naval vessels
Cunningham Pier West	186m	7.9m	Cruise and naval vessels

Rippleside

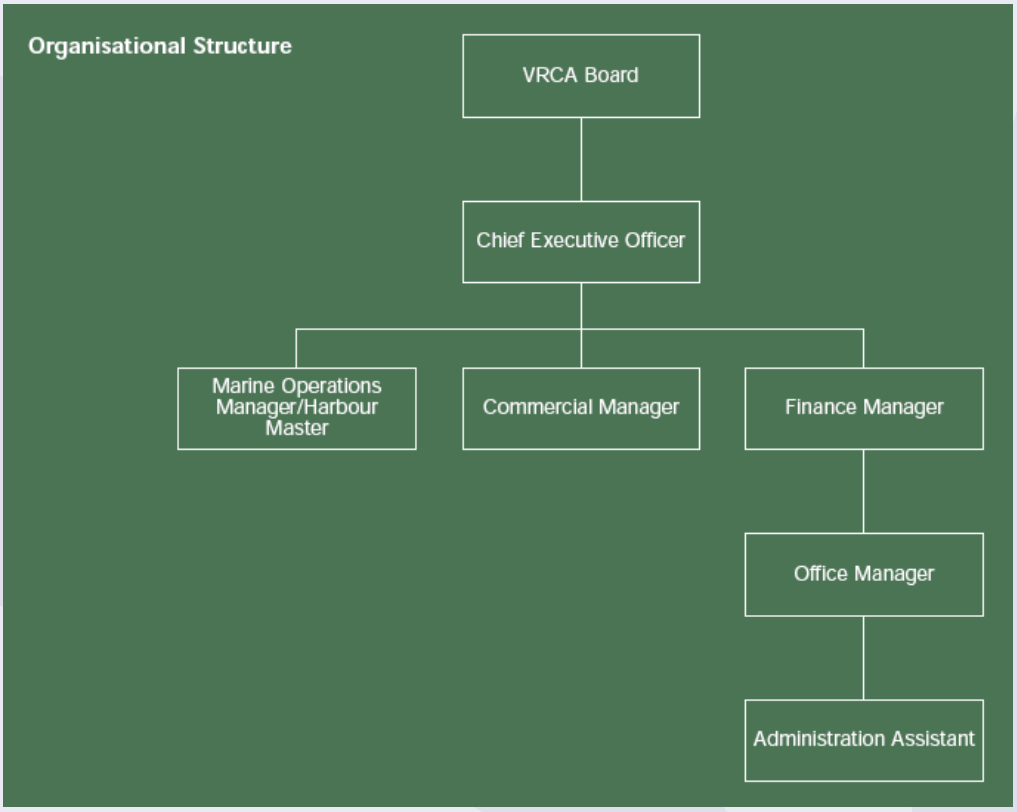
Currently not in operation pending development of the area.

Staff establishment

The VRCA has a Board of Directors of three and an establishment of six staff. Five staff members are permanent, while the Finance and Administration manager is on contract.

Given the small establishment size, the role of the VRCA is essentially one of oversight and management of contacts and projects. Key functions such as shipping control, hydrographic survey, dredging and maintenance of navigation aids are contracted to third parties.

Organisational structure



Income and pricing

The VRCA is a self-funded government agency, obtaining income from a tonnage charge levied on commercial shipping using the port waters of Geelong. Additional revenue is derived from contracts with Shell and Alcoa arising from the underwriting of a channel deepening project and from a surcharge levied upon itinerant users of the deeper draught waters within the Geelong Channel.

The VRCA does not gain any revenue from:

- passenger cruise liners and naval vessels using channels or services under the VRCA's control;
- commercial shipping using the Ports of Hasting or Portland.

Primary revenue

The basis for shipping charges

The VRCA is able to set prices for its tonnage charges on shipping under a price monitoring framework established by the Essential Services Commission (ESC) on 1 July 2005. The framework is essentially a regime for monitoring and regulating the prices the VRCA charges for its services to shipping. Under this arrangement the VRCA is free to set its own tariffs but must provide key performance indicators and any other information requested by the ESC to enable its performance and costs to be monitored.

This arrangement was formalised by a memorandum of understanding (MOU) between the VRCA and ESC in April 2007.

The purpose of the MOU is to:

- ensure that the regulatory and decision making processes of the parties are closely integrated and better informed;
- prevent overlap or conflict between regulatory schemes;
- share information between the parties more effectively;
- promote the adoption of best practice in relation to regulation; and
- assist in ensuring the ESC is in a position to consider environmental legislation and regulatory practice when considering decisions in relation to regional channels.

The memorandum also provides guidelines for consultation and for managing relations and resolving disputes between the parties.

Fees for channels administered by the Port of Melbourne Corporation (PoMC) but traversed by all Geelong-bound vessels that enter Port Phillip are collected directly from customers by the PoMC and subject to the PoMC's fee structure.

It should be noted that VRCA revenue is not tied to the *cargo* volumes that are moved through the port but rather to the *internal volume of a ship*, excluding certain spaces. This produces a measurement referred to as *gross tons* and it is on this basis that VRCA charges for channel usage.

The current price-monitoring framework will apply to prescribed services in Victoria's ports for three years from 1 July 2007. The 2008/2009 Channel Usage Charge was 26.0 cents per gross ton, a slight increase on the rate for the previous year.

The VRCA reviews its pricing annually and fix prices for a year in advance. A small increase, due to a number of operating changes caused by new regulatory requirements, will bring the fee for 2009-2010 to 28.0 cents per gross ton.

Details of tariffs are issued to customers annually by letter and can be downloaded from the VRCA website (www.regionalchannels.vic.gov.au).

Additional revenue

Geelong Channel Improvement Program

The deepening of the Geelong Channels in May 1998 was underwritten by the Shell Company of Australia Ltd and Alcoa Australia Ltd under agreements entered into in 1995 with the Victorian Channels Authority.

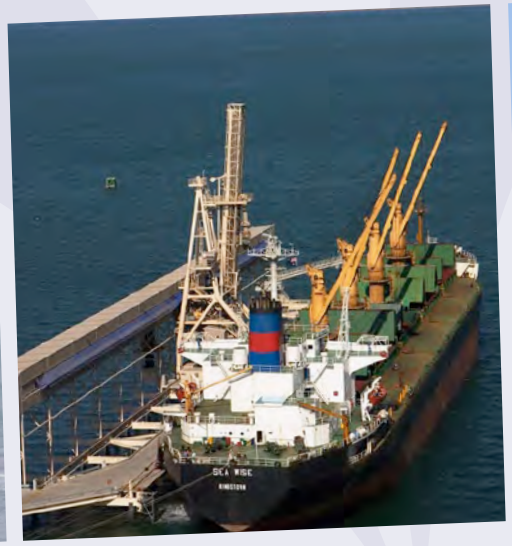
As a result, both companies are required by contract to make an annual payment commencing one month after 1 May 1998 to the VRCA, the date of practical completion of the deepening of the Geelong channels. The contract also provides for annual increases equivalent to 75 percent of the CPI movement over the previous twelve months.

The agreements with Shell and Alcoa will remain in effect for 30 and 50 years respectively from the date of commencement.

Itinerant use

A charge is levied on itinerant users of the deepened Geelong channels for vessels other than those of Shell and Alcoa, for using water deeper than 10.5 metres. The charge is based on a scale per centimetre of draught over 10.5 metres as follows:

Vessel type	Vessel size (Gross Ton)	Rate
Handy	Up to 21,999	$151.80
Handymax	22,000 – 29,999	$163.90
Panamax	> 29,999	$190.30



Financial performance

Total turnover for VRCA for the 12 months ended 30 June 2009, incorporating revenue from non-operating activities, was $6 million. This was below expectations, and resulted in a before tax profit of $1.3 million. A tax expense of $0.5 million brings the after tax profit to $0.8 million.

Dividend Distribution Targets

Dividend is as determined by the Treasurer in accordance with Section 41 of the PSA after discussion with the VRCA Board. During 2008/2009 the VRCA paid $803,000.

Operating expenses

Operating expenses for 2008/2009 amounted to $4.7 million. This represents minimal variation on spending from the previous year and was in line with budget expectations.

Direct management is the most cost effective means for the VRCA to provide core channel services to the Port of Geelong. Limited funding sources and continuing self-reliance in major service areas requires that the Authority's staffing levels and administration costs are kept to a minimum. The VRCA has contracts in place with external parties for provision of services such as navigation aid maintenance, maintenance dredging, hydrographic survey and ancillary services.

Special projects costs

Additional expenditure of $0.4 million was incurred to fund one-off items categorised as *special projects*. These are VRCA initiatives aimed at identifying and mitigating risks associated with the present port operations and at strategic planning for the Port of Geelong.

In this financial year items classed as special projects within the VRCA budget include:

- targeted sediment surveys of the sea-bed in port waters;
- biological surveys to determine the nature of marine life forms in the bay;
- completion of a study into likely bulk vessel sizes in 5, 10 and 20 years time;
- development of navigation simulations to determine the adequacy of the existing channels according to various vessel specifications and weather conditions;
- development of a capacity simulation model to test the impact that increased levels of trade might have on the port;
- the ongoing Port Education Programme;
- development of the safety management plan;
- development and implementation of a Vessel Traffic System in all three regional ports;
- continuing investigations and assessments relevant to the Channel Improvement Program.

Operating performance

Gross tonnage handled

In 2008/2009 total gross tonnage of ships entering Geelong ports was 12.1 million gross tons; an overall decrease of 1.5 million tons on the previous year.

As in previous years the significant cargo types passing through Geelong Port were: crude oil and petroleum products, woodchips, fertiliser, and grain.

Overall, exports of bulk grain are down substantially from 1.7 million to 100,000 tons as a result of drought conditions. Woodchip and aluminium ingot exports are roughly in line with recent years, as are imports of steel, calcite, alumina and sulphuric acid.

Bulk liquid imports and exports, including petroleum, are down in terms of volumes of products by about 10 percent on last year.

Non cargo visits for bunkering, lay ups for repairs and visits by rig tender vessels more than doubled over the previous year and this too added to overall VRCA revenue.

Gross tonnage and number of ships

Gross tonnage and number of ships visiting Geelong ports for the last 10 years has remained at roughly the same levels.

Year	Gross tonnage handled	Ship visits
1999-2000	11.8 million	513
2000-2001	12.4 million	498
2001-2002	12.6 million	490
2002-2003	11.6 million	461
2003-2004	11.9 million	443
2004-2005	11.9 million	470
2005-2006	12.3 million	545
2006-2007	12.9 million	478
2007/2008	13.6 million	540
2008/2009	12.1 million	522

Key functions

The VRCA has approximately 20 customers and monitors a total of more than 1000 ship movements per year in Geelong waters.

Under the *Port Services Act*, the VRCA has primary responsibility for channels in the ports of Geelong, Hastings and Portland. Hastings and Portland ports administer their respective channels on behalf of the VRCA under channel operating agreements that set out management arrangements such as the responsibility to provide and maintain navigation aids and channel depths. The VRCA maintains an overseeing role to ensure these responsibilities are met and regular visits to those ports are made by the VRCA Harbour Master.

Hydrographic survey and dredging

A key VRCA responsibility is to maintain shipping channels to the port to a declared depth of 12.3 metres at all times. Knowledge about the state of the channels is obtained by conducting annual hydrographic surveys of Port of Geelong channels, berths and anchorages. Since 2005 it has been established that major maintenance dredging is unlikely to be needed for the foreseeable future.

Surveys conducted on behalf of the VRCA in April 2008 and 2009 by an independent team confirms this fact, and that no significant shoaling or other hazards are evident in Geelong berths and channels. Accordingly, maintenance dredging will not be required before the next annual survey in 2010.

Responding to Marine Safety's Vessel Traffic Services Determination

Vessel Traffic Services (VTS) are shore-based marine traffic monitoring systems established by harbour or port authorities that perform a function for shipping similar to that played by air traffic control in relation to aircraft movements. Typically VTS systems use radar, radio communications and automatic identification systems to track vessel movements and contribute to safety of life at sea, safety and efficiency of navigation and protection of the marine environment, adjacent shore areas, work sites and offshore installations from possible adverse effects of maritime traffic.

The value of shore-based devices in navigation safety has been recognised for over fifty years, but as awareness of their benefits grew it was seen that an internationally co-ordinated approach to managing their use was needed, particularly in relation to standardising responsibility for vessel navigation and pilotage in port waters. This is all the more essential now that a VTS may involve interoperation of several technologies such as navigation radar, Automatic Identification System (AIS), Global Positioning System (GPS), electronic charts, vessel reporting schemes, and satellite tracking.

In response to this need various international bodies such as the International Maritime Organisation (IMO) and the International Association of Marine Aids to Navigation and Lighthouse Authorities (IALA) have established a framework for implementing and standardising VTS globally. A VTS will generally be established in a port or harbour where the risk to the safety of life, property and the environment arising from the volume of vessel traffic can be effectively addressed by implementing such a system.

On 14 November 2008, the Director of Marine Safety Victoria issued Marine (VTS Standards) Determination No. 1/2008, based on guidelines and recommendations

promulgated by IMO and IALA, outlining the tasks and activities that have to be undertaken by the various VTS Authorities within the State. The purpose of the Determination is to ensure that VTS operations within the state are formalized and align with the international recommendations. As the VTS authority for regional ports of Geelong, Portland and Hastings, the VRCA is responsible for ensuring that all regional ports address those recommendations.

The process requires that the VRCA:

- develop and deliver a risk assessment report;
- identify equipment that needs to be installed or upgraded or training that needs to be provided to VTS operators; and
- prepare a separate management plan for each port listing actions that need to be taken for it to be certified as a VTS port.

The risk assessment of all three ports began in February 2009 and a report was delivered at the end of April. Analysis of the finding was expected to be completed by end of July and presented in the form of a separate management plan for each port.

Study of port environment and sediments

Department of Sustainability and Environment (DSE) protocols require that the VRCA conduct a survey of sea bed sediments in Geelong port waters every two years, and provide it with the results.

The information collected from the surveys is used to inform long-term port planning and environmental assessment. Most importantly, it is incorporated into the VRCA Channel Improvement database to establish baselines for future comparison.

To date, surveys have been conducted in 2005 and 2007. A third study was completed over the course of the financial year and consisted of two components:

- structured sediment sampling, conducted by external consultant *BMT WBM Engineering and Environmental Consultants* to produce detailed data relating to bottom sediments;
- selected biological investigations performed by Jan Watson of *Marine Science and Ecology* to determine levels and types of marine organisms within port waters.

The information from both studies has been received by the VRCA, incorporated into the Channel Improvement database, and forwarded to DSE as a published report.

Purchase of new risk management software

A Risk Management Register was established by the VRCA in 2004. This comprehensive risk management system incorporates input from the organisation's Safety and Environmental Management Plan. It provides a sound framework for fulfilling VRCA's responsibilities under the Port Services Act (1995) and for securing and maintaining VRCA assets on behalf of our customers and users of regional ports.

The register is reviewed regularly and audited at specified intervals. In this reporting year the organisation sought to systematise the register and facilitate the review and audit process through the use of purpose-built risk management software. Accordingly, it has acquired the Integrated Risk management

Information System (IRIS) software package produced by Periscope Consulting and converted the existing register to the new framework.

IRIS is a web enabled system that provides management collaboration and control of business processes, and strategic, business and corporate risk. It allows management to analyse information, develop strategies and monitor performance against those strategies and to translate events such as risks, obligations and issues into actionable tasks.

Both the software and the VRCA database are hosted externally by Periscope to allow for better control and reduced infrastructure costs.

The port education program for local schools extended

In 2008-2009 the VRCA continued its Port Educational Program targeting Year 9 and 10 students in the Geelong region with the aim of raising public awareness of the importance of the Port to the local community. In this reporting year the program was expanded to involve over 900 students. Students were drawn from local schools based in Geelong and expanded to include representation from schools in other regional areas near Geelong.

Designed and co-ordinated by the VRCA, with assistance provided in the form of funding or in-kind contributions by local stakeholders, the program is delivered over half a day and includes an audio visual presentation and interactive exercises. The highlight for each student is a trip around the port facilities aboard the Harbour Master's launch the *George Molland*.

A professional teacher is engaged to advise on the content of the program and to present it to local students. Additional written material and electronic presentations are provided to teachers at each school and to each participating student. Some of this material is now hosted on the VRCA website.

The success of the programme is evidenced by the continuing increase in levels of interest and participation shown by the schools and students both within the immediate region of Geelong and more recently beyond the Geelong region.

Improvements to VRCA infrastructure

In this financial year a few minor improvements were made to port infrastructure to improve operating efficiencies. This follows on several years of major upgrades to navigation aids and shipping control systems.

One important upgrade was to telecommunications links between VRCA offices and real-time data collected by met-ocean equipment (wind and tide gauges) in the channels. The data is transmitted via microwave to a dish mounted on the Bulk Grain Pier silo. Until recently this data was relayed to the VRCA office and the Marine Controller’s base via a Telstra-supplied landline. The line was inherently unstable and frequently failed to provide critical information when required. In 2008/2009 the organisation replaced the landline with a dedicated micro-wave link thereby lifting reliability of communications to a new level.

A second improvement involved installation of a third remote weather station (met/ocean array) in the Hopetoun Channel, providing another source of data for ships using the channel and enhancing the redundancy of the system.

Planning for the future of the Port of Geelong

The long term perspective on the Port of Geelong

With several years of major upgrades to navigation systems and port infrastructure behind it, the VRCA can increase its focus on strategic planning and investigation of how channel access can be improved and risks for commercial shipping minimised.

The channels, navigation aids and other infrastructure that supports safe and efficient shipping into and out of our ports is vital to protect human life, the environment, and the economic interests of our state. It is also costly, and takes years to plan and build.

The steady increase in the size of bulk ships being built and operated internationally has been known for some years within the industry. This is driven more by economic imperatives than technical possibilities. Larger ships achieve economies of scale by being longer, wider and deeper.

The existing Geelong channels should remain viable for some years, but size increases do not have to be particularly great to constrain safe transit. If newer ships are unable to access Geelong's facilities safely and conveniently then shipping companies may consider operating from regional or interstate ports with easy deep water access. The economies achieved by using larger ships are sufficient to make this commercially feasible.

Another issue is capacity, namely the number of ships able to access the port at any time. As increasing trade brings more and bigger ships, the capacity of the channels, in their present configuration, will be reached and queues may form that will delay shipping and undermine Geelong's competitiveness.

Determining what needs to be known

If Geelong Port is to remain commercially competitive within the next twenty years the VRCA must assess how access to local channels and berths can be improved to handle greater tonnages of commodities, larger ship sizes and increasing numbers of vessels in years to come.

In 2008/2009, the VRCA approached this task via four related initiatives:

- **commissioning a study into trends in bulk ship sizes** internationally and regionally;
- **establishing a Channel Improvement database** containing details about the existing status of sediments, biology, as well meteorology, hydrodynamics and hydrography of the port and its surrounds;
- **undertaking navigation simulations using 3D computer modelling** to formulate a view of the size and type of ship that pass through existing channels;
- **undertaking capacity simulations using 3D computer modelling** to formulate a view of the numbers of ships the port can handle and the congestion and choke points that might arise.

These studies form an interlocking set of data from which port strategies can be developed. Once all studies and simulations are complete, a plenary report can be produced outlining details discovered and a précis of the various simulation scenarios tested. The results of the studies and tests will be available to port

stakeholders, who will be able to use these to form their own views of port developments.

Ships size and port capacity studies

The VRCA commissioned an initial study into developments in bulk ship sizes in 2007/2008. The purpose of the study, completed by the maritime consultancy firm Thompson Clarke, was to assess developments in ship sizes since the 1950s and to anticipate what the likely size of bulk ships operating worldwide would be over the next 10-20 years. Delivered in August 2008, the study confirmed that the historical growth in the size of bulk carriers in the world fleet is continuing and that sizes are to increase further over the next 20 years.

A second study was commissioned by the VRCA to assess, over the next 20 to 30 years, the potential for increased trade through the port and the likelihood of growth in cargo parcel sizes and what its effect may be on shore facilities such as stockpiles. The main commodity groups reviewed were: dry bulk (grain, wood chips, fertiliser); liquid bulks (crude oil, petroleum product, chemicals); break bulk and general cargo (aluminium, logs, etc.) and potential new trades.This report was completed by Thompson Clarke in association with Meyrick & Associates and delivered in March 2009. It was based substantially on interviews with port users who indicated that there had been an overall increase in the throughput of commodities.

The main findings were that freight volumes transiting through the Port of Geelong are expected to grow between 25% and 200% by 2030, amounting to an increase of between 12.5 and 30 million tonnes. Thompson Clarke indicated that three cargoes (crude oil, grain and fertiliser) could gain directly through economies of scale and a fourth, woodchips, could also benefit. Trade projections for other cargoes were not likely to be impacted by any channel improvement.

Anticipated volumes into the port of Geelong

Cargo	Expected growth - 2030	Variaton	Current shipments average per annum	Expected per annum shipments with channel improvements
Crude oil	between 25 and 200%	4.5 -12 million tonnes	65 shipments of 65,000 tonnes	could rise to 77,000 tonnes
Grain	between –2 and 170%	1 - 2.7 million tonnes	27 shipments of 35,000 tonnes	could rise to 44.500 tonnes

Computer simulations

Computer models based on hydrographic and other data pertaining to the Port of Geelong enable us to visualise and test the risks surrounding ship transits of the Port of Geelong channels more efficiently and to determine the capacity of existing port facilities to handle higher levels of shipping traffic. In 2007/2008 VRCA commissioned Cardno, Lawson Treloar, an Australian oceanographic research company, to develop a computer model, *NavSim*, to address various navigational scenarios. At the same time Maunsell were engaged to conduct preliminary data-base work for capacity simulation.

Navigation Simulations

Work on the *NavSim* model began in 2008, with the express purpose of determining which parts of the channels restrict movements or pose potential risks under certain circumstances as vessels become larger, higher and longer.

The model was built to accept parameters of ships visiting now and in the future, and operate on variables such as ship type, engine speed, rudder movement and wind direction and strength, and tide and wave movements, to test the experience of navigating the channels under diverse conditions. The simulation was presented within a computer laboratory using 3D projection screens with a field of view of 200 degrees and complemented by full surround-sound. This was achieved using a central server with individual computers driving each screen view so that anyone in the laboratory could operate the ship's controls and experience the reality of a channel transit.

The VRCA demonstrated *NavSim* between 21 and 23 April 2009 using the facilities and expertise of Deakin University's Centre for Intelligent Systems Research (CISR), a local facility and home to Australia's largest team of academic experts in simulation, visualisation and haptics (touch) technology. The team's capabilities in infrastructure modelling and visualisation make it ideally suited to assist the VRCA with channel design and evaluation work into the future.

The simulations were conducted by qualified Port Phillip Sea Pilots and on two of the days were staged before an invited audience of port stakeholders. Both the pilots and participants were able to see the difficulties associated with a channel transit first-hand and new potential problems as future larger ships try to access the port of Geelong.

The advantage of navigation simulation is that the participant handling the ship's controls can immerse themselves in what they see, feel and hear and better understand the real life situations they will experience. The technology records all actions taken and lets the operator know whether a particular manoeuvre or channel transit is possible.

Capacity simulations

Following the successful launch of *NavSim*, development continued on discrete event capacity simulations to help assess how the port will handle higher levels of traffic.

The VRCA and Maunsell worked on the model in conjunction with port operators and users. Parameters built into the model address ship traffic and cargo tonnages, numbers of ships, and cargo seasonality and permit testing and predictions of how the port, its channels and facilities will handle the increasing cargo movements. This can then be used to prevent congestion and potential bottlenecks before they actually occur.

Development of the *CapacitySim* model is expected to be completed in late 2009 and a demonstration simulation presented to port stakeholders possibly in December 2009.

The Channel improvement database

The Victorian Channels Authority previously held all hydrological, meteorological and biological data relating to Geelong port and passed this to the newly established VRCA in 2004.

In order to establish baselines for future studies, environmental and otherwise, the VRCA has sought to collect this data in a more rigorous and systematic fashion stored electronically to enable easy search and access.

The resulting Channel improvement database is now a permanent electronic repository for all new data collected.

Safety and the Environment

The provision of safe and secure port waters and assurance of environmentally responsible marine operations is a key indicator of performance for the VRCA. In 2008/2009 the Authority reported zero marine incidents of significance and undertook a number of initiatives to maintain the standards of navigation aids and facilities in port waters.

Safety and Environmental Management Plan review

Under Victorian legislation the VRCA must prepare a Safety and Environmental Management Plan (SEMP) and engage with other stakeholders and port users to implement the details of the plan. In June 2006 the VRCA, in conjunction with GeelongPort Pty. Ltd. and GrainCorp Ltd., prepared and submitted a joint SEMP to the State government for auditing and approval by independent reviewers.

In August 2008 the SEMP was reviewed internally by the participants as prescribed in PSA1995. The plan was subsequently amended as required but with no additional recommendations made.

As the basis for the VRCA's drive to ensure safe and environmentally acceptable practices within Geelong Channels, all of the measures cited in the plan are now included as part of the official safety and environmental policy of the VRCA.

Development of a new operational safety management plan

In 2008/2009 the VRCA developed a new operational safety management plan to comply with Australian standard AS/NZ 4801:2001 and international standards ISO 18001:2007.

The plan formalises the VRCA's drive to manage port waters and operations in a way that is safe, secure and environmentally responsible.

Risk Management Register review

The Risk Management Register established by the VRCA in 2004 incorporates input from the organisation's SEMP and provides a framework within which the VRCA fulfils its responsibilities under the Port Services Act (1995) on behalf of customers and users of regional ports. The VRCA Risk Committee of the VRCA Board met on a quarterly basis throughout this financial year to review the register. No significant revisions were made, as all major controls have been implemented and active for the last two years.

In this reporting year the organisation sought to facilitate the review and audit process of the register by incorporating it within the purpose-built Integrated Risk management Information System (IRIS) software package.

Release of updated Harbour Master directions 2008

The VRCA worked with other key port users to review existing practices and to update the Harbour Master directions issued with the second edition of the Port Handbook in December 2008. The handbook provides information and guidance to Ships' masters, agents and owners to facilitate safe and efficient operation of

shipping within the port waters. It contains port information on anchorages, channels, berths, tidal information; port services details and contacts for the port of Geelong, and Harbour Master's directions for the navigation and operation of vessels in port waters.

It also lists measures, contained in the Port of Geelong SEMP, for managing and enforcing safe ship transits in Geelong channels and port waters; a section on safety and environmental requirements and emergency management and port security procedures.

Navigation reliability figures

During the 2008/2009 financial year the VRCA complied with Marine Safety Victoria (MSV) and International Association of Marine Aids to Navigation and Lighthouse Authorities (IALA) standards for the performance of the approximately 110 navigation aids, beacons and buoys it maintains in Geelong's port waters.

Marine incidents

The provision of safe and secure access to port waters and assurance of environmentally responsible marine operations is a key indicator of performance for the VRCA. In 2008/2009 the Authority reported zero marine incidents of significance and undertook a number of initiatives to maintain the standards of navigation aids and facilities in port waters.

Marine pollution

Under the Marine Act 1988 the Director of Marine Safety is responsible for ensuring that there are adequate resources to respond effectively to marine pollution events in Victorian waters. The Director has designated the PoMC as the responsible regional control agency within the Port Phillip region, including Corio Bay.

Responsibility for investigating marine pollution incidents in Victorian waters belongs to the Victorian Environmental Protection Authority (EPA). The VRCA has a reporting and support role in relation to such incidents and cooperates with the PoMC, the EPA and emergency services organisations as required and as directed by the Director of Marine Safety.

During 2008/2009 no major marine pollution incidents occurred in port waters.

Continuation of the safety awareness campaign

Geelong's channels are designed for large vessels, with about 1,000 channel transits by large ships occurring every year. Large vessels must keep within the marked channels or anchorages and have right of way. Small craft that anchor in or cross using these channels are at risk from these vessels, which cannot stop or manoeuvre easily around them.

In order to minimise the level of incidents involving small leisure craft in port channels the Authority resumed the 'Keep Clear of Big Ships!' education and awareness program begun in 2007/2008.

Key messages from the 2008/2009 campaign include:

- Keep clear of big ships.
- Big ships have right of way.
- They cannot steer if they slow down too much and may not be able to avoid you.

- Take care in port waters.
- Help us to keep everybody safe.
- Keep a lookout - you may not hear the approach of a vessel over the noise of your engine or the noise of wind and waves.
- Make sure you show appropriate lights at night.
- After a ship passes there will be waves that may catch you unawares and swamp or capsize your boat if you are not prepared.

A program of presentations by senior staff to community organisations was undertaken to spread the safety message as widely as possible. As in previous years this was supported by local radio advertisements, newspaper advertising, and distribution of promotional flyers and merchandise.

Once again the VRCA launch George Molland was used by the Harbour Master to patrol port waters during peak periods and major yachting and boating events. It was particularly active during the Skandia Geelong Week Festival in January 2009, where celebrations included about 450 competitor yachts and numerous visiting craft such as tall ships and passenger ferries.

Marine life and biological surveys

In the course of the financial year two studies into the Corio Bay marine environment were conducted. One involved targeted sediment surveys of the sea-bed in port waters to determine their composition; the second was a biological survey to determine the nature of marine life forms in the bay. Results of these surveys are incorporated into the VRCA Channel improvement database.

Additional information

TRADING RESULTS

The Authority's profit for the year was $789,294(2007-2008 $1,128,924) after allowing for an income tax expense of $469,277 (2007-2008 $610,453).

REPORTING

The Authority reports to the Minister for Roads and Ports, The Hon. Tim Pallas MP.

EVENTS SUBSEQUENT TO BALANCE DATE

Since the end of the financial year the directors are not aware of any matter or circumstance not otherwise dealt with in this report, which has the potential to significantly affect the operations of the Authority, the results of those operations or the state of affairs of the Authority in subsequent financial years.

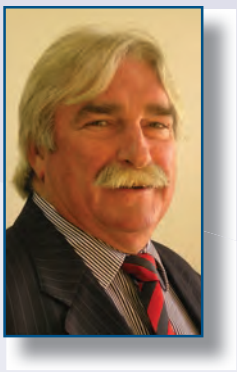
DIRECTORS' BENEFITS

No Director of the Authority has, since the end of the previous financial period, received or become entitled to receive a benefit (other than a benefit included in the total amount of emoluments received or due and receivable by directors shown in the financial statements) by reason of a contract made by the Authority, a controlled entity or a related body corporate with the director or with a firm of which the director has a substantial financial interest.

INFORMATION ON DIRECTORS

Neil Edwards (Chairperson) was appointed a Director of VRCA in January 2008 and Chairman in April 2008. He has been Chief Executive, Chifley Business School, since July 2005 and also Chief Executive, ETM Search and Selection since February 2007. He was previously a Director of the Port of Melbourne Corporation, serving as Executive Chairman in 2003, and Chairman in 2004-2005. From 1999 to March 2003, Neil was Secretary, of the Victorian Department of Innovation, Industry and Regional Development and before Executive Director, State Development Policy. Between 1979 and 1996, Neil worked in the Australian Government, including in several senior executive positions in the Departments of Prime Minister and Cabinet and Industry, Science and Tourism, and serving as Private Secretary to successive Australian Ministers for Finance. During 1989-90, he was seconded to the Government of Canada. After qualifying in economics and politics, Neil taught at Monash University and then at the University of New England. Neil is a Fellow of the Australian Institute of Company Directors and a Fellow of the Institute of Public Administration Australia. Neil is also a Director of the Burnet Institute and has served as Commissioner, State Services Authority.

Merran Kelsall (Deputy Chairperson) began her career in Chartered Accountancy, becoming a partner in a major practice in 1987. She has worked as an independent director and consultant since 1996. Merran has considerable experience in highly regulated industries, especially financial services, health and utilities. She is also an experienced executive coach and chairs a syndicate for the CEO Institute. Merran's current appointments include: Chairman Auditing and Assurance Standards Board, Public Transport Ombudsman Ltd, Director, Melbourne Water Corporation, RACV Ltd, Cuscal Ltd, and member of Council of Trustees of the National Gallery of Victoria.



John McQuilten (Director) was appointed a Director of VRCA in May 2008. He has a background in government and represented Ballarat Province in the Victorian Legislative Council from 1999 to 2006. During his time in the Parliament, John contributed to a number of government committees including the Economic Development Committee and Rural Regional and Services Committee. John began his career as a business consultant working with companies including KPMG and Electronic Data Systems (EDS). He is currently a Member of the Ballarat University Council and the Victorian Rail Freight Review Committee, and was a participant in the 2020 Summit in Canberra. John is also a vigneron in the Bendigo region of Central Victoria.

DIRECTORS' MEETINGS

The number of directors' meetings held in the period each director held office during the financial year and the number of meetings attended by each director is:

Director	Number held	Number attended
Neil Edwards	6	6
Merran Kelsall	6	6
John McQuilten	6	6

PECUNIARY INTERESTS

The directors, chief executive officer and senior managers have completed a statement of pecuniary interests.

AUDIT COMMITTEE MEMBERSHIP AND ROLE

The Audit Committee consists of all the members of the Board of the Authority, with Merran Kelsall as Chairmann.

The main responsibilities of the Audit Committee are to:

- determine the scope of the internal audit function and ensure that its resources are adequate and used effectively including co-ordination with the external auditors;
- oversee the effective operation of the risk management framework; and
- review the Authority's internal control environment covering:
  - effectiveness and efficiency of operations;
  - reliability of financial reporting; and
  - compliance with applicable laws and regulations.

RISK COMMITTEE MEMBERSHIP AND ROLE

All of the Board members of the Authority are members of the Committee, with John McQuilten as Chairman.

The Risk Committee sits on a quarterly basis to review the risk register and progress in risk management procedures.

The main responsibilities of the risk committee are to:

- ensure the continuing assessment of the risk environment;
- oversee the review and audit of the risk register; and
- ensure the reliable reporting of risks and operational controls.

EXECUTIVE OFFICER REMUNERATION

The number of executive officers whose income is $100,000 or more is shown below in their relevant income bands:

Income bands	2009 Number	2008 Number
$120,000 to 129,999	-	-
$130,000 to 139,999	-	-
$150,000 to 159,999	1	1
$170,000 to 179,999	1	1

INDEMNIFICATION OF OFFICERS

During the financial year, the Authority took out an agreement to indemnify directors and executive officers against all costs and expenses involved in defending legal actions and any resulting payments arising from a liability to persons (other than the Authority) incurred in their position as director or executive officer unless the conduct involves a wilful breach of duty or an improper use of inside information or position to gain advantage.

CONSULTANCIES

There were no consultancies for the financial year over $100,000.

STATUTORY REQUIREMENTS

Freedom of Information Act

There were no requests under the Freedom of Information Act 1982 received during the year. The Authority has complied with the Act.

Building Act

The Authority complies with the provision of the Building Act 1993.

Competitive Neutrality

The Authority complies with Victorian Government policy on competitive neutrality.

Occupational Health and Safety (OH&S)

The Authority had an Occupational Health and Safety (OH&S) committee in place that met on a regular basis to deal with any issues raised. The committee was made up of representatives from a cross section of the Authority.

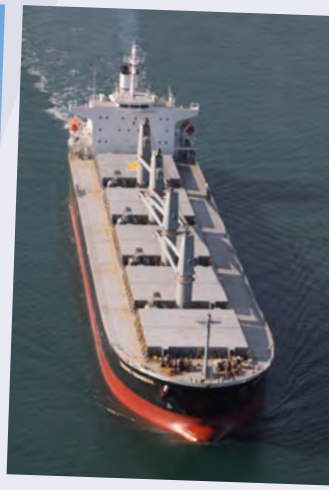
The Authority reported no significant incidents or lost time injuries for the year.

Whistleblowers Protection Act

The Authority is committed to the aims and objectives of the Whistleblowers Protection Act 2001.

Since the commencement of the Act in January 2002, no disclosures have been received or investigations made by the Authority, and it has not referred any disclosures to the Ombudsman for any reasons. Neither has the Ombudsman referred any disclosures or made any recommendations to the Authority.

The Authority's procedures for reporting disclosures in accordance with the Act are included on the Authority's website



Multicultural Awareness

The Authority is committed to promoting culturally appropriate policies, programs and strategies. With employees representing several nationalities, cultural integration within the work environment is strongly encouraged.

Annual Report

The Authority has complied with its statutory obligations in relation to the annual report. Information in relation to the Authority's following activities has been complied with and is available upon request:

- declarations of pecuniary interests;
- publications produced by the authority;
- changes in prices, fees, charges, rates and levies;
- major external reviews carried out;
- overseas visits;
- occupational health and safety; and
- industrial accidents and disputes.

For and on behalf of the Board

Neil Edwards
Chairman
September 2009

Merran Kelsall
Deputy Chairman
September 2009

FINANCIAL REPORT

For the Financial Year Ended 30 June 2009

INCOME STATEMENT

For the financial year ended 30 June 2009

	Note	2009 $	2008 $
Income			
Channel income		**5,639,020**	5,822,429
Other income	2(a)	**390,632**	470,377
Total income		**6,029,652**	**6,292,806**
Expenses			
Employee benefits	2(b)	**801,294**	734,933
Depreciation and amortisation	2(c)	**1,615,905**	1,564,196
Maintenance dredging		**-**	-
Other maintenance		**149,367**	161,588
Lease	2(d)	**69,860**	76,760
Insurance		**151,660**	147,783
Marine services		**782,296**	738,040
Vessel expenses		**46,293**	33,455
Consultancies and contractors		**162,852**	152,491
Waterway Management		**79,932**	81,092
Special projects		**438,705**	460,004
Loss on disposal of fixed assets		**16,751**	11,185
Other expenses		**455,966**	391,902
Total expenses		**4,770,881**	**4,553,429**
Net profit before income tax expense		**1,258,771**	**1,739,377**
Income tax expense	3	**469,277**	610,453
Net profit for the period		**789,494**	**1,128,924**

The above income statement should be read in conjunction with the accompanying notes.

BALANCE SHEET
As at 30 June 2009

	Note	2009 $	2008 $
Current assets			
Cash and cash equivalents	4	**9,060,047**	7,564,573
Trade and other receivables	5	**775,193**	779,753
Total current assets		**9,835,240**	**8,344,326**
Non-current assets			
Infrastructure, property, plant and equipment	6	**66,804,233**	52,362,799
Intangible assets	7	**10,443**	20,767
Deferred tax assets	3(b)	**65,748**	59,663
Total non-current assets		**66,880,424**	**52,443,229**
Total assets		**76,715,664**	**60,787,555**
Current liabilities			
Trade and other payables	8	**165,489**	137,918
Provisions	9(a)	**162,031**	126,867
Total current liabilities		**327,520**	**264,785**
Non-current liabilities			
Provisions	9(b)	**1,436**	2,316
Deferred tax liabilities	3(c)	**1,515,677**	1,358,606
Total non-current liabilities		**1,517,113**	**1,360,922**
Total liabilities		**1,844,633**	**1,625,707**
Net assets		**74,871,031**	**59,161,848**
Equity			
Contributed equity	10(a)	**57,883,058**	57,883,058
Reserves	10(b)	**15,722,689**	-
Retained profit	10(c)	**1,265,284**	1,278,790
Total equity		**74,871,031**	**59,161,848**
Contingent assets and liabilities	16		
Commitments for expenditure	17		

The above balance sheet should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2009

	Note	2009 $	2008 $
Total equity at the beginning of the period		**59,161,848**	**58,388,924**
Net profit for the period		**789,494**	1,128,924
Increases in reserves	10(b)	**15,722,689**	-
Dividends paid		**(803,000)**	(356,000)
Total equity at the end of the period		**74,871,031**	**59,161,848**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT

For the financial year ended 30 June 2009

	Note	2009 $	2008 $
Cash flows from operating activities			
Receipts from trade and other debtors		**6,213,597**	6,438,267
Payments to trade creditors, other creditors and employees		**(3,294,169)**	(3,248,933)
Goods and services tax paid to the Australian Taxation Office		**(302,447)**	(110,122)
Interest received		**400,870**	466,562
Income tax paid (refer note 1(j))		**(344,193)**	(978,339)
Net cash inflow from operating activities	19	**2,673,658**	**2,567,435**
Cash flows from investing activities			
Payments for infrastructure, property, plant and equipment		**(475,914)**	(2,134,120)
Proceeds from sale of infrastructure, property, plant and equipment		**100,730**	68,561
Net cash (outflow) from investing activities		**(375,184)**	**(2,065,559)**
Cash flows from financing activities			
Dividends paid		**(803,000)**	(356,000)
Net cash (outflow) from financing activities		**(803,000)**	**(356,000)**
Net increase in cash and cash equivalents		**1,495,474**	**145,876**
Cash and cash equivalents at the beginning of the financial year		**7,564,573**	7,418,697
Cash and cash equivalents at the end of the financial year	4	**9,060,047**	**7,564,573**

The above cash flow statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2009

Contents

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2009

Note 1. Summary of accounting policies

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared on an accrual basis in accordance with the *Financial Management Act 1994*, applicable Australian Accounting Standards (AAS) which includes the Australian Accounting standards issued by the *Australian Accounting Standards Board* (AASB), Interpretations and other mandatory professional requirements.

The financial report also complies with relevant Financial Reporting Directions (FRDs) issued by the Department of Treasury and Finance, and relevant Standing Directions (SD) authorised by the Minister for Finance.

(b) Basis of preparation

The Victorian Regional Channels Authority (VRCA) has been assessed as a for-profit entity under *Financial Reporting Direction (FRD) 108*. The financial report has been prepared in accordance with the historical cost convention, except for the revaluation of channel assets. Channel assets are held at fair value.

The accounting policies adopted, and the classification and presentation of items, are consistent with those of the previous year, except where a change is required to comply with accounting standards or an alternative accounting policy permitted by an Australian accounting standard is adopted to improve the relevance and reliability of the financial report. Where practicable, comparative amounts are presented and classified on a basis consistent with the current year.

(c) Reporting entity

VRCA has responsibility for regional shipping channels in Geelong, Hastings and Portland. The main objective of VRCA is to ensure that port waters and channels in port waters are managed for use on a fair and reasonable basis.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and investments in money market instruments.

(e) Contributions by owners

Consistent with UIG Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* appropriations for additions to net assets have been designated as contributions by owners. Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners.

(f) Depreciation of property, plant and equipment

Depreciation is calculated on a straight line basis to write off the net cost or 'deemed' net cost of each item of property (excluding land) over its expected useful life to VRCA. Estimates of the remaining useful lives for all assets are reviewed at least annually. The expected useful lives are as follows;

Navigation aids	5 - 40 years
Office furniture, fittings and equipment	3 to 10 years
Motor vehicles	4 years
Leasehold improvements	3 years
Channels	40 years

Note 1. Summary of accounting policies continued

(g) Dredging

The shipping channels in Geelong Port are subject to continual deterioration through siltation, which reduces the depth of water available to commercial shipping. The berths and channels are restored to declared depths by maintenance dredging. This dredging is carried out on an as needs basis and is expensed as incurred.

(h) Dividends

An obligation to pay a dividend only arises after consultation between the Board, the Minister for Transport and the Treasurer. Following this consultation a formal determination is made by the Treasurer. There is no such obligation as at the reporting date

(i) Employee benefits

(i) Salaries and wages (including leave)

Liabilities for salaries and wages, including non-monetary benefits and annual and long service leave (including oncosts) are recognised and measured as the amounts expected to be paid when liabilities are settled in respect of employees' services up to the reporting date. Sick leave is non-vesting and a liability is recognised only when the amount of sick leave expected to be taken in future periods exceeds the entitlement expected to accrue in those periods.

A liability for employee benefits is recognised and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date and is inclusive of oncosts. Consideration is given to future salary and wage levels, experience of employee departures and periods of service. Benefits not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made in respect of the service provided by employees up to the reporting date.

(ii) Superannuation

The amount charged to the income statement in respect of superannuation represents the contributions made by VRCA to the superannuation fund in respect to the current services of employees. Superannuation contributions are made to funds based on the relevant rules of each fund.

(j) Goods and services tax

Revenues, expenses and assets are recognised net of goods and services tax (GST) except:

- where that amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

The GST component of a receipt or payment is recognised on a gross basis in the cash flow statement. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(k) Impairment of assets

VRCA's assets are assessed annually for indications of impairment, except for:

- assets arising from employee benefits;
- deferred tax assets; and
- non-current assets held for sale.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying amount exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written-off by a charge to the income statement except to the extent that the write-down can be debited to an asset revaluation reserve amount applicable to that specific asset.

The recoverable amount for assets is measured at the higher of value in use and fair value less costs to sell. The value in use is measured as the present value of future cash flows expected to be obtained from the asset.

(l) Income tax

By direction of the Treasurer of Victoria under the State Owned Enterprises Act 1992, VRCA is subject to the National Tax Equivalent Regime (NTER), but limited to the Income Tax component of the NTER.

The amount recognised for current tax is based on the profit or loss for the year as adjusted for non-assessable and non-deductible items. It is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of assets and liabilities as determined under income tax legislation.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of assets and liabilities (other than as a result of the acquisition of an entity or operation) which affects neither taxable income nor net profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the carrying amount of the asset or liability is recovered or settled. Deferred tax is recognised as an expense or revenue in the profit or loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

The NTER is administered by the Australian Taxation Office on behalf of the States and Territories. Income tax is paid or payable to the State.

(m) Infrastructure, property, plant and equipment

All non-current physical assets costing greater than $1,000 are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the acquisition. The discount rate used is the incremental borrowing rate, being the rate at which similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Revaluations of non-current physical assets – Change in accounting policy

In previous years channel assets were measured at historical cost in line with a temporary exemption, granted by the Minister for Finance, from applying a fair value under *FRD 103C.* This temporary exemption has now expired and the Authority is now required to measure channel assets at fair value in accordance with FRDs issued by the Minister for Finance. This revaluation process occurs every year and is based upon the critical accounting estimates and judgements listed below. The impact on the Authority's statements can be seen at note 6 and 10(b).

Revaluation increases are credited directly to equity in the revaluation reserve, except to the extent that an increase reverses a revaluation decrease in respect of that class of property, plant and equipment, previously recognised as an expense (other economic flows) in the net result, the increase is recognised as income (other economic flows) in determining the net result.

Note 1. Summary of accounting policies continued

Revaluation decreases are recognised immediately as expenses (other economic flows) in the net result, except to the extent that a credit balance exists in the revaluation reserve in respect of the same class of property, plant and equipment, they are debited to the revaluation reserve.

Revaluation increases and decreases relating to individual assets within a class of property, plant and equipment, are offset against one another within that class but are not offset in respect of assets in different classes.

Revaluation reserves are not normally transferred to accumulated funds on de-recognition of the relevant asset.

Critical accounting estimates and judgements

Channel assets are valued at fair value under a discounted cash flow model. Channel assets are assessed as having an economic life of 40 years and cash flow projections are discounted by the 10 year bond rate on the date of the valuation. The 10 year bond rate is the most suited discount rate and represents the rate of return on the best alternative use of funds.

Consideration was given to using a weighted average cost of capital (WACC) as the discount rate. However, it was felt inappropriate due to the difficulties in calculating a valid WACC. These difficulties are due to the uniqueness of VRCA in that they are the only known entity that operates a channel only (no landside operations) and there is no valid bench mark or optimum debt/equity ratio available that can be used. Further VRCA is self funded and not likely to require any debt in the foreseeable future.

Revenues are projected over 40 years with reference to the most recent forecasts and budgets and increased based on historical volume and price increases.

Expenses are projected over 40 years with reference to the most recent forecasts and budgets and increased based on the latest available consumer price index (CPI).

Where possible revenues and expenses are projected over 40 years based on contractual arrangement currently in place. Forecasts and budgets are based on past experience and adjusted for expected changes to that experience.

(n) Intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance. Intangible assets are recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to VRCA.

Amortisation is allocated to intangible assets with finite useful lives on a systematic basis over the asset's useful life. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period. In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible asset concerned is impaired. If so, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. The expected useful lives are as follows;

Software	2.5 years

Note 1. Summary of accounting policies continued

Intangible assets with indefinite useful lives are not amortised. The useful life of intangible assets that are not being amortised are reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. In addition, the entity tests all intangible assets with indefinite useful lives for impairment by comparing its recoverable amount with its carrying amount:

(a) annually, and
(b) whenever there is an indication that the intangible asset may be impaired.

Any excess of the carrying amount over the recoverable amount is recognised as an impairment loss.

(o) Provisions

Provisions are recognised when VRCA has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recognised from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(p) Revenue recognition

Amounts disclosed as revenue are, where applicable, net of trade allowances and duties and taxes paid or payable. Revenue is recognised for each of VRCA's major activities as follows;

(i) Channel fees
Channel fees represents revenue earned from the sale of VRCA's services (use of shipping channels). These fees are recognised as revenue in the period in which the service has been provided.

(ii) Interest revenue
Interest revenue represents revenue received or receivable on at-call and short-term deposits invested by VRCA. At-call and short-term deposits are brought to account at face value.

(iii) Sundry revenue
Sundry revenue is all other revenue earned by VRCA not dealt with above. Sundry revenue is recognised as revenue in the period in which the service has been provided.

(q) Trade receivables

Debtors are generally settled within thirty (30) days and are carried at amounts due. A review is made of all outstanding amounts at year end in order to determine whether a provision for doubtful debts is required. No provision for doubtful debts was deemed necessary at balance date.

(r) Trade payables

Creditors, including accruals not yet billed, are recognised when VRCA becomes obliged to make future payments as a result of a purchase of assets or services. Trade creditors are generally settled within 30 days.

Note 1. Summary of accounting policies continued

(s) New standards and interpretations issued but not yet effective

At the date of this financial report the following standards and interpretations, which may impact the Authority in the period of initial application, have been issued but are not yet effective:

Standard / Interpretation	Summary	For reporting periods beginning on	Impact on Financial Statements
AASB 8 Operating Segments	Supersedes AASB 114 *Segment Reporting*	Beginning 1 Jan 2009	Not applicable.
AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 and AASB 1038].	An accompanying amending standard, also introduced consequential amendments into other Standards.	Beginning 1 Jan 2009	Impact expected to be insignificant.
AASB 101 Presentation of Financial Statements	Revised standard – amends disclosure requirements and format of financial statements	1 Jan 2009	Disclosures only
AASB 101 Amendments to Australian Accounting Standards arising from	Amends the majority of standards and Interpretations as a result of issue of AASB 101	1 Jan 2009	Disclosures only
AASB 2008-9 Amendments to AASB 1049 for Consistency with AASB 101	Amends AASB 1049 to reflect revised requirements of AASB 101 – applies to public sector (Whole of Government) entities only	1 Jan 2009	Disclosures only
AASB 2009-1 Amendments to Australian Accounting Standards – Borrowing Costs of Not-for-Profit Public Sector Entities [AASB 1, AASB 111 & AASB 123]	In respect of not-for-profit public sector entities, amends AASB 123 by reintroducing the option to expense borrowing costs in the period in which they are incurred.	1 Jan 2009	Impact expected to be insignificant.
AASB 2009-2 Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]	Amends AASB 7 to require enhanced disclosures about fair value measurements and liquidity risk.	1 Jan 2009	Impact expected to be insignificant.

Standard / Interpretation	Summary	For reporting periods beginning on	Impact on Financial Statements
AASB 2009-3 Amendments to Australian Accounting Standards – Embedded Derivatives [AASB 139 & Interpretation 9]	Amends AASB 139 & Interpretation 9 to clarify the requirements in relation to the treatment of embedded derivatives within a host contract that is reclassified out of the fair value through profit or loss category in accordance with the amendments made to AASB 139 in October 2008.	1 Jul 2008	Impact expected to be insignificant.
AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2, 138, Interpretations 9, 16]	Amends a number of standards and interpretations as a result of the annual improvements project.	1 Jul 2009	Impact expected to be insignificant.
AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136, 139]	Amends a number of standards as a result of the annual improvements project.	1 Jan 2010	Impact expected to be insignificant.
AASB 2009-6 Amendments to Australian Accounting Standards	Makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. These amendments have no major impact on the requirements of the amended pronouncements.	1 Jan2009	Impact expected to be insignificant.
AASB 2009-7 Amendments to Australian Accounting Standards [AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17]	Amends a number of standards for editorial corrections by the AASB and by the International Accounting Standards Board (IASB). These editorial amendments have no major impact on the requirements of the amended pronouncements.	1 Jul 2009	Impact expected to be insignificant.
Interpretation 15 Agreements for the Construction of Real Estate	Applies to accounting for revenue and associated expenses by entities that enter into agreements for the construction of real estate directly or through subcontractors.	1 Jan 2009	Impact expected to be insignificant.
Interpretation 16 Hedges of a Net Investment in a Foreign Operation	This Interpretation provides guidance on accounting for the hedge of a net investment in a foreign operation in an entity's consolidated financial statements.	1 Oct 2008	Impact expected to be insignificant.
Interpretation 17 Distributions of Non-Cash Assets to Owners	This Interpretation provides guidance on how an entity should measure distributions of assets other than cash when it pays dividends to its owners, except for common control transactions.	1 Jul 2009	Impact expected to be insignificant.

Standard / Interpretation	Summary	For reporting periods beginning on	Impact on Financial Statements
2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners [AASB 5 & AASB 110]	Amends AASB 5 and AASB 110 as a result of the issue of Interpretation 17	1 Jul 2009	Impact expected to be insignificant.
Interpretation 18 Transfer of Assets from Customers	This Interpretation applies to the accounting for transfers of items of property, plant and equipment by entities that receive such transfers from their customers.	1 Jul 2009	Impact expected to be insignificant.
AASB 123 Borrowing Costs	Option to expense borrowing cost related to a qualifying asset had been removed. Entities are now required to capitalise borrowing costs relevant to qualifying assets. In February 2009, the AASB decided that not-for-profit public sector entities could continue to expense borrowing costs attributable to qualifying assets pending the outcome of various IPSASB/AASB projects.	Beginning 1 Jan 2009	Impact expected to be insignificant.
AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	An accompanying amending standard, also introduced consequential amendments into other Standards.	Beginning 1 Jan 2009	Same as AASB 123 above.
AASB 2008-2 Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation [AASB 7, AASB 101, AASB 132, AASB 139 & Interpretation 2]	This Amending Standard introduces an exception to the definition of financial liability to classify as equity instruments certain puttable financial instruments and certain instruments that impose on an entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation of the entity.	Beginning 1 Jan 2009	Impact expected to be insignificant.
AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 & AASB 127 [AASB 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107]	This Standard gives effect to consequential changes arising from revised AASB 3 and amended AASB 127. The Prefaces to those Standards summarise the main requirements of those Standards.	Beginning 1 Jul 2009	Impact expected to be insignificant.

Note 1. Summary of accounting policies continued

Standard / Interpretation	Summary	For reporting periods beginning on	Impact on Financial Statements
AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASBs5, 7 101, 102, 107, 108, 110, 116, 118, 119, 120, 123, 127, 128, 129, 131, 132, 134, 136, 138, 139, 140, 141, 1023 & 1038]	A suite of amendments to existing standards following issuance of IASB Standard Improvements to IFRSs in May 2008. Some amendments result in accounting changes for presentation, recognition and measurement purposes.	Beginning 1 Jan 2009	Impact expected to be insignificant.
AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements project [AASB 1 & AASB 5]	The amendments require all the assets and liabilities of a for-sale subsidiary to be classified as held for sale and clarify the disclosures required when the subsidiary is part of a disposal group that meets the definition of a discontinued operation.	Beginning 1 Jul 2009	Impact is expected to be insignificant.
AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136]	Changes mainly relate to treatment of dividends from subsidiaries or controlled entities	Beginning 1 Jan 2009	Impact is expected to be insignificant.
AASB 2008-8 Amendments to Australian Accounting Standards – Eligible Hedged Items [AASB 139]	The amendments to AASB 139 clarify how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation as a hedged item should be applied in particular situations.	Beginning 1 Jul 2009	Not applicable.
AASB 2008-9 Amendments to AASB 1049 for Consistency with AASB 101	Amendments to AASB 1049 for consistency with AASB 101 (September 2007) version.	Beginning 1 Jan 2009	Not applicable to public sector entities except for certain presentation formats.

Note 2. Net result from operations

	2009 $	2008 $
Income		
(a) Other revenue		
Interest revenue	**390,220**	470,008
Sundry revenue	**412**	369
Total other revenue	**390,632**	**470,377**
Expenses		
(b) Employee benefits		
Salary and wages	**617,212**	620,191
Superannuation	**55,977**	51,259
Annual and long service leave expense	**34,284**	13,645
Other employee expenses (fringe benefits tax, payroll tax, workcover levy, etc)	**93,821**	49,838
Total employee benefits	**801,294**	**734,933**
(c) Depreciation and amortisation		
Navigation aids	**212,275**	155,089
Plant and equipment	**144,609**	134,496
Channel assets	**1,242,209**	1,242,209
Software	**16,812**	32,402
Total depreciation and amortisation	**1,615,905**	**1,564,196**
(d) Rental expense relating to operating leases		
Building rentals	**60,946**	67,811
Storage rentals	**3,164**	3,055
Equipment rentals	**5,750**	5,894
Total rental expense	**69,860**	**76,760**

Note 3. Income tax

By direction of the Treasurer of Victoria under the State Owned Enterprises Act 1992, the VRCA is subject to the National Tax Equivalent Regime (NTER) from the date of commencement, but limited to the Income Tax component of the NTER.

The amount of income tax attributable to the financial year differs from the amount prima facie payable on the operating profit.

The differences are reconciled as follows:

		2009 $	2008 $
(a)	**Income tax recognised in the income statement**		
	Prima facie income tax		
	Net result before income tax	**1,258,771**	**1,739,377**
	Income tax at 30%	**377,631**	**521,813**
	Adjustment in income tax expense due to:		
	Permanent differences	**91,646**	88,640
	Income tax recognised in the income statement	**469,277**	**610,453**
	Reconciliation of tax recognised in the income statement:		
	Current taxation provision	**444,587**	584,329
	Tax receivable	**(116,743)**	(100,394)
	Movement in deferred tax asset (refer below)	**(6,085)**	(5,003)
	Movement in deferred tax liability (refer below)	**157,071**	131,521
	Income tax recognised in the income statement	**478,830**	**610,453**
(b)	**Deferred tax asset**		
	Opening balance	**59,663**	54,660
	Temporary differences	**6,085**	5,003
	Closing balance	**65,748**	**59,663**
(c)	**Deferred tax liabilities**		
	Opening balance	**1,358,606**	1,227,085
	Temporary differences	**157,071**	131,521
	Closing balance	**1,515,677**	**1,358,606**

Note 4. Cash and cash equivalents

	2009 $	2008 $
Cash at bank and on hand	**210,018**	264,573
Short term deposits	**8,850,029**	7,300,000
	9,060,047	**7,564,573**

The above figures are reconciled to cash at the end of the financial year as shown in the cash flow statement as follows:		
Balance as above	**9,060,047**	7,564,573
Balance per cash flow statement	**9,060,047**	7,564,573

Cash at bank
Due to VRCA's investment policy generally only small amounts of cash are held in the bank account. These amounts are aimed at levels sufficient to cover current liabilities of VRCA.

Short term deposits
All deposits of VRCA are limited to instruments directly accepted by an authorised bank or issued by a Government Treasury or Authority and guaranteed by a State or Commonwealth Government. These deposits had a floating interest rate between 2.95 and 7.88 per cent (2007/08 – 6.20 and 8.09 per cent).

Note 5. Trade and other receivables

	2009 $	2008 $
Current		
Trade debtors	**479,767**	490,691
Prepayments	**111,416**	105,976
Interest receivable	**36,698**	47,348
GST receivable	**21,016**	27,860
Other	**126,296**	107,878
	775,193	**779,753**

Note 6. Infrastructure, property, plant and equipment

	2009 $	2008 $
Navigation aids		
At cost	**7,527,712**	7,281,128
Less: Accumulated depreciation	**(536,367)**	(323,967)
	6,991,345	**6,957,161**
Plant and equipment		
At cost	**1,046,928**	1,059,133
Less: Accumulated depreciation	**(434,040)**	(373,015)
	612,888	**686,118**
Channel assets		
At cost	**-**	49,688,356
At valuation	**59,200,000**	-
Less: Accumulated depreciation	**-**	(4,968,836)
	59,200,000	**44,719,520**
	66,804,233	**52,362,799**

Reconciliations

Reconciliations of the carrying amounts of each class of infrastructure, property, plant and equipment at the beginning and end of the year are set out below.

	Navigation aids $	Plant and equipment $	Channel assets $	Total $
Carrying amount at start of year	**6,957,161**	**686,118**	**44,719,520**	**52,362,799**
Additions	239,094	187,067	-	**426,161**
Transfers	7,365	(7,365)	-	**-**
Revaluations	-	-	15,722,689	**15,722,689**
Disposals	-	(108,323)	-	**(108,323)**
Depreciation expense	(212,275)	(144,609)	(1,242,209)	**(1,599,093)**
Carrying amount at end of year	**6,991,345**	**612,888**	**59,200,000**	**66,804,233**

Note 7. Intangible assets

	2009 $	2008 $
At cost	**113,116**	116,628
Less: Accumulated amortisation	**(102,673)**	(95,861)
	10,443	**20,767**

Reconciliation		
Carrying amount at start of year	**20,767**	36,116
Additions	**6,488**	17,053
Depreciation expense	**(16,812)**	(32,402)
Carrying amount at end of year	**10,443**	**20,767**

Note 8. Trade and other payables

	2009 $	2008 $
Trade Creditors	**2,005**	16,478
GST payable	**46,505**	46,319
Other creditors and accruals	**116,979**	75,121
	165,489	137,918

Note 9. Provisions

	2009 $	2008 $
(a) Current		
Provision for tax	**-**	-
Employee benefits (note 9(c))	**162,031**	126,867
	162,031	**126,867**
(b) Non-current		
Employee benefits (note 9(c))	**1,436**	2,316
	1,436	**2,316**
(c) Employee benefits		
Current		
All annual leave and LSL entitlements representing 7 plus years of continuous service		
• Short-term employee benefits that fall due within 12 months after the end of the period measured at nominal value. This balance represents the annual leave provision for the Authority.	**76,743**	60,342
• Other long-term employee benefits that do not fall due within 12 months after the end of the period measured at present value. This balance represents the LSL provision for the Authority.	**85,288**	66,525
	162,031	**126,867**
Non-current		
LSL representing less than 7 years of continuous service measured at present values	**1,436**	2,316

Note 10. Equity and movement in equity

		2009 $	2008 $
(a)	**Contributed Capital**		
	Opening initial capital	**57,883,058**	57,883,058
	Closing contributed capital	**57,883,058**	**57,883,058**
(b)	**Reserves**		
	Reserves at the beginning of the reporting period	**-**	-
	Revaluation increments/(Decrements)	**15,722,689**	**-**
	Reserves at the reporting date	**15,722,689**	**-**
(c)	**Retained Profits**		
	Retained profits at the beginning of the reporting period	**1,278,790**	505,866
	Profit for the year	**789,494**	1,128,924
	Dividends paid	**(803,000)**	(356,000)
	Retained profits at the reporting date	**1,265,284**	**1,278,790**

Note 11. Financial instruments

(a) Terms, conditions, and accounting policies

The Authority's accounting policies, including the terms and conditions of each class of financial asset, financial liability, and equity instrument, both recognised and unrecognised, at balance date are:

(i) Cash Assets: Includes Cash at Bank and cash in bills term deposit with a AAA rated entity.

(ii) Receivables: Receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable. Debtors are on 30 day terms.

(iii) Payables: Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Authority. Trade liabilities are normally settled on 30 day terms. No interest is charged on the payables.

(b) Interest Rate Risk

The Authority's exposure to interest rate risk and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised, at the balance date are:

		Floating Interest Rate		Non-interest Bearing		Total	
	Notes	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $
Financial assets							
Cash and cash equivalents	4	**9,060,047**	7,564,573	**-**	-	**9,060,047**	7,564,573
Trade and other receivables	5	**-**	-	**775,193**	779,753	**775,193**	779,753
		9,060,047	**7,564,573**	**775,193**	**779,753**	**9,835,240**	**8,344,326**
Weighted average interest rate		**5.4%**	7.1%				
Financial liabilities							
Trade and other payables	8	**-**	-	**165,489**	137,918	**165,489**	137,918
		-	**-**	**165,489**	**137,918**	**165,489**	**137,918**
Net Financial assets		**9,060,047**	**7,564,573**	**609,704**	**641,835**	**9,669,751**	**8,206,408**

Reconciliation of net financial assets to net assets:

	Notes	2009 $	2008 $
Net financial assets (as above)		**9,669,751**	**8,206,408**
Non financial assets and liabilities:			
Infrastructure, property, plant & equipment	6	**66,804,233**	52,362,799
Intangible assets	7	**10,443**	20,767
Net tax liabilities	3	**(1,449,929)**	(1,298,943)
Provisions	9	**(163,467)**	(129,183)
Net assets per balance sheet		**74,871,031**	**59,161,848**

Note 11. Financial instruments continued

(c) Net Fair Value

The net fair value of financial assets and financial liabilities is reflected by the carrying amount of such assets and liabilities in the balance sheet determined in accordance with the accounting policies disclosed in note 1 to the accounts.

(d) Sensitivity analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, the Authority believes that there is little to no movement likely and due to the short-term nature of the above figures their carrying amounts are assumed to be the approximate fair value. Any change will be immaterial.

(e) Credit Risk Exposure

The Authority's maximum exposures to credit risks at balance date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the balance sheet.

The Authority does not hold any collateral as security nor credit enhancements relating to any of its financial assets. Credit risk in receivables is managed by payment terms of 30 days. At balance date there were $10,448 outstanding for more than 30 days.

(f) Liquidity risk

Liquidity risk includes the risk that, as a result of our operational liquidity requirements:

- we will not have sufficient funds to settle a transaction on the date;
- we will be forced to sell financial assets at a value which is less than what they are worth; or
- we may be unable to settle or recover a financial asset at all.

To help reduce these risks we:

- have a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- have readily accessible standby facilities and other funding arrangements in place;
- have a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments;
- monitor budget to actual performance on a regular basis; and

The Authority's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

(g) Market Risk

The Authority does not have an exposure to interest rate risk foreign currency or other price risks.

Note 12. Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the financial year.

Names:
The persons who were responsible persons of VRCA during the financial year were:

Tim Pallas MP	Minister for Roads and Ports	1 July 2008 to 30 June 2009
Neil Edwards	Director *(Chairperson)*	1 July 2008 to 30 June 2009
Merran Kelsall	Director *(Deputy Chairperson)*	1 July 2008 to 30 June 2009
John McQuilten	Director	1 July 2008 to 30 June 2009
Peter McGovern	Chief Executive Officer (*Accountable Officer*)	1 July 2008 to 30 June 2009

Remuneration:
Remuneration received or receivable by responsible persons in connection with the management of the Authority during the financial year was in the ranges of:

Income Bands	**2009 No.**	**2008 No.**
$0 to $9,999	**-**	1
$10,000 to $19,999	**-**	1
$20,000 to $29,999	**1**	1
$30,000 to $39,999	**1**	1
$40,000 to $49,999	**1**	-
$160,000 to $169,999	**-**	1
$180,000 to $189,999	**1**	-
Total numbers	**4**	**5**

Total amount	**$294,337**	**$238,072**
Bonuses paid to responsible persons included above during the financial year	**$12,081**	**$23,288**

Remuneration received or receivable by the Accountable Officer in connection with the management of the Authority during the reporting period was in the range $180 000 – $189 000 ($160 000 – $169 000 in 2007-08).

The Minister's remuneration is reported in the financial statements of the Department of Premier and Cabinet.

Related party transactions:
There were no related party transactions between VRCA and any of the responsible persons.

Note 13. Remuneration of executives

The number of executive officers, other than responsible persons, and their total remuneration during the financial year are shown in the table below in their relevant income bands.

Income Bands	2009 No.	2008 No.
$150,000 to $159,999	**1**	2
$170,000 to $179,999	**1**	-
Total numbers	**2**	**2**
Total amount	**$330,988**	**$306,524**
Bonuses paid to executive officers included above during the financial year	**$21,039**	**$45,807**

Related party transactions:
There were no related party transactions between VRCA and any of the executive officers or their related entities.

Note 14. Superannuation funds

Employees of the Authority are entitled to receive superannuation benefits and the Authority contributes to a defined benefit and defined contribution plans. The defined benefit plan provides benefits based on years of service and final average salary.

The Authority does not recognise any defined benefit liability in respect of the plan because the entity has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance recognises and discloses the State's defined benefit liabilities in its financial report.

However, superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the Operating Statement of the Authority.

The names and details of the superannuation funds and contributions made by VRCA are as follows;

	Contributions Made		Contributions Outstanding	
	2009	2008	2009	2008
Fund	**$**	**$**	**$**	**$**
AMP Flexible Life (Accumulation)	**7,582**	6,758	-	-
Camilo Super Fund (Accumulation)	**13,085**	12,064	-	-
Kelsall Superannuation Fund (Accumulation)	**2,145**	1,815	-	-
MLC Investments (Accumulation)	**3,900**	1,095	-	-
McQuilten Family Super (Accumulation)	**2,145**	165	-	-
SERF (Accumulation)	**11,163**	10,392	-	-
State Superannuation Scheme (Defined Benefit)	**12,551**	11,001	-	-
Vic Super (Accumulation)	**3,963**	7,969	-	-
Prepayment (3 days)	**(557)**	-	-	-
Total	**55,977**	**$51,259**	-	-

Note 15. Remuneration of auditors

	2009	2008
	$	**$**
Audit fees paid or payable to the Victorian Auditor-General's Office for audit of the VRCA's financial report:		
Paid as at the end of the reporting period	**13,500**	-
Payable as at the end of the reporting period	**12,400**	23,700
Total remuneration	**25,900**	**23,700**

The auditors received no other benefits.

Note 16. Contingent assets and liabilities

The directors are not aware of any matter or circumstances not otherwise dealt with in this report, which has the potential to significantly affect the operations of VRCA, the results of those operations or the state of affairs of VRCA in subsequent financial years.

Note 17. Commitments for expenditure

	2009	2008
	$	**$**
(a) Lease commitments		
Commitments in relation to leases contracted for at balance date but not recognised as liabilities payable in the financial statements:		
Payable no later than 1 year	**62,170**	101,816
Payable 1-5 years	-	59,393
	62,170	**161,209**
GST claimable	**(5,652)**	(14,655)
Net commitment	**56,518**	**146,554**

(b) Operating commitments

Total expenditure contracted for at balance date but not recognised as liabilities payable in the financial statements:

Payable no later than 1 year	**44,227**	770,757
Payable 1-5 years	**53,469**	42,453
	97,695	**813,210**
GST claimable	**(8,881)**	(73,928)
Net commitment	**88,814**	**739,282**

(c) Capital commitments

Total expenditure contracted for at balance date but not recognised as liabilities payable in the financial statements:

Payable no later than 1 year	**-**	305,503
	-	**305,503**
GST claimable	**-**	(27,773)
Net commitment	**-**	**277,730**

Note 18. Events occurring after reporting date

Since the end of the financial year the directors are not aware of any matter or circumstance not otherwise dealt with in this report, which has the potential to significantly affect the operations of VRCA, the results of those operations or the state of affairs of VRCA in subsequent financial years.

Note 19. Reconciliation of profit for the year to net cash flow from operating activities

	2009 **$**	**2008** **$**
Profit for the year	**789,494**	1,128,924
Depreciation and amortisation	**1,615,905**	1,564,196
Loss on sale of assets	**16,751**	11,185
GST included in investing activities	**34,108**	159,326
Change in operating assets and liabilities;		
(Increase) / decrease in trade & other receivables	**(6,090)**	(8,997)
(Increase) / decrease in interest accrued	**10,650**	(3,446)
Decrease in trade & other payables	**27,571**	(29,906)
Increase in provisions	**34,284**	13,645
Increase / (decrease) in tax provisions	**150,985**	(267,492)
Net cash flows from operating activities	**2,673,658**	**2,567,435**

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Victorian Regional Channels Authority (VRCA), in the opinion of the directors:

a) the financial statements have been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian accounting standards and other mandatory reporting requirements;

b) the information set out in the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes to and forming part of the financial statements, present fairly the financial transactions during the year ended 30 June 2009 and the financial position as at 30 June 2009 of VRCA;

c) at the date of this statement, we are not aware of any circumstances, which would render any particulars in the financial statements to be misleading or inaccurate.

For and on behalf of the board

Neil Edwards
Chairperson

Merran Kelsall
Deputy Chairperson

Peter McGovern
Chief Executive Officer

Richard Keyte
Chief Financial Officer

Geelong
8 September 2009

AUDITOR-GENERAL'S REPORT

VAGO

Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board, Victorian Regional Channels Authority

The Financial Report

The accompanying financial report for the year ended 30 June 2009 of Victorian Regional Channels Authority which comprises the income statement, balance sheet, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the directors declaration has been audited.

The Members of the Board's Responsibility for the Financial Report

The Members of the Board of the Victorian Regional Channels Authority are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the financial reporting requirements of the *Financial Management Act 1994*. This responsibility includes:

- establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. These Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used, and the reasonableness of accounting estimates made by the Members of the Board, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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VAGO

Victorian Auditor-General's Office

Independent Auditor's Report (continued)

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report published in both the annual report and on the website of the Victorian Regional Channels Authority for the year ended 30 June 2009. The Members of the Board of the Victorian Regional Channels Authority are responsible for the integrity of the website. I have not been engaged to report on the integrity of the website. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the Victorian Regional Channels Authority website.

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Auditor's Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of Victorian Regional Channels Authority as at 30 June 2009 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
14 September 2009

for D D R Pearson
Auditor-General

Level 24, 35 Collins Street, Melbourne Vic. 3000
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NOTES



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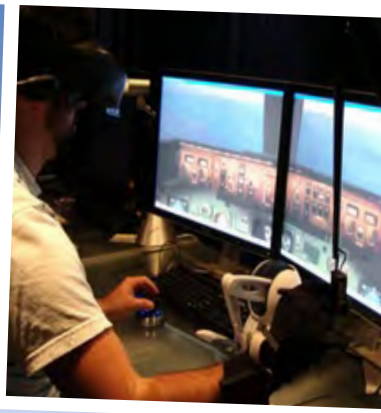
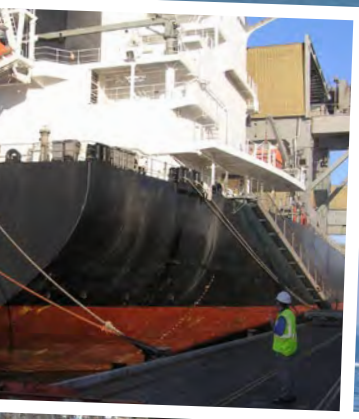

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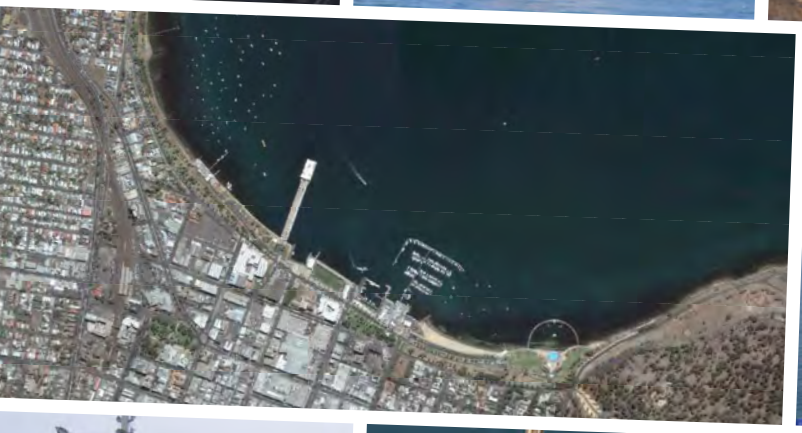





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