



## Public- Private Partnership Case Study: The Channel Deepening Project, Victoria, Australia

### Background of the Project:

One thing that must be understood by now is that if any project is led by a robust planning and concept, and the government is also committed to it, then a positive result is certain to follow. Such was envisaged by Public- Private Partnership of channel deepening project of Victoria. Victoria serves as a key arrival and departure point for South- Eastern Australia, and the Port of Melbourne being Australia's one of the largest container ports serves as a crucial determinant of Victoria and hence Australia's economic and financial situation in the world. The basic idea behind the project was to clear the bed of various shipping channels at port Phillip bay and to deepen them. The rationale behind this was that the dredged and deepened harbour would allow a swift movement of cargo vessels with heavier loads.

The number of shipping vessels to pass through Melbourne's port is predicted to go four times of the present in coming two- three decades. While Melbourne's port is considered to be the busiest, its shipping channels are too shallow for many large cargo ships. The proponents of the project argued that the cost of imports will jump and Australia's exports will become less competitive if these problems are not fixed. Therefore, the channel deepening project was initiated in the wake of innovations in technology and expanding industrialisation. The task of delicately balancing successful completion of the project and the stakeholders' economic concerns was a big responsibility for the government. It has been described as Australia's highest-priority infrastructure project, crucial for our future viability; that is why the need of a strong tie up between the state agency

(Port of Melbourne Corporation) and their private partners (Royal Boskalis Westminster) arose to conclude this conception in the most efficient and just manner.

### Project Structure:

- The Channel Deepening Project was managed by the Port of Melbourne Corporation (PoMC) – the public agency and the dredging component was delivered by dredging company Royal Boskalis Westminster (Boskalis) - the private partners, under an alliance agreement.
- The estimated project cost in the final business case was \$969 million
- The project starting in early 2008, took almost two years to complete.
- The amount of sand, silt and weed removed was approximately equal to 1% of Port Phillip Bay area.

This project laid down the following major objectives:

1. Provide competitive and efficient access to the port through innovative high-quality facilities and services;
2. Increase trade;
3. Deliver the project on time, within budget and in compliance with environmental and other regulatory standards.

### Planning and Outlook:

The channel deepening project was one of the most prioritised projects in meeting the competitive industrial needs and for efficient use of port of Melbourne, strictly complying with the environmental regulations. Channel deepening

project benefitted a lot from the long term commitment of the government.

#### Project Governance:

The Port of Melbourne Corporation (PoMC) appointed a strong governance design (as following), which was accompanied by senior internal support and wider cross-departmental support.

- The Australian government owns the PoMC and at the top of PoMC sits a governing board
- This board of directors is then supported by the Chief Executive Officer and the Executive General Manager.
- Apart from them, the governing board consists of other key executives.
- A project taskforce and project advisory committee was appointed in order to oversee the environmental effects of the project, which enabled a greater engagement of government departments and the community, and also ensured the stakeholders confidence in the project.

#### Learnings and Observations:

1. *Environmental Concerns:* A remarkable thing to be noted regarding the project was its strong environmental concerns. Complying with the environmental responsibility, a comprehensive environment management plan was also formulated before the initiation of dredging which intricately detailed the requirements and safeguard during the process of dredging. In this case, the creation of a rigorous environmental reporting and monitoring regime, enforced through the independent Office of the Environmental Monitor, played an important role in delivering strong environmental outcomes and providing the community with assurances in this regard.
2. *Business case Development:* A strong business case development of the project demanded commitment of resources and time but a strong risk mitigation plan; robust cost-benefit analysis and socio-environmental analysis led to positive outcomes and satisfaction of key stakeholders.
3. *Risk Mitigation:* The basic risk inherent in the project was its deterrent environmental effects,

for which PoMC was vigilant and conducted a four year long investigation, coming up with project delivery standards and monitoring requirements, which were vigilantly followed during the planning and execution of the project.

4. The risk contingency in the project budget was \$137 million, which indicates that the overall cost savings were attributable to strong risk management and mitigation by the PoMC. The dredging component of the project officially concluded in November-2009, one month before the project deadline and \$200 million below its project budget of \$969 million.
5. Issues that were cited by opponents of the channel-deepening included:
  - Problems of marine safety associated with the project which has impacts on toxicity, plants, marine creatures and humans.
  - The opponents also raised the issue that no financing plan, as to the financial outlay between the state and the private partners has been made public, which seemed true to an extent.
  - Another issues of immense concern was raised about the three million tonnes of toxic sediments which was to be dug up from the Yarra bed and dumped back into Port Phillip Bay, a few kilometers offshore from Brighton, Altona and other suburbs and the sediment were left uncovered for at least 140 days and finally covered with half a meter of sand.

But, despite of all this environmental controversy that the project faced, it proved to be crucial for Australia's trade and infrastructural needs.

#### Further Reading:

DoIT (2010): *Infrastructure Planning and Delivery: Best Practice Case Studies*, Department of infrastructure and transport, Australian Government.

Prepared by: Ira Sharma, CIRC