



SEMMA

SOUTH EAST MELBOURNE MANUFACTURERS ALLIANCE

10 September 2015

Secretary
Port of Melbourne Select Committee
Parliament House
Spring Street MELBOURNE VIC 3002

Via email: LCSC@parliament.vic.gov.au

Inquiry into the Proposed Lease of the Port of Melbourne

The South East Melbourne Manufacturers Alliance (SEMMA) was established in 2003 to support manufacturing in Melbourne's South East region. The region has a strong manufacturing base and contributes over \$60 billion in outputs, is where approximately 44 per cent of Victoria's manufactured products are created, is home to some 11,450 manufacturing businesses and employs over 130,000 Victorians.

On behalf of the manufacturers in the region, we write to you in response to the Inquiry into the Proposed Lease of the Port of Melbourne.

As an association that represents businesses in Melbourne's South East region, we concur with the arguments and rationale already put forward in the submissions by the City of Greater Dandenong, City of Kingston and the Southern Melbourne RDA Committee. In particular; SEMMA is concerned that the proposed lease discourages:

- the development of a second container port in Victoria within desirable timeframes if current business growth projections are met;
- the ability to facilitate a transfer of trade to a second Victorian container port when the Port of Melbourne reaches capacity;
- port charges from escalating without scrutiny; and
- long-term job creation.

Fundamentally, to protect the community and businesses from the potential negative impacts of the proposed lease, a second container port is required. Ideally it would be located in Hastings as this would be well placed given that an estimated in excess of 33% of full container traffic is delivered to the South Eastern region and as described in the economic development plans of all the municipalities in Melbourne's south east region, "a second container port at Hastings would deliver thousands of jobs over a ten year period of planning and construction, and once at full capacity would sustain well over 15,000 additional jobs".

Nevertheless, a second port will also ensure there is somewhere for overflow imports/exports to go within Victoria when the Melbourne Port is at capacity. This will ensure that Victoria does not compromise its position as the largest container destination in Australia and does not allow other states to manage the overflow which would result in locals relying on land transport from interstate to acquire their goods.

A second container port will create competition, which will naturally have an impact on port charges (usually pushing them down or deter spiralling rises). This will allow businesses to be more price competitive and is vitally important in a globalised economy. Without a second container port providing competition, port charges must be regulated to prevent charges from sky-rocketing.

At this time there are some 14 line expense items on a typical invoice from a manufacturer in the South East of Melbourne to Melbourne Port and they typically exceed the actual 'cartage' cost by 200%. The cost of shipment between Melbourne Port and a customer in Auckland is less than the invoice value rendered before it arrives at Melbourne Port. Such imposts hinder the commercial opportunity of local manufacturers to gain export opportunities compared to that of rival manufacturers outside of Victoria.

Furthermore, according to the economic impact study that the Southern Melbourne RDA, with its regional partners delivered (prepared by GHD) "the consequence to the economies of Victoria, Melbourne South East and Gippsland of not having sufficient container port capacity available when the Port of Melbourne reaches full capacity would be severe. By 2035, there would be a negative impact to Victoria's GSP of \$2.2 billion and a loss of 4,800 jobs".

SEMMA believes the following action is required by the Victorian Government to mitigate the potential unfavourable conditions that would result from the current proposed Lease of the Port of Melbourne:

- Establish a process to determine the site of a second container port for Melbourne
- Identify a development timeframe for a second container port
- Select an agreed trigger point to commence planning and development of a second container port
- Allow for the transfer of trade from the Port of Melbourne to other ports during the life of the lease
- Develop a regulatory regime that ensures port charges are justified and minimised.

We appreciate you taking the time to read this letter and look forward to hearing the final outcome soon.

Your sincerely



Adrian Boden
Executive Officer
SEMMA