

Response to Port of Melbourne Inquiry

Presented by SEMMA



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SOUTH EAST MELBOURNE MANUFACTURERS ALLIANCE

SEMMA – Who are we?

- The South East Melbourne Manufacturers Alliance (SEMMA) was established in 2002 to support manufacturing in Melbourne’s South and East region.
- Current membership base of 200+ companies representing a sales value of over \$5Billion, over 15,000 employees and over (an estimated) 60,000 jobs in support sectors.



VOLGREN



Jayco



CORE



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SEMMA – Who are we?

- Membership is drawn from diverse sectors across Melbourne's south and east including metal fabrication, food manufacturing, transport equipment, machinery and equipment fabrication, polymer and rubber product manufacturing, furniture and other manufacturing.
- Managed by an elected Board of 12 voluntary manufacturing members



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**MOUNTAIN
HARVEST
FOODS**



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Manufacturing in Melbourne's South & East

- The region has a strong manufacturing base and is home to some 11,450 manufacturing businesses and employs over 130,000 Victorians.
- Manufacturing also provides employment for a significant number of support professionals such as designers, lawyers, accountants through to food retailers. It is widely suggested that for every direct manufacturing job there are 5 other jobs in supporting industries.



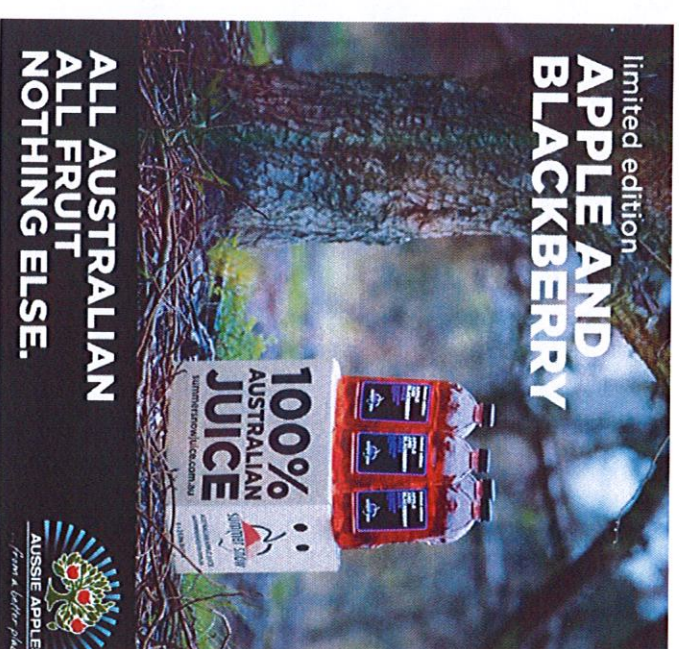


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Manufacturing in Melbourne's South & East

- The region is home to 44% of Victoria's total manufactured product.
- Manufacturing alone contributes to 13% of the regions value add and exports over \$16B worth of products.
- Manufacturing in Melbourne's South and East is essential to the region and to the Victorian Economy as a whole





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“Manufacturing is not dead.....”

To remain competitive in a globalised market, manufacturers require experience challenges in order to meet changing paradigms.

A successful manufacturer is continually focused on cost management seeking to increase productivity and seeking access to new markets. Thriving manufacturers balance these challenges with opportunity, and triumph can be expected to create more jobs and prosperity.

For many members, the market place is no longer distinguished between domestic and international boundaries.

SEMMA advocates for good government policy and decision making assist in keeping an industry viable in a global context.



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Business Operating Costs

A manufacturer focussed on efficient process and techniques, is nevertheless stymied when obstacles deter access to the markets they seek to enter.

It is difficult to negotiate for trade through the Port of Melbourne when:

- There is no alternative local competition to this service
- Associated port fees are already high
- Government intervention on pricing is insufficient when starting from already high base rate
- A CPI price cap that is to be monitored by the Essential Services Commission provides little comfort to manufacturers who know they are already pay excessive fees for import/export of goods passing through the port Melbourne when compared globally.

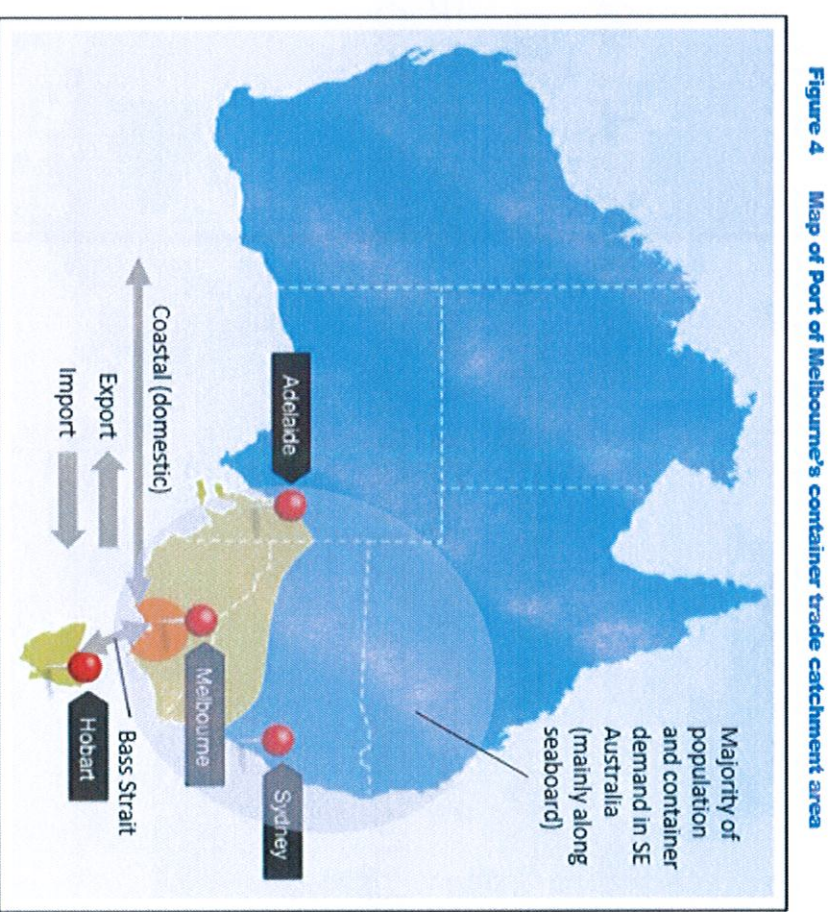


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Productivity - Imports

- An estimated 33% of all products import containers passing through the Port of Melbourne are delivered to the south/east region.
- Many of the containers are firstly sent to warehouses in the west before travelling back to the South East.
- Apart from timely delay of goods to final destination, additional congestion is added to the road network with duplicate transfers.



Source: Port of Melbourne Corporation; GHD analysis. Note: Green area defines Port of Melbourne's container

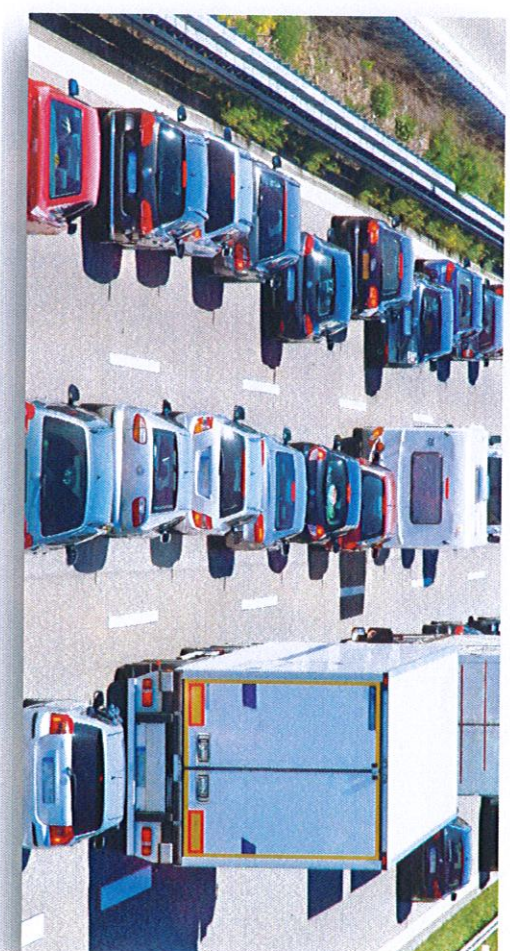


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Productivity - Exports

- The nominal 12% of full TEU's export originating from SE Melbourne understates the true share, as it excludes a large proportion of products manufactured in SE Melbourne but packed for export in Melbourne's West.
- Apart from the duplicate handling cost incurred, unnecessary congestion to the road network of the West is aggravated.
- This unnecessary transfer impacts on the ability of all businesses to achieve productivity improvements and speed to market.





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Productivity – Global Supply Chain

- Productivity would be further complicated when the Port of Melbourne reaches capacity in 20-30 years time and there is no second container port in Melbourne ready to accommodate the rising demand.



Port of Melbourne container terminals at Swanson Dock



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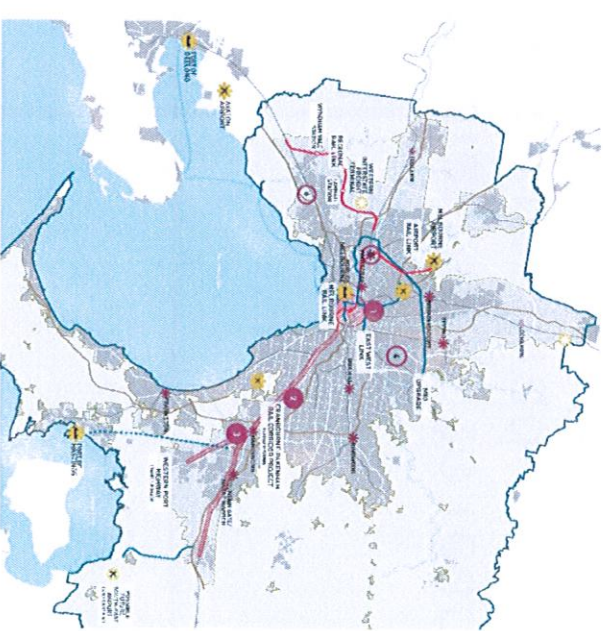
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Productivity – Impact of a Geelong Port to Victorian Manufacturing heartland.

• If a second port was to be located in Geelong (Bay West), additional time and cost would be incurred to just meet the nominal imported and exported volume to the manufacturing heartland of Victoria.

• This will create increased traffic congestion on the roads, not to mention an unnecessary increase in pollution and other social costs.

• Piloting a ship to Geelong is currently 6 hours compared to a mere 3 hours into Western Port.



MAP 2 - REGIONAL TRAIL RELATIVITY TO ASSET
PLAN WEST PORT MELBOURNE VICTORIA



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Access to Global Markets

- Federal & State Governments encourage manufacturers to reach new markets. A key focus is on Trade Missions, Free Trade Agreements & bilateral agreements and offering grants to encourage exports.
- Connecting to overseas customers/business partners is readily achievable but the cost of trade through the port of Melbourne creates a barrier that in turn undermines competitive position.
- This puts pressure on manufacturers to find more cost savings in other ways; considering the use of interstate ports, or avoiding export trade altogether and undermine job creation.



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Collaborative engagement to supply chain

- Established vertical supply chains in the the South and East regions for food and wine industries.
- Agricultural food businesses are also being encouraged to consider exporting to Asia.
- The Gippsland, Yarra Valley and Cardinia areas have a large number of growers who would benefit from access to a local port, charging competitive rates to POM.





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Social Costs

- As identified in Plan Melbourne, the Victorian Government is attempting to create polycentric cities where it takes no more than 20 minutes to travel to and from work.
- Increased road congestion from trucks negates localised benefit for working locally for many employees impacting on their work/life balance.
- A second port in Hastings would support business growth and development in key employment areas throughout the South and East regions.



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Shipping Industry development

- The likely arrival Post Panamax Plus class ships in the next 20 years is a challenge for the POM capacity and to the use of existing channels in Port Phillip Bay.
- Getting ships in and out of the Heads and along channels simultaneously will create safety issues.
- On shore business investment is likely to be negative if access to international markets offered by a 2nd port is curtailed by restriction now to a single port contractual terms.





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Government Income from Port of Melbourne

- While a monopolistic long term lease may provide short-term financial gain for the government, the long-term cost of fixing the problem in 20 years time will be detrimental to the economy and wealth of all Victorians.
- If it cost over \$600m to break a \$6 Billion road contract today, what is the likely payout for a future Victorian Government for a 2nd container port in 20 years?
- What is the impact on the economy if that decision becomes plagued by political procrastination at that time?



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Government Income from Port of Melbourne

- How is the Future Essential Services Commission going to handle that cost impost on future exporters?
- In the meantime how will Victoria continue to facilitate international trade with a port at capacity while it takes a decade to build a viable second port?



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SEMMA Recommendations

- Consideration of additional port development at Hastings to service the significant and growing manufacturing base of SE Melbourne.
- Provisions within a Port of Melbourne Lease Agreement to include Hastings option with trigger point on TEU volume or other metric to ensure timely accommodation of growth.
- Current port fees to be reviewed and capped to global standards not the status quo.
- Commitment to start building infrastructure of a second port ASAP.
- Evaluation of intermodal port at Lyndhurst to minimise road congestion of continuing use of Port of Melbourne access.