

CORRECTED TRANSCRIPT

PORT OF MELBOURNE SELECT COMMITTEE

Inquiry into the proposed lease of the port of Melbourne

Horsham — 27 October 2015

Members

Mr Gordon Rich-Phillips — Chair

Mr Daniel Mulino — Deputy Chair

Mr Greg Barber

Mr Damian Drum

Mr Craig Ondarchie

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Witness

Ms Jo Cameron, general Manager, Wimpak.

The CHAIR — I welcome Ms Jo Cameron, the general manager of Wimpak. The committee does not require witnesses to be sworn, but questions must be answered fully, accurately and truthfully. Witnesses found to be giving false or misleading evidence may be in contempt of Parliament and subject to penalty. All evidence taken at this hearing is protected by parliamentary privilege as provided by the Constitution Act 1975 and is further subject to the provisions of the Legislative Council standing orders. Therefore the information you give today is protected by law. However, any comments made outside the hearing may not be so protected. All evidence is being recorded and you will be provided with a draft transcript in the next couple of days for any corrections.

The committee has allocated 45 minutes for this hearing, so I invite you to make a brief opening statement of no more than about 5 minutes and then the committee will proceed to questions.

Ms CAMERON — Thank you very much for the opportunity to speak this afternoon. I have been the general manager of Wimpak for the last two years. We are a grain cleaning, packing and trading company based at Minyip. It is a farmer-owned business that has been operating for the last 15 years, and we have approximately 24 unit holders of the company. We specialise in pulse commodities, so chickpeas and lentils, that we purchase from growers in the Wimmera-Mallee district. Then we value add to those in regards to farmer-dressed or machine-dressed products and the grains are then packed into containers as a bulk product or into bagged product that we sell to buyers across Australia for export markets.

The business, as I mentioned, has been operating for 15 years. We employ in a good season around about up to 16 to 20 staff. Obviously this year and the previous year have been fairly challenging as far as the season goes, but we do invest fairly heavily back into the community, whether it be through donations, employment and so forth. Even in a tough year such as the last financial year, it is over \$1 million that we are contributing back into the local community.

We are a little bit different to some of the other packing and trading companies in the Wimmera-Mallee district in that we specialise in pulse products but we also trade on a back-to-back basis, so that means that we do not take positions within the marketplace or speculate within the market. We are fairly risk averse as far as how we trade. To define back-to-back a little bit further, it means that basically we ensure we have got a grower who is ready to sell the product and a buyer who is ready to purchase the product, so the transaction is there, and it is very risk averse as far as how we go about trading in that environment.

Over the last financial year we traded 1194 containers. The financial year before that, in a better season, it was over 2200 containers that we traded. I suppose the size of the company has increased more dramatically over that last four to five years. Originally when the company was formed, it was more or less for the unit holders' purposes. They had a vision of value adding to products that they were producing, but since it has expanded quite rapidly, and we hope to continue that into the future.

Prior to the last 18 months we tended to ship all our containers via road. We made the decision to change to rail through Wimmera Container Line. They were one of the successful applicants in the Victorian government's mode shift incentive scheme, so it gave them the ability, I suppose, to offer us a competitive rate and that is what sort of prompted us — as well as a company focus on safety and reducing the environmental impacts — to move to rail with that company. The mode shift incentive scheme certainly helped us have that ability to take that on board and gain some of those efficiencies.

Freight is by far our biggest overhead. As I mentioned, with seasons — this year we have had a period of six weeks of dry weather — it does make it very hard for us to compete in the market against bigger corporate companies that are now dealing in pulse commodities. I think in regard to the mode shift incentive scheme it runs for a period of time or for the next couple of years before there may be a review after that. For us it is fairly vital that that sort of scheme stays in place because otherwise we are going to have to look to taking our transport or freight back to road.

As I said, from a moral perspective for the business, OHS and the environmental impact, we see it as really important to utilise the hub. They have an intermodal freight hub there. The facilities we have at our fingertips there provide services for our customers that are efficient and, obviously, cost effective.

In regard to the privatisation or the proposed lease of the port of Melbourne, Wimpak does have concerns about, I suppose, the transparency of the bill, the continued efficiencies and competitiveness of the port and the

ongoing effects on not just us, who are a very small player in this Wimmera-Mallee area, but all members of the supply chain who are offering their services or having to utilise these services straight through to the port. Any potential increases in fees or levies for us is pretty huge. Although we are dealing with a high-value product, the margins are very small, so it is pretty important for whatever service we are utilising for our logistics that it is very competitive.

In regard to the sale of the port, if something like that were to go ahead — and it was mentioned previously — there needs to be a significant shift in the percentage of investment or reinvestment into rural infrastructure and agriculture. We are a fair distance from the port, so it can be quite hard for regional businesses to be competitive with those that are closer to those destinations. I think that is something that is really important and needs to be looked at. There are probably some further parameters that need to be looked at in regard to that fee and levy structure. In saying that, if it were to go ahead, I think as part of this process the mode shift incentive scheme needs to be looked at again, or perhaps something with regard to the review of that process after the finish of the scheme, and that perhaps it is something that should continue for regional businesses in this area to help make us more competitive against some of the larger corporates we are trying to compete against. That is all I have to say. Thank you.

The CHAIR — Thanks, Ms Cameron, very much for your opening statement. Can I just get a better understanding of Wimpak's business? You are now buying from a cohort that is larger than your 24 unit holders?

Ms CAMERON — Yes, that is right.

The CHAIR — Roughly what proportion of the grain you handle would come from your unit holders versus the greater Wimmera?

Ms CAMERON — Perhaps 10 to 15 per cent, off the top of my head. Of our unit holders, there are quite a few around the Minyip area, but we also have some that are further afield, over towards Natimuk and South Australia, so they are quite spread out. Probably of that 10 to 15 per cent that do sell or trade grain through us, at least two or three of those unit holders would probably sell the majority of their pulse commodities to us, so they are fairly big producers in this area.

The CHAIR — What would you say in terms of Wimpak's market share in packing in the Wimmera? You said you are a small player — roughly what proportion?

Ms CAMERON — It probably has reduced a fair bit. There are probably four or five packing trading companies in this area. We are the only one that is locally owned and operated anymore. Most of them have either been half bought out or completely bought out by exporters, so it does make it a hell of a lot more competitive to trade in that environment — and a lot of them have the financial backing to take positions within the marketplace. We are entering harvest now. Harvest is a little bit earlier than this time last year due to the dry weather. Some of these bigger players can come out and offer a \$50 a tonne more than what we can actually do. We cannot make money out of that. It has to do with the structure and how we do business and the fact that we want to be risk averse with our trading, but it can be very hard to be competitive against some of the bigger players in the marketplace, that is for sure.

The CHAIR — You said that there were a couple of concerns that Wimpak has with the proposed lease. One you referred to was transparency. Would you like to elaborate on what you meant by transparency?

Ms CAMERON — I think that was more in relation to the fees and levies. I know there was mention in the bill in regard to the costs being in line with CPI in — I cannot remember the time frame associated with that. It has been ongoing from there and how it will affect players. As I said, I know we are a very small part of a supply chain that feeds into this whole proposed lease, but it does not mean that it is any less significant to a small business like ours as far as what those increasing fees might be.

The CHAIR — With respect to that issue, the government has said around 86 per cent of current revenue to the port will be subject to regulatory control by the Essential Services Commission. However, that excludes the rents to the port that are paid by the stevedores, and obviously it leaves scope for new fees and charges to be applied. So a cap of 86 per cent and the other 14 per cent is free to grow. Would Wimpak be more comfortable if the full revenue base of the port was subject to price control by the ESC?

Ms CAMERON — Yes, absolutely.

The CHAIR — And your growers and your unit holders would have that view as well?

Ms CAMERON — Absolutely. When I talk about how it affects Wimpak as a company, it will affect the growers we buy grain from, too, so somebody has to pick up — those costs have to be passed on. It might be a matter of having to basically offer less money for the grain we need to purchase in order to stay viable if those costs increase fairly significantly.

The CHAIR — One of the proposals we saw earlier this year was a rental increase for DP World, one of the stevedores at the port of Melbourne. This was obviously before the lease, but their proposal was an increase in rent of around 750 per cent. In terms of the price per container, that was put at roughly \$50 additional per container. What would be the capacity of your growers and your unit holders to absorb a cost increase like that? You said you have very small margins.

Ms CAMERON — We could not. We would not be able to make money out of it, basically. As I said, it might be a high-value product — pulses at the moment are worth quite a lot — but the margins are very small. So if we had an increase of \$50 per container, it is substantial — depending on the value of grain, I suppose, at the time — and it is going to have a fairly significant impact on what margin we can make out of that product and our sustainability.

The CHAIR — Thank you.

Mr MULINO — Just going back to the issue of price regulation, are you broadly comfortable with the Essential Services Commission having a regulatory role beyond the 15 years, given that it is the economic regulator of some other monopolies within the state?

Ms CAMERON — To be honest, I am not sure how to answer that. I am not 100 per cent sure whether I am or I am not.

Mr MULINO — One of the elements of what is being proposed is a 15-year CPI.

Ms CAMERON — Yes.

Mr MULINO — You have indicated you would like now a proper regime post that. Will 15 years of certainty be a good thing for the industry?

Ms CAMERON — I suppose it gives you some comfort in knowing what you can budget for over that period of time, but 15 years can go pretty quickly, too. I suppose if it is a 50-year lease plus 20, or whatever the lease period is going to be, there are still a hell of a lot of years left in that outside of that 15 years that, depending on what happens with the structure, can still have some fairly big repercussions for businesses like ours.

Mr MULINO — Just a broad question: one of the issues we have talked about with a number of different witnesses from different perspectives is the fact that, obviously — given the growth in our state both in imports and also in exports — we are likely to see a lot more throughput at the port of Melbourne. Is it fair to say you are very concerned about supply chain costs?

Ms CAMERON — Yes, absolutely.

Mr MULINO — So what you would like to see is the right incentives in place and that investment is made in the lowest-cost solution to increase capacity. Rail, for example, is being talked about a lot.

Ms CAMERON — Absolutely.

Mr MULINO — Basically what we want to ensure is that if we are going to have a private sector operator for some decades — 50 years — we want to incentivise the operator to invest in its capacity so that we reduce bottlenecks and facilitate exports.

Ms CAMERON — Yes.

Mr BARBER — I just want to try to make something clear. As a port user, do you think it is a good idea they sell the port with all these whys and wherefores or are you agnostic or are you not yet convinced that the port should be sold?

Ms CAMERON — I suppose our view at the moment is that we do not agree with the proposed lease. But in saying that, there are parameters in regard to the levies and charges and the investment back into rural or regional Victoria that we think are essential if it were to go ahead, so that is probably my position at the moment.

Mr PURCELL — Did I understand it right when you said that the business had done 2200 and is down to about 1200?

Ms CAMERON — Yes.

Mr PURCELL — So is that in recent years, or is that over — —

Ms CAMERON — Yes. Last financial year we did 1194 containers, so last year was a fairly poor season for this area, but the year before that was 2259.

Mr PURCELL — Is that a result of the season or is it because of the other five competitors who have come into the market?

Ms CAMERON — Probably both. I cannot put a percentage on it. Certainly the season has a big impact because there was certainly a hell of a lot less grain out there. A lot of our unit holders probably only produced about a third of the lentils and chickpeas they did the year prior, when we did over 2200 containers. But in saying that, price is obviously a factor. Obviously when growers are producing a lot less and the value of the product is good, they want as much as they can get — and you cannot blame them — as price per tonne.

With some of these competitors in the marketplace, as I said, they can speculate or they take positions, and they can just blow us out of the water basically at the start of harvest when usually they are offering quite high prices. It can be quite hard to accumulate grain. We have lost a fair bit of market share in regard to pulse accumulation for the Wimmera-Mallee area probably over the last three to four years. Yes, it is certainly something that we need to work very heavily on, but again because of the structure of the organisation and how we trade, there are limitations on what we can do and the margins we can make and making it a viable business in a back-to-back trading position.

Mr PURCELL — Just in regard to the MSIS, I think you said it actually convinced you to go from road to rail?

Ms CAMERON — Yes.

Mr PURCELL — So if it is on a tonnage basis, what is that worth to you?

Ms CAMERON — For us it saved us — off the top of my head; I am not 100 per cent sure — but basically the Wimmera Container Line were given a subsidy for the containers on a per container basis. I am not sure whether I am supposed to say the amount that they get or not, but basically it would — —

Mr PURCELL — You do not need to. With what you are saying it was significant enough to make you — —

Ms CAMERON — It was significant enough for us to make the decision to change but also, as I said, there are concerns. There are a lot of trucks on the road. There are a lot of trucks that we obviously have coming to our depot on site, so we did want to address some of the OHS and environmental concerns and try to gain some efficiencies there, with the logistics of moving our containers down to port.

Mr ONDARCHIE — Jo, thanks for coming in and telling us the Wimpak story today. You talked about the company's risk profile and how you are risk averse and you look for some certainty. You also talked about investment in rural and regional Victoria. How does Wimpak feel about the only certainty that has come out of this so far is that only 3 per cent of the sale price will feed back into rural and regional Victoria?

Ms CAMERON — It is terrible. I think the fact they have put such a low figure on that is just ridiculous. This area is a fairly big farming district, certainly from a cropping perspective — not just pulses but cereals as well. It is really important that the regional areas are being looked after, not just the city environments or more metropolitan environments, so it would be great if that was a hell of a lot higher than what it is.

Mr ONDARCHIE — Would you like to see some greater certainty from the government, as opposed to it spending 97 per cent of the sale price in metropolitan Melbourne?

Ms CAMERON — Yes, absolutely.

Mr ONDARCHIE — Before we proceed to the lease, so commit in future rather than just trust that something will happen?

Ms CAMERON — Yes, absolutely.

Mr ONDARCHIE — You also talked about your conversion to rail from road. One of the things that this committee has heard over its journey so far is the importance of what they call the last mile, that rail connection right to the waterfront. The government is going to say it is going to ask bidders to propose some ideas around that, but a proposal does not mean anything is actually going to happen. Would you like to see a firm commitment to finishing that last mile, as part of the lease process?

Ms CAMERON — I think that is vital, yes.

Mr MULINO — I have just a couple of extra brief questions. I want to touch on the issue that Mr Ondarchie just raised, which is that there is this \$200 million fund for the regions, and a lot of people have talked about the percentage of the expected proceeds. I want to get your sense of a couple of broader perspectives on the way the transaction might affect the government. One is — and I think that some witnesses in regional areas have observed — that of course the people in the regions rightly want as much investment as possible in the regions. But would you agree with the notion that it is also true to say that a lot of investment in metro areas — moving bottlenecks — can actually benefit people in the regions, in that the last mile is critical and if there are bottlenecks to get to the port, for example, that can have just as bad an impact as lack of quality in infrastructure in the regions?

Ms CAMERON — From a perspective of if there were bottlenecks moving into the port and it meant that we would have to get late receipt fees or had issues with getting containers to ships, it would be a concern and something that needs to be looked at. I suppose from our perspective there needs to be some rationalisation in regard to the figure that is being talked about here. If it is 3 per cent, the mind boggles. There is an expectation that the government supports rural communities in this area. Yes, okay, the per capita of people who live in these areas is obviously a hell of a lot less than in more metropolitan areas, but it does not mean that we are not making significant contributions to the economy and exports. I think that is something that has really got to be stressed throughout this.

Mr MULINO — I have one last question. Obviously we are all trying to take the long-term perspective on the port but also the logistics chain as a whole. I do not know if you are familiar with Infrastructure Victoria, which is a body set up recently to try to help the government with some of these longer term challenges?

Ms CAMERON — Not really, no.

Mr MULINO — You see it as a series of quite long-term policy challenges, and it is important for the government to invest in significant analysis. When we think about things like where a second port might be and the logistics chain as a whole, it is good to take a holistic perspective on the logistics challenge.

Ms CAMERON — What is the question, sorry?

Mr MULINO — One of the rationales for Infrastructure Victoria is to try to help governments think about these things from a longer term perspective and a more holistic perspective. I want to ask: is that the way you see the logistics challenge for the state?

Ms CAMERON — I suppose if that is one of the principles behind the organisation and what they are trying to achieve, that is important. I do not know whether I can really — not knowing enough about infrastructure —

Mr MULINO — Okay, that is fine.

Mr DRUM — I think country Victorians get a little bit sick of continually being told how much fixing rail crossings in Melbourne is going to help all of us in country Victoria be much happier. I suppose what we are looking for is your opinion on whether there are ample projects in the regions where improvements in infrastructure in the regions could actually help regional Victorians get their produce to market quicker, cheaper and more competitively?

Ms CAMERON — Absolutely, yes.

Mr DRUM — And that would be a combination of even further rail improvements. In fact Horsham is probably one of the leading sites around the state, where we have the WIFT that has been invested in over the last six or seven years. There is one at Barnawartha on the outskirts of Wodonga. But there is not a lot of them yet we are expected to effectively take all the milk products out of the Goulburn Valley just down the highway. It is the same in Gippsland.

Your evidence would suggest that you would like to see some of the proceeds, or a greater share of those proceeds, invested in infrastructure to effectively help produce get to market quicker and cheaper?

Ms CAMERON — Yes, very much so.

Mr ONDARCHIE — Jo, given your comments through this hearing and also those of others that we have heard, is it your advice to us as legislators not to pass this bill in its current form because there are so many unanswered questions?

Ms CAMERON — Yes.

The CHAIR — Ms Cameron, thank you very much for your attendance this afternoon and your evidence on behalf of Wimpak. It has been very useful for the committee to hear a bit more about your business and understand the potential implications of the port sale, so we very much appreciate your time.

Ms CAMERON — Thank you very much for the opportunity.

The CHAIR — We will have a draft transcript to you in the next couple of days for any corrections. Thank you very much.

Committee adjourned.