



Submission

Inquiry into the proposed lease of the Port of Melbourne

Wine Victoria (WV) is the peak body representing the Victorian wine industry. We advocate on behalf of the wine industry ensuring the issues that are important to our members remain a high priority with the Victorian Government and our national governing bodies. Our mission is to develop and enhance the long-term sustainability of the Victorian wine industry.

Industry profile

Victoria has 21 distinct wine regions that span the entire state, with more than 800 wineries and 300 vineyards that produce a wide range of wine varieties and associated wine tourism experiences. The Victorian wine industry also has more than 600 cellar doors that receive 1.5 million winery visitors per year. The Victorian wine industry has an estimated economic value of \$1.04 billion per annum.

Wine is a grape to glass industry where there is often the capability to do everything onsite from the viticultural process through to processing, bottling, marketing, sales and even hospitality.

Central to primary production, manufacturing, tourism, trade and retailing, the Victorian Wine industry is a unique contributor to Victoria's regional development agenda, and provides a foundation for strong regional economic growth.

The wine industry directly employs over 2,600 regional Victorians in grape growing and winemaking, and indirectly employs more than 11,500 through administration, tourism and hospitality functions.

State of the industry

Despite the economic and cultural contribution of the wine industry, ongoing issues related to grape and wine oversupply challenge Victoria. An expert report commissioned by the Winemakers Federation of Australia (WFA) on the Profitability and Dynamics of the Australian Wine Industry attributed this issue to a 'perfect storm' of economic pressures that have resulted in declining grape and wine company profits.

The report identified that export returns declined sharply in traditional wine markets since 2007. This coincided with the rise of the Australian dollar and a concentrating retailing market has been reducing retail competition and narrowing profit margins for growers and winemakers. A membership survey conducted by Wine Victoria found that 65 per cent of the industry did not make a profit in the 2011-12 financial year, further 2012-13 annual wine sales and tax data analysis by Wine Victoria indicates that this figure could be closer to 90 per cent - a startling figure when you consider that the majority of Victorian wineries are small to medium businesses.



However, with the Australian dollar falling in recent years and a more equitable route to consumers through cellar door sales, there is significant opportunity for profitable growth, particularly through trade and export activities.

Trade and Export

The world continues to have a taste for Victorian wine, which is exported to almost 80 countries around the world. In 2014 the top ten export markets for Victorian regionally labelled bottled wine exports by destination were mixed between traditional western markets and the emerging but growing Asian markets.

An Expert Report commissioned by the Winemakers Federation of Australia (WFA) found that premium wines, such as those produced in Victoria, are increasingly sought-after in international markets due to their luxury associations.

Encouragingly the Australian Grape and Wine Authority (AGWA) highlighted that last financial year, premium wine grew in many markets generating almost \$450m or a quarter of the value of Australia's wine export market. The AGWA report also highlighted that for the first time since 2007, premium wine exports to traditional markets like Britain and the US were growing.

Exploiting our premium competitive advantage will be key to Victoria's and the industry's exporting future, particularly as wine is known to be one of **Victoria's most valuable food export** categories. It is important to note that not only Victorian wine regions but also those of other states use the Port of Melbourne for wine exports.

Recommendations

It is vital that the proposed arrangements for the proposed lease of the Port of Melbourne do not negatively impact the export activities of our food and fibre industries, whether by increasing costs to the extent that exporting activities become unprofitable (particularly for small to medium businesses which comprise much of the Victorian wine industry), or by a lack of transparency reducing user confidence.

Wine Victoria supports the proposed measures to strengthen the economic regulatory regime of Port of Melbourne, including enhanced Essential Services Commission (ESC) oversight of prescribed service pricing. However, further assurances are required beyond the proposed capping of service prices at CPI for 15 years.

Wine Victoria also recommends that the proposed arrangements for the lease of the Port of Melbourne ensure transparency and oversight of the services (and therefore costs to users) not covered by the regulatory regime. This may include landlord port charges such as wharfage. Oversight of these arrangements will ensure user confidence in the relationship between costs and pricing, and help to ensure protection of the supply chain.



Additional queries

In addition to the above recommendations, Wine Victoria seeks answers to the following questions regarding the proposed lease and potential development of the Port of Melbourne:

- What on-dock trail delivery will the new leaseholder need to comply with as a percentage of cargo received (e.g. in Sydney it is 38%)?
- What ondock facilities will be improved/increased as a part of the new lease?
- What plans are in place to increase the port precinct to Dynon Road?
- What plans are there to increase Swanson Dock back to Footscray Road, including the timeline for this activity?

Wine Victoria would welcome the opportunity to further discuss the issues raised in this submission.

For more information:

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