# CORRECTED TRANSCRIPT

# PORT OF MELBOURNE SELECT COMMITTEE

## Subcommittee

## Inquiry into the proposed lease of the port of Melbourne

Hastings — 28 October 2015

Members

Mr Gordon Rich-Phillips — Chair

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Witnesses

Mr Simon Whiteley, President, and

Mr Markus Spindler, Board Member, South East Melbourne Manufacturers Alliance.

**The CHAIR** — I declare open the Legislative Council Port of Melbourne Select Committee public hearing. This hearing is in relation to the inquiry into the proposed lease of the port of Melbourne. I ask that all mobile telephones now be switched off. I welcome Mr Simon Whiteley, the president, and Mr Markus Spindler, a board member, of SEMMA, the South East Melbourne Manufacturers Alliance. Thank you for your attendance here this afternoon.

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 further subject to the provisions of the Legislative Council standing orders. Therefore the information you give today in the hearing 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 proof version of the transcript in the next couple of days for any corrections. The committee has allocated 45 minutes for this session, so I invite you to make a brief opening statement, if you wish, and the committee will then proceed to questions. Thank you.

**Mr WHITELEY** — Thank you, Chair, for having us here today. We have updated our document that was earlier sent to you. I just want to briefly talk about who SEMMA is for those new people I have met today. We are a manufacturing alliance, as you pointed out, established mainly out of support for — at the time — rolling stock. A lot of rail was being sought overseas, so we sought together, as non-competing businesses, try to work together to try, as an alliance, to win that work, and we were successful at the time.

Today we have over 200 companies, representing sales of some $5 billion and representing around 15 000 employees out of approximately 60 000 in supporting sectors. There is quite a diverse range of businesses, from metal fabrication and traditional manufacturing for food and transport through to equipment, both polymer and rubber products, and furniture and other manufacturing. I am the current president, with a board of 12 member companies, which are all manufacturers — of which Markus is a fellow manufacturer.

The region has a strong manufacturing base, is home to some 11 000 businesses and employs over 130 000 Victorians. I am just pointing through; I am sure the notes are quite explanatory. We are home to 44 per cent of Victoria's total manufactured output, and manufacturing contributes around 13 per cent of the region's value-add and exports — over $16 billion worth of products all in all. We are not only important to our own region; we are important to the state as a whole.

One thing that is coming through in the media, obviously, with the demise of automotive is that manufacturing is supposedly finished, according to a lot of shock jocks. We just want to say that really all we are looking for is — we are operating in a new globalised market, regularly facing challenges and meeting changing paradigms. So a successful business is focused on its cost management, of course, productivity and seeking new markets. For many members here there is no distinction between domestic and international boundaries. For that reason, we are appearing here today. That access to that market is obviously through ports, particularly to South-East Asia.

As much as we can do to work on our own efficiencies, it is difficult from our point of view to look at negotiating for trade in particular as a cost when it is through one port, there is no alternative local competition, fees are already high and we have had a recent announcement by the Premier's office about the Essential Services Commission. It does not give us a lot of comfort as manufacturers, because we already feel the costs are high compared to global standards.

A second aspect to it is the impact on productivity for us, and with 33 per cent of the goods coming through the port of Melbourne we feel, by anecdotal evidence, that there is a suggestion that it comes down to the south-east part of Melbourne. A lot of the numbers are being, we think, misrepresented because a lot of stock is taken out of containers and then shipped down by truck and road. I live in inner Melbourne; I see it on the Monash every day — apart from other congestion issues and other timeliness issues of that delay.

On the export side, 12 per cent of TEUs are exported, we understand, from south-east Melbourne. It probably understates the true share, because once again a large track of product goes through to western suburbs distribution centres for consolidation. Again that is an impact on the transportation. Our concern, really, at the moment in relation to this submission is to do with productivity and the potential for the capacity to be reached in 20 or 30 years, when the talk is that between 50 and 70 years is being considered for the leasehold.

We briefly touched on the impact. We understand a rival to — our proposal obviously is about Hastings, but if Geelong was to be selected, if there was a second tier allowed, we are concerned with Bay West that a lot of that traffic will still have to travel all the way down to the south-east. Even the simple things such as piloting a ship through the Heads can take up to 6 hours, compared to a mere 3 hours into Western Port.

There is a lot of encouragement for us to embrace it. We had a manufacturing showcase yesterday in Dandenong and the talk generally was about trade missions, free trade agreements and accessing those markets. So again, we see it as essential to our survival, particularly in light of domestic demand being effectively capped now, with a lot of companies closing for customers.

What we are looking for really is a cooperative approach and engagement in the supply chain. Apart from manufacturing, there are a lot of other important industries down in this part that are vertically integrated — food and wine, in particular; there has been a lot of development in food manufacturers, who are trying to use value-add to try to enhance the value of product. Their access to markets will be by sending it to Asia.

Social costs are very important to us too. Once again, this is back to congestion. We are looking — as identified in the *Plan Melbourne* at polycentric; I think it was in the media last week or only just recently, about travel to and from work. We are worried about the concern around congestion at the moment caused by trucks particularly going to Melbourne. Once again, there is a lot of infrastructure already here in Hastings, and it would support that business growth and be a key employer for the region.

I know it is beyond the scope of our expertise, but I do have an interest in looking at this. It is ship development — of Post Panamax Plus class ships, which I believe are a similar size to what come into Melbourne. They are likely to challenge the parameters of both the depth of the channels and also the height of the West Gate Bridge, in particular — within 20 years, if forecasts are correct. Once again, to shore up our investment we would like to see that these things are being considered in the submission for locking in the port for such a long period.

What we are concerned about, I guess, is that we would like to think that our views are being considered. Obviously a short-term fix here for financial gain, by giving a monopolistic long-term lease, might be to the detriment of our growth as a business and as employers. We would be nervous, if there was some exclusivity, about what that final cost might be for a payout in 20 years time, if forecasts are correct, and we would be nervous about political procrastination, should that occur in that time. We would be very curious about how the future members of the Essential Services Commission would be able to handle that cost impost on future exporters.

The thrust of our whole recommendation is that in considering a port development at Hastings, support be considered for both the social side and for manufacturers in the south-east; that if there is a lease agreement reached, it would include some trigger points for TEU volume or other metric to ensure a timely accommodation of growth; that the current port fees are reviewed and capped to global standards and not the status quo — so we are asking for a benchmark there; and that there be a commitment to commence construction of a second port ASAP — preferably in this part of Melbourne. That is all. Thank you, Chair.

**The CHAIR** — Thank you, Mr Whiteley. We appreciate your statement on behalf of SEMMA and the written statement previously received from Adrian. Can I take you to the issue, which was reflected in both your opening statement and the written submission, with respect to costs at the port. You have indicated that SEMMA does not take a lot of comfort from the CPI cap over the next 15 years on the basis that you believe costs are already high or excessive. Would SEMMA have more comfort if that CPI cap was the CPI minus X, which therefore required a real reduction in costs over a period of time to reflect, hopefully, increased productivity at a privatised port?

**Mr WHITELEY** — All we are really asking for — my main competitor in my personal case is actually from Indonesia — if we are going to compete in markets overseas, is that our port costs are low. Yesterday on radio I heard about one commentator suggesting that the costs of shipping from China through to the west coast of the United States was cheaper than sending goods across the Tasman. I think it was Lindsay Fox on 3AW yesterday.

I have an example. I have one invoice here, for example, for goods that I send. I am a regular exporter as well. I export goods, to New Zealand in this case. The cartage fee from Dandenong to the port was $550, and the other costs added up to roughly the same amount. There were things like: the export clearance number — that was $57; the export document fee was another $57.50; the FCL booking fee — another $25; port service charges from the origin — $395; and then the shipping line document fee, for printing documents — another $80.

**Mr ONDARCHIE** — It adds up.

**Mr WHITELEY** — Yes, that is my point. The total invoice is for $1200. The cartage itself was less than half that value, and I think that is what I am highlighting. I have had other examples of 40-foot containers where the costs proportionally increase.

**The CHAIR** — So that $1200 was for 1 TEU, one 20-foot — —

**Mr WHITELEY** — Yes; $1292 exactly, including GST, admittedly — sorry, no GST on that; it is export. My apologies; it is a zero line item. Markus is a large exporter, of engines. Do you have anything to add?

**Mr SPINDLER** — I am an exporter of components — a 100 per cent exporter — of aluminium castings into Thailand, Japan, America and Mexico. We get 40-foot containers out every second day. The two constraints we find are the timing — with a 5-hour booking time to get a container on site, in place, or empty ones dropped off, and full ones going down into the docks right now. We would see there would be a restriction of timing, if there is some development in our region into the future.

Secondly, a study — and this is from a main shipping container provider — has identified under cost structure that Melbourne is already the most expensive hub of shipping fees in Australia right now. This compares with Sydney, Melbourne, Fremantle, Adelaide and Brisbane. They are our five main ports, and Melbourne has the highest shipping costs right now. We are talking, as a benchmark, $1090 to $1248, so we are around $150 out.

In the manufacturing base of course one of our main cost factors is raw material, which goes in. The second one — a percentage — is labour, and then transportation comes very close straightaway. If we compete in Japan against Japanese companies, they are shipping up the road, and on transportation we have these shipping fees included in our quotations. So we have to countermeasure them with productivity or proper investment in various types of investment. They are ongoing costs for us.

**The CHAIR** — In terms of addressing that challenge, in theory privatisation of the asset should drive on-port productivity. In theory, a private operator should become more productive than PoMC in government hands. How would you like to see that reflected in port charges? In terms of a mechanism, you have indicated and said you are not satisfied with the CPI cap over 15 years and then a more open structure. Do you have a view on what would be an appropriate structure that would deliver real-term reductions to reflect improvements in productivity?

**Mr WHITELEY** — The argument in my case I do not think is about the mechanism of which price review is there; it is just about the base we are starting at. I wonder whether there is justification for the current level of costs. If I look back over the last 10 years, I think those costs have probably almost doubled, from what I have seen, and we have been exporting for nearly 30 years. I do not have evidence of it today, but that is my view on it. So I would like to see a review of what those actual costs are and whether they are justified. A lot of them, like paying $80 to print documents, seem pretty high.

**The CHAIR** — Just to be clear, that is a port-related cost as distinct to a freight forwarder cost.

**Mr WHITELEY** — Yes.

**The CHAIR** — Obviously there are a lot of individual costs from a lot of participants that feed into that total cost.

**Mr WHITELEY** — Fair point. Eighteen months ago — a different provider — I used to have 14 line items on an invoice, and now I am down to 8. Some of them are consolidated, which makes it a bit easier, but a lot of it is hidden. I will read one line item in particular; this is an invoice from 28 July this year: ‘port service charges, origin — $395’. Previously they had a breakdown of what all those costs were. The booking fee for the FCL, the surcharge and so on — I have left those out because that is to do with the actual freight prior to the gate. As a comparison, I remember looking at this two years ago, and one of my customers, who is in New Zealand, was paying US$1100 at the time, once it was on the ship. I would pay, in this case, $1300 — I think it was a little higher; it was a bigger container — and it would be US$1100. So it was about the same fee again across the Tasman through their port and into Albany in northern Auckland. So 35 kilometres on road in connection — admittedly, some of those charges are beyond the port fee — and the equivalent of travelling several thousand kilometres are at a similar cost. I do not know how that happens.

**Mr DRUM** — It would be interesting, Chair, if we could get a copy of that document put into the transcript.

**Mr WHITELEY** — It is commercial-in-confidence. I am happy to redact some of it, if you would like.

**The CHAIR** — If you are able to provide some examples like that, that would be useful.

**Mr WHITELEY** — Yes, sure.

**The CHAIR** — Thank you. One of the other points you made in your opening statement and indeed in the written submission related to certainty over the development of a second port. We heard evidence earlier this morning, and John Bennie gave evidence on behalf of the City of Greater Dandenong, seeking the locking in of a process to identify a second port. That is not something that is currently within the scope of the lease or the legislation. Does SEMMA have a view as to how that should be done and what that would look like?

**Mr WHITELEY** — We are drawing on expertise for planning and so on, but I think what our interest is is that we are not curtailing a cap. There are a lot of forecasts and there are a lot of subjective numbers that I have read in previous submissions to you. I would like to think that there is some consideration for the growth and how it is going to be practical to deliver that volume. On the forecast of 8 million containers, I think a lot of experts who have already represented here are suggesting that 5 million equivalent is about the capacity, and that is if everything is going well. If the 8 million has been forecast, then conservatively it would seem on face value that there is a capacity issue to be considered. Forgetting about the size of ships and their ability to get under the bridge, there are other issues to be considered. All we would ask is that there is some cap on that and that there will not be a renegotiation if it does happen in 20 years because it was not foreseen when it seems as though it has been identified already.

**Mr MULINO** — Thanks for your evidence. I just want to continue on that issue of the process to examine where a second port should be. I think everybody agrees that at some point we will need one. There has been a bit of discussion around when. The government's current proposal is that this new body Infrastructure Victoria, which draws together a lot of expertise across a range of disciplines — environment, planning, logistics, economic analysis — look at this issue. What do you think of that as a place to examine the issue, independent of government, and then advising government to inform government's views?

**Mr WHITELEY** — From our point of view, representing the interests of our members in the area — there are 1.2 million people, I believe, who live in this part of Melbourne — manufacturing is a key part of the matrix, as you have probably already heard from previous speakers, so I would like consideration of the access to that port and the social costs to the rest of Melbourne, in particular, if it was to be put on the other side of town, if it was down in Bay West. We foresee other issues with it. I am sure there are a lot of strong arguments on both sides, but we would like to see it as development for the continuation of this region.

I am also taking into account — and, as I said, it is beyond my expertise — the size of boats and the dredging that is required at the port of Melbourne. I know there are obviously a lot of issues there — the size of the boats coming into the bay and up the channel. The channels are very narrow. There is a social cost, there is the environment, which obviously others will address, but ours is about developing the infrastructure around it.

We have had a lot of growth particularly in the south-east of Melbourne. The last census, I know, showed Melbourne grew by half a million people more than I think they had forecast. Personally I think it is higher than that again. I have looked at the congestion in particular around South Dandenong, where my business is located. It has increased dramatically. The council are aware of that; I think they have already made representations to the state government about road infrastructure in particular. There are a lot of things that can happen, so to answer your earlier point: I think I would like to see a recognition of that congestion and how that is going to be managed. There is capacity on the roads already. Even with the EastLink going in, on Frankston-Dandenong Road, which is the main thoroughfare through the middle of our region, traffic has been pretty steady. I think north traffic has dropped off, according to VicRoads numbers, but the southern direction is still very heavy, and that is where my factory is located, so I see that personally every day.

The opportunity for rail taking trucks off the Monash might be something to be considered, so there is an overall thing. I think it is more about: are we going to make this a hub for manufacturing and focus on its natural strengths? And one of those, apart from infrastructure for roads, is ports.

**Mr MULINO** — Just a question around the pricing regime. I understand that you are concerned about the current level of fees. There are two issues: there is the current level, but then there is also how they move going forward. What is being proposed is a CPI cap for 15 years and then, beyond that, that the ESC would look at prices based upon the building block method, which is essentially trying to look at the operations of the port and say, 'What efficient costs can they justify?', which I imagine as a broad approach you would be comfortable with. It seems to be the kind of concept underpinning what you want to have as the basis of fees — that the port operator would have to justify costs of fees based upon efficient operating principles. Is it fair to say that that broad approach is something you are comfortable with post the 15 years?

**Mr WHITELEY** — I mentioned earlier the mechanism for CPI or some other method for increasing costs and justification, naturally it is well established and there is a lot of precedent on that. My argument has only been about the current costs that are being incurred today — what that starting number is and whether they are justified.

**Mr SPINDLER** — My question would be, on the CPI cost, as you mentioned: if the CPI cost does not cover the costs of operating the port, there would have to be, let us say, hidden fees or underlying fees being applied to people who want to use the service to cover the operations costs. If it is privatised, they will certainly have to cover the operations costs. If the CPI does not guarantee this, it will have to be taken in another way.

**Mr MULINO** — I guess I am asking about the period after 15 years, when it will not have to be CPI; it can be some other rate of increase. The framework the ESC will use is to look into the books of the port to try to evaluate what is a reasonable cost based upon efficient operating practices. Is that an approach that you think makes sense?

**Mr WHITELEY** — I have trouble answering the question, because there are a lot of hypotheticals in that. One thing I would like to see, though, is the second port having a different owner, if it was possible, and that way there would be some comfort that there might be some competition, in which case there might then be some incentive to try to keep your costs down.

**Mr MULINO** — Final question. Obviously for your members the overall supply chain is the key thing. It is not just the port, but it is the whole system, and you want to see supply chain costs reduced. We have talked a lot in this set of hearings we have had around the fact that there are quayside constraints but also landside, and it is really the way the whole thing fits together. Clearly, if we are going to see an efficient increase in capacity, there is going to be some capital expenditure required at the port. Is it fair to say that you would support a regime in which the right incentives were in place for the lessee to invest in incremental capacity over the course of the next one, two, three, four decades?

**Mr WHITELEY** — I am unclear what you mean when you say the infrastructure of it.

**Mr MULINO** — To invest in the port. Basically the lessee is going to take over, and it will have an incentive to increase throughput, but one of the key goals of the regulatory regime will be to provide incentives for the owner to also invest in additional capacity. For example, people have talked a lot about the need for more rail access over the coming one, two decades. I am asking: would you support the notion that we want to provide the lessee with the right incentives so that they will invest over the coming few decades, given that we know that demand will increase?

**Mr WHITELEY** — There should be a commercial need for that capacity, as you mentioned earlier. When you say an incentive, I am not sure what you expect. I think there is a commercial side to it; they will have to get the capacitive if they want to earn the income. I am basing it on my private sector mentality that if there is demand, you will make supply to meet that demand.

**Mr SPINDLER** — All I would say is there might be another hurdle coming up, and that is the closure of automotive next year and in 2017. I guess the first numbers would say that first of all there is a dip in traffic through the port. There will be a short dip, so there will be free capacity. With this free capacity in operations the revenue drops in the port, so how will these costs be covered in the current environment? If it is privatised, it will be covered with an increase onto the remaining traffic. I am answering your question before about how long the CPI clause stands up.

**Mr MULINO** — Just on that question, are you suggesting that you are worried about leasing to a private sector operator at all because they are going to need to cover costs?

**Mr SPINDLER** — Yes.

**Mr MULINO** — So you would probably prefer it to remain in government hands.

**Mr SPINDLER** — No, competition is good. Two different owners on the port would certainly create good competition, like we have at the moment between the different ports in Australia. I would say that competition is certainly the right way to go — to create healthy competition. But with automotive traffic dropping in the short-term future through the port down in Melbourne, I think we will see that they will have a gap in revenue.

**Mr ONDARCHIE** — I also want to talk about costs, but I want to start from a position that I think we both share — for the record — that manufacturing is not dead in this state. In fact it is alive and well, and I am not going to the funeral, because I think there is much more that we can do in Victoria. I want to talk specifically about the impact of potential costs at the port of Melbourne on your businesses. Markus, take your business in castings, with energy, raw materials and shipping — major costs. Same with the plastics industry for Corex — the same pressures. What potentially we are going to have here with the sale of this port is a 70-year monopoly.

**Mr MULINO** — A 50-year lease.

**Mr ONDARCHIE** — A 50-plus-20-year lease — 70, for those who cannot add — as a monopoly. What the government will say to you is: 86 per cent of the charges are going to be regulated. I do not want to talk about those 86; I want to talk about the 14 that include stevedore rents. If you had a monopoly business where you could charge your tenant whatever you decide and that tenant is going to pass on those costs, it is going to end up in your businesses. If that happens and there is a significant increase on your costs to put stuff out of the port of Melbourne, how at risk is your industry, particularly jobs in the south-east?

**Mr WHITELEY** — As I said earlier, my major competitors are based in Asia, so it would definitely make us very vulnerable to those costs. I have already seen the impact. Going back over the last six or seven years the paradigm then changed; the Australian exchange rate above the US was very challenging for us. The carbon tax impost on the business affected both Markus and I. I know it certainly affected my price of energy. The power cost went up over nearly 30 per cent in the space of six months. It was announced and then went straight in, and it was that kind of impost on the business.

It affects employment and it affects investment. At the time I had to contemplate for the survival of my business: do I want to move to Asia and take my entire business overseas? That was a very real consideration. I spent a lot of time travelling both in Malaysia and Thailand looking at that. The irony is I would have been importing the product back to Australia, because there is demand for it back here. There has been a lot of things change.

One thing we are good at, though, as businesses — particularly the members I know in SEMMA — is we are very resilient to change. If I look at the history of Dandenong in my time, Nissan closed back in 1992, and we have had a number of recessions and so on. There is always some change. As I said in our submission, our success is about being resilient and being able to meet that change and all those costs.

Regarding the comfort you mentioned before, with freight it is definitely a big cost to us. I see as our success really capitalising on these free trade agreements, particularly into South-East Asia. In previous years, if I went back, Indonesia used to have a 25 per cent tariff on our goods. That effectively ruled me out of exporting there. Now we have got an opportunity to go back and play in their backyard, whereas they have been enjoying success in our country against me for the best part of 20 years. I see a lot of those things together. I cannot isolate one in particular, but once I know what the parameters are I can work out where our play is. But certainly the access through the port is the access to those markets.

**Mr SPINDLER** — We are the manufacturer of high-pressure die-casting. High-pressure die-casting technology makes complex shape die-castings. Low-pressure gravity die-casting, we lost this business many years ago to LLC companies mostly. For us to stay competitive now we have to make complicated parts and find our niche market, which we have found. As it has been published, we got the global contract to make four components globally for the Nissan all-electric vehicle, EV. We send them to America and to Japan. Our expertise or our competitive advantage is our skill base to produce these parts here and have the infrastructure in place. In the years to come obviously places like Mexico and Thailand will catch up.

For us, a 14 per cent uncertainty in transportation costs is not part of our quotation. I mentioned it before. We are quoting on 520 hours a month. This is for us to stay competitive right now. If you make the calculation, most months of the year you do not have 520 production hours, which moves us into overtime and penalty rates. A customer does not pay for our penalty rates. For us, it is about productivity, efficiency and driving costs out, like transportation costs and investment in the right equipment. For example, we had a new tower melter to offset these carbon costs a few years ago. These are the kinds of investments that we are striving for and that we have to identify.

**Mr ONDARCHIE** — Do you get to put your costs up by CPI every year to your customers?

**Mr WHITELEY** — Of course not.

**Mr SPINDLER** — No.

**Mr ONDARCHIE** — Given that the model that is being put forward by the government right now has a high degree of uncertainty in it, would you like to see the rents or the port charges regulated as part of this lease process, so at least you know what you are dealing with?

**Mr WHITELEY** — It is something we had not considered before presenting today, but our interest is in being competitive. That may mean regulation. We have become accustomed to CPI in other industries that would otherwise be government monopolies, such as energy and so on — the way their costs are rising. As long as there is some mechanism which is justified, I think that is what I am asking for.

**Mr DRUM** — Thank you for coming in, and thank you for presenting your group. It is a bit of a wake-up call for the committee to hear exactly how marginal some of our larger big businesses are in the regions — some of our bigger employers are exceptionally marginal — because it puts everything into a little bit of perspective. An increase in electricity prices has a major effect, and there are dangers associated with any rises in what are already high transportation costs. Would you see that this should in fact be a once-in-a-generation opportunity to actually put in place a container transport regime that should be the model of the world? It is a once-off opportunity where everything should just be laid out. In businesses such as yours, here is this once-in-a-lifetime opportunity to get all the comfort and all the security that you could ever wish for.

**Mr WHITELEY** — It is probably beyond the scope again of what we are here today about. But, yes, certainly we would be encouraged to capitalise on the opportunity that has been presented. I have been exporting to China for some years. You might think a lot of our products are low-cost products to make, but there is a lot of engineering that goes into the resin and other additives that I have developed in-house. That is leading back to what Markus said earlier about skill set. I really just want to be able to capitalise on that and access those markets. Proximity to them is important. At the moment a couple of weeks sailing time to South-East Asia is not going to hinder our ability to meet those customers. When it comes to saying, ‘Would you have an overall map and have a look at the supply chain?’, yes, you would, because I think that is probably what has changed for us. The likes of Alcoa was a large customer of mine, which has closed. BlueScope Steel behind me here is still a significant customer of mine. Owens of Illinois, or ACI as it was called in the day — a glass manufacturer — is another large customer of ours, as is Amcor, or Aurora as it is called now, a glass manufacturer over in South Australia. Those businesses are at capacity at the moment. I am sure they have their other reasons for it. We are looking for opportunity in South-East Asia to grow and use our base. We have got idle capacity effectively at the moment that I would like to sell elsewhere.

If you talk about an overall view of that supply chain and what it means, yes, I think what I said in our submission is that there is no distinction today between international or domestic business. I have not looked at it that way for some time. I think a lot of other businesses will find that opportunity. Last October I was on a trade mission with the City of Greater Dandenong to China. We went over there and we saw a lot of opportunities for export. They particularly like our product. They certainly like the red wine now, I have noticed. There are obviously opportunities to export over there, because as commentators again have said, there is a growing middle class and demand. How you map that I am not sure, but certainly it is worth discussion, because I think it is a great opportunity for Australians to really participate in the South-East Asian economy.

**Mr DRUM** — I think what your evidence says to me is that it does not matter what government, colour or persuasion you are, this is a very critical piece of legislation because the jobs of so many everyday Victorians are sitting out there in big industries that may be exporting, and those exports and that whole process is marginal. If we make a blue with this and we end up with any increases in the exportation of our products, then it is going to have really drastic consequences. You have said some of the businesses you are already associated with have fallen by the wayside. Every time that happens it is thousands of jobs going with it. To me it is a wake-up call that if we get this wrong it is going to cost lots of mums and dads their jobs, and that is going to be horrendous for the state, and I do not think that issue has been canvassed with this legislation at all. The expectation is that everybody will just swim along happily, hunky-dory, and if some extra charges get put out there, so be it. But I think your evidence goes the other way, effectively showing us how crucial it is that this legislation and this transaction — if it is going to happen — has to drive prices down. It cannot go the other way at all. That is certainly the message that comes through in your written submission and also in your verbal presentation.

You have got roughly 15 000 employees in your group of companies. Would your group be replicated in the north of the city of Melbourne? Would your group be replicated again in the west? I am just trying to get a grasp of the number of companies and the number of employees that are in this situation.

**Mr WHITELEY** — The data I am drawing on has been done by the RDA in particular — Regional Development Australia — south region. We are focused on the future of manufacturing. We have done a lot of research in working out what the impact is. I cannot comment directly on the north and the west. I am not an expert on it, but there is an association similar to ours down in Geelong. From what I understand anecdotally they are a lot smaller than us in terms of members — the number of companies involved. I would have thought that the north historically would have been associated with automotive.

Once again, getting back to your earlier point, SEMMA really puts a face on manufacturing. A lot of our members come in, and some companies have only got a few members, we have employers like myself or even Markus, and up to Jayco, who have over 1000 employees.

**Mr SPINDLER** — Yes, 1200.

**Mr WHITELEY** — Yes. There is quite a range in size, but we all get in the same room, we talk about stuff together and the issues that we all face are similar, although admittedly some people are more focused on running their business than worrying about appearing before you today.

**Mr DRUM** — Sure. I can understand that too, and I sympathise with those who came and those who did not.

**The CHAIR —** Mr Whiteley and Mr Spindler, thank you very much for your evidence this afternoon on behalf of SEMMA. We appreciate you written submission and your presentation as well. We will have a draft transcript for you for any corrections in the next couple of days. Thank you very much for your time on behalf of the association.

**Mr WHITELEY** — A pleasure. Thank you.

**Witnesses withdrew.**