

24 October 2019

Price Monitoring and
Regulation Division
Essential Services Commission
Level 37, 2 Lonsdale St
Melbourne Victoria 3000

Dear Sir/Madam

Essential Services Commission – Port of Melbourne – Market Rent Inquiry 2020

1. Chemistry Australia welcomes the opportunity to provide this submission to the Commission's Port of Melbourne market rent inquiry.
2. Chemistry Australia (formerly the Plastics and Chemical Industry Association) is the peak national body representing the chemistry industry. Chemistry Australia members include chemicals manufacturers, importers and distributors, logistics and supply chain partners, raw material suppliers, plastics fabricators and compounders, recyclers, service providers to the sector and the chemistry and chemical engineering schools of leading Australian universities. Chemistry Australia's affiliate members include the Australian New Zealand Industrial Gas Association (ANZIGA) and Australian Paint Manufacturers' Federation (APMF).
3. The chemistry industry is the third largest manufacturing sector in Australia. Our industry provides more than 61,500 FTE direct jobs and supports a total of 211,000 FTE jobs across the economy in related supply chains. The industry contributes \$11 billion to gross domestic product, supplying inputs to 109 of Australia's 111 industries.
4. In Victoria, over 1,700 chemistry sector businesses provide 19,550 FTE direct jobs and contribute \$3 billion to GSP.
5. We note that in the context of its inquiry into the Port of Melbourne (Port) the Commission will consider, inter alia:
 - extent to which the land rents ... are ultimately passed through to Victorian consumers; and
 - whether market power is exercised in a way that causes material detriment to Victorian consumers.
6. The Port provides critical infrastructure that supports the chemistry sector in Victoria and throughout Australia, including the bulk handling and storage facilities located at Coode Island.

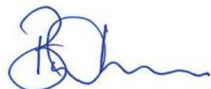
7. In terms of the Commission’s inquiry, Chemistry Australia is not privy to the commercial negotiations between the Port and port-users, however, we are aware of reports of major increases in the port charges and rents since the Port was privatised by the State Government. Given the limited number port facilities available in Victoria, those increased costs will in all likelihood be passed on the industries that rely on the port and impact their global and domestic competitiveness.
8. Indeed, Chemistry Australia members have indicated that cost increases have been a general theme across all Australian port operations following their privatisation. In the main container terminal ports “infrastructure fees” have risen by over 2,000% since April 2014 with an increase of 73% in the last year alone. The table below illustrates the extent to which charges have risen.

Date	Rate	Increase
31st March 2014	\$ 3.50	
3rd April 2017	\$ 32.50	829%
1st January 2018	\$ 49.20	51%
1st January 2019	\$ 85.30	73%
Total Increase		2337%

9. Whilst these high charge increases are being seen nationally, Sydney 247%, Brisbane 86% the Melbourne increases have by far eclipsed other regions. These charges are imposed and raised with no negotiation with industry, no transparency and no ability to refuse or resist the charges. For clarity these charges are on top of the charges for using the port.
10. Chemistry Australia is also aware that the bulk-handling facility operators located at Coode Island have, for some time, been attempting to negotiate leases for the period beyond their current contract terms. A failure to conclude contracts for the affordable and sustainable on-going operation of the Coode Island bulk-handling facilities would cause material detriment to those industries that rely on those facilities for importation and storage of crucial raw materials.
11. If the bulk-handling facilities at Coode Island were to close or their capacity were to be curtailed in anyway, raw materials are likely to be imported in isotainers, resulting in a considerable increase in container traffic. The use of isotainers in place of bulk is also likely to increase costs for businesses that are reliant on imported raw materials.
12. Given that Victoria’s chemical manufacturers are trade-exposed, increased costs have the potential to reduce competitiveness, threatening the viability of those operations. These manufacturers supply products used by many other businesses across Australia. Hence, outcomes at the Port of Melbourne will potentially impact farmers, food processors, miners, manufacturers and the construction sector.

13. If you would like to discuss aspects of this submission, please don't hesitate to contact me on 03 9611 5400 or by email at blee@chemistryaustralia.org.au.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Bernard Lee', with a stylized flourish at the end.

Bernard Lee
Director – Policy and Regulation