

Port of Melbourne – Market Rent Enquiry 2020

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Is there any other information relevant to our inquiry?

1. Aside from the issues and questions raised in the scope and process paper, is there any other information relevant to the land rental market at the Port of Melbourne which we should consider in our enquiry.

MCF does not have any further issues than those raised within this document

How will we assess market power?

2. What factors should/should not be included in our assessment of the Port of Melbourne's market power.

Relative land values in the surrounding area as applicable to the location

Does the Port of Melbourne have market power?

3. How is the Port of Melbourne's market power demonstrated, if at all, and in which type of leases is it most relevant

MCF can only comment on its own leases relating to 26 South Wharf and 27 South Wharf and the experiences in recent rent adjustment periods. Previously the land value has not been fully justified and was generally in conflict with real estate estimates by third parties. The rental values requested appear to be inconsistent with general market reviews.

MCF leases are indexed at a minimum annual rate of 4% irrespective if the CPI is lower and then undergoes a further calculation if the CPI is higher to the advantage of PoM exceeding market influences.

4. Are there any leases, for which the Port of Melbourne does not have market power? (either none or no more than to a minor or insignificant extent)

MCF does not believe there are any leases which the PoM does not have market power over

5. Are there any tenants who are able to match or respond to the Port of Melbourne's market power? (for example, tenants may have some countervailing power)

MCF has always opposed the immediate rental rate issued by the port and then had third party verification via a local real estate agent.

What is the process for setting and reviewing rents?

6. How should we assess parties' ability to bargain in the process of setting and reviewing rents?

The ability to bargain is demonstrated by obtaining alternative valuations in respect to the current market pricing

7. What factors, if any should be taken into consideration in assessing the process for setting and reviewing rents?

With the diversity of products being delivered into the port key factors would be:

1. Value of cargo being unloaded
2. Annual value of throughput for cargo unloaded

Has the Port of Melbourne complied with the process?

8. How has the Port of Melbourne complied/not complied with the process for setting and reviewing rents? (i.e. what information is there to support the Port of Melbourne's compliance or non-compliance)

MCF has experienced a rent review every two years following the same process undertaken by the Port of Melbourne. In each case the revised rent had been accompanied by an explanation of the Ports determination provided by their realtor. PoM then advise that any challenges to the value be submitted in writing within a specified period. In each case MCF has challenged the value of the proposed rent and then generally a compromise price reached. Initial rent valuations provided by the PoM should be assessed by a representative group for the real estate industry.

What does misuse of market power mean?

9. Should process, access and efficiency be the Commissioners focus in defining the material detriment caused by the misuse of market power?

The process should be clearly defined and take into account the surrounding market influences and relative conditions. This would avoid the need to access third party realtors to provide confirmation or competitive valuations.

10. What other factors, if any, should be taken into consideration in defining the material detriment caused by the misuse of market power?

The relevance of assessments factors for rent review must be determined and assessed as to whether they are administered in a fair manner.

How will we assess the possible misuse of market power?

11. Are there any other ways of assessing the misuse of market power we should include/exclude in making our assessment?

Determine the manner in which the rental assessments are carried out and the methodology employed and whether it is representative of the current market and economic situation. Assess the contributing factors which the PoM may or may not have considered in their assessment.