STATEMENT FROM THE MINISTER FOR MAJOR PROJECTS

RENTS & CHARGES FOR THE NEW EPPING WHOLESALE MARKET

THURSDAY 13 DECEMBER 2012

Today I am releasing further information on rents and charges for the new market at Epping. These refined rents and detailed information on charges and fees will further assist market businesses in determining the cost of doing business at the new market.

The rents provided below are a refinement on the rent options released to the market community in June 2012. They **are not** the final rent figures and should be regarded as the maximum rent figures that may apply.

These proposed rents are well below rents that would have applied had the current State Government not provided significant additional funding to the relocation project. This additional funding has greatly reduced the level of debt which the MMA would have been forced to carry.

The previous Government's proposed level of debt (to be paid back by tenants) was $216 million, but the current Coalition Government reduced this in 2011 to a maximum of $120 million to help make the market affordable and viable for tenants

Without the additional State Government funding, rents would have increased to well over double and even triple the current levels or more than a 100 per cent increase.

As the construction is not yet completed, including the trading floor and warehousing, these rent figures take into account contingency costs to address any remaining project risks. However, as the relocation project progresses and if the budgeted contingency is not all required, then there is potential for these savings to be passed on via reductions in the proposed rentals outlined in this paper.

Rental figures released today do not include warehousing as a procurement process for warehousing will be undertaken in the first half of 2013. Refined warehouse rents will be determined during the final stages of this procurement process.

Table 1 below shows the current average rents and the indicative new rents in 2012 prices. All rents for stores and stands fall within the rental options provided in the Rent Options paper released to the market in June 2012.

Table 1 Principle Rents ($ per square metre)

Classes	Current average rent, 2012	Epping rent in 2012 prices*
Stores [1]	273	450
Fruit and Vegetable Stands	385	500
Flower stands	472	500
Flower coolrooms	231	245

[1] Rent is only paid on internal store area (not office areas)

*These charges are adjusted on an annual basis in line with CPI or a 4% increase whichever is the higher.

For storeholders, the rents represent a 64.8 per cent increase per square metre on current rents, a 29.9 per cent increase for fruit and vegetable stands and a 5.9 per cent increase for flower market stands.

Under this rent structure, standholders, whether selling fruit, vegetables or flowers will now pay the same per square metre for their stand area. Currently, flower market standholders pay significantly more for stands per square metre than do members in the fruit and vegetable market - a historical legacy associated with the move to the National Flower Centre 17 years ago.

The Government through the MMA has adopted a fair and reasonable approach to rent setting, seeking to recover the debt component, meet interest payments and operating costs.

The rents include recovery of costs including:

- Melbourne Market Authority operating and overhead costs;
- repairs and maintenance;
- fixed central plant operating costs;
- debt and interest payments;
- land tax; and
- costs of provision of forklift GPS service.

The rents do not include outgoings such as service charges, electricity, cooling and heating.

In addition to the rents outlined in Table 1, there are fees and charges relating to parking, forklifts, electric vehicles and other charges (access cards, storage cages, etc). Consistent with the approach to main rental items, the MMA's proposed fees and charges have also been kept to modest increases. The attached Table 2 contains a schedule of these proposed fees and charges for Epping.

Comparisons between Footscray Road and Epping, particularly for storeholders are difficult to make as store sizes in the new market differ markedly from store sizes in the current market. In addition to store space, each store has a mezzanine office space that is included in the store rent. The Epping facility also has quite different operating costs due to different size, design, functionality and capital requirements compared to Footscray Road.

Over the coming months, as project costs are firmed, rental information will be refined and the market community kept informed.

Today's release on rents is in addition to the recently released Government statements on the market relocation including:

- allocation of stores, fruit and vegetable stands and flower market stands;
- rent structures;
- market warehousing;
- information on the rules that apply to storeholders having larger or smaller store sizes at Epping than they currently occupy;
- draft leasing documentation;
- summary of key commercial terms in leasing documentation;
- draft tenancy fit-out guidelines; and

- leasing timetable.

The Department of Business & Innovation and Melbourne Market Authority project team is always open to discuss aspects of this rental and charges statement as well as other relocation issues with market stakeholders.

I particularly encourage the market community to provide feedback on relocation issues through the Market Advisory Groups. Constructive feedback and ideas provided over recent months through these groups has helped directly shape market relocation decisions by Government.

Table 2 Schedule of fees and charges

	Current charges and fees at Footscray		Epping charges and fees in 2012 prices #		
	Excl GST	Incl. GST	Excl GST	Incl. GST	
Reserved Parking (Full Week)					
Articulated Truck Bays - Access to Loading Bays	$ 730.73	$ 803.80	$ 781.25	$ 859.38	per qtr
Rigid Truck Bay - Access to Covered Loading Bay	$ 535.73	$ 589.30	$ 560.70	$ 616.77	per qtr
Rigid Truck Bay - Access to Uncovered Loading Bay	$ 370.91	$ 408.00	$ 375.65	$ 413.21	per qtr
Florist	$ 271.82	$ 299.00	$ 275.40	$ 302.94	per qtr
Car/Van Bay	$ 370.91	$ 408.00	$ 277.37	$ 305.10	per qtr
Reserved Parking (Specific Days)					
Articulated Bays (specific days) - Access to Loading Bay	$ 578.45	$ 636.30	$ 601.59	$ 661.75	per qtr/per day
Rigid Truck Bay (Open) - Access to Covered Loading Bay	$ 289.27	$ 318.20	$ 300.84	$ 330.92	per qtr/per day
Rigid Truck Bay (Open) - Access to Uncovered Loading Bay	$ 144.63	$ 159.09	$ 150.42	$ 165.46	per qtr/per day
Unreserved Parking					
Car/Van Bay	$ 178.18	$ 196.00	$ 166.42	$ 183.06	per qtr
Rigid Truck - Access to Loading Bay	$ 178.18	$ 196.00	$ 187.82	$ 206.61	per qtr
Rigid Truck Bay (Mon, Wed, Fri)	$ 106.91	$ 117.60	$ 112.69	$ 123.96	per qtr
Rigid Truck Bay (Tues, Thur)	$ 71.29	$ 78.42	$ 75.13	$ 82.64	per qtr
Rigid Truck Bay (NFC Growers)	$ 178.18	$ 196.00	$ 187.82	$ 206.61	per qtr
Rigid Truck Bay (Florist Full Week)	$ 178.18	$ 196.00	$ 187.82	$ 206.61	per qtr
Casual Parking					
B-Double Bay			$ 92.46	$ 101.70	per day
Semi Bay	$ 55.64	$ 61.20	$ 64.72	$ 71.19	per day
Rigid Bay	$ 27.82	$ 30.60	$ 32.36	$ 35.60	per day
Car/Van Bay	$ 15.45	$ 17.00	$ 18.49	$ 20.34	per day
Car/Van Bay (Pedestrian Access Only)	$ 5.45	$ 6.00	$ 9.25	$ 10.17	per day
Overnight Parking					
Semi Bay			$ 95.18	$ 104.70	per week
Rigid Bay			$ 66.63	$ 73.29	per week
Car/Van Bay			$ 47.59	$ 52.35	per week
Forklift Fees					
Forklift Registration Fee (New)	$ 142.36	$ 156.60	$ 152.29	$ 167.52	per issue
Forklift Registration Fee (Renewal)	$ 43.90	$ 48.29	$ 95.18	$ 104.70	per annum
Forklift GPS Annual Charge			$ 190.36	$ 209.40	per annum
GPS System Access Charge (Optional)			$ 475.91	$ 523.50	per business per annum
Electric Vehicles Fees					
Electric Vehicle Annual Registration	$ 43.90	$ 48.29	$ 95.18	$ 104.70	per annum
Other					
Access Card Renewal	$ 17.55	$ 19.31	$ 23.80	$ 26.17	per annum
Access Cards (New/Replace)	$ 29.46	$ 32.41	$ 33.31	$ 36.64	per issue
Storage Cage (based upon 40.5m2 cage)	$ 631.65	$ 694.81	$ 676.89	$ 744.58	per month
Forklift / Elec Vehicle Park	$ 317.00	$ 348.70	$ 316.54	$ 348.20	qtr
Electric Vehicle Charging*			$ 49.26	$ 54.18	per month
Electricity Supply to Stand*			$ 47.77	$ 52.55	per month
Drivers Sleeper Permit			$ 9.52	$ 10.47	per day
Occasional Interstate Truck Access (Delivery direct to wholesaler)			$ 80.90	$ 88.99	per visit
Central Cooling*			$ 0.04	$ 0.043	per kWh[cooling]

* These tariffs have been based upon the current MMA cost of electricity (including the current impact of the Carbon Tax). Consequently these rates may require re-assessment once the MMA has completed negotiation with an electricity provider for Epping.