

GROWERS ADVISORY COMMITTEE – MINUTES

HELD AT THE MELBOURNE MARKET AUTHORITY BOARDROOM
TUESDAY 26TH JUNE 2012, 8.30AM – 9.30AM

ATTENDEES & APOLOGIES

Grower's Advisory Committee Members

David Wallace – Chairman
Vince Doria
Luis Gazzola
David Kelly

DBI Representatives

Jane Niall
Mary Baker

MMA Representatives

Nada Kirkwood – Board Member
Allan Crosthwaite – CEO
Aurora Kostezky – Legal Counsel
Megan Sandiford – Minute Taker
Rozita Hana – Minute Taker

Apologies

Alec Berias – Member, Grower Advisory Committee

Meeting opened at 8.00am.

DBI gave a brief overview of the Rent Options discussion paper. The main points made were:

- Committee members noted the Ministers commitment to an open and transparent consultative process and the desire to receive comments from all stakeholders.
- Committee members were briefed on the financial modelling that underpinned the various options provided in the consultation paper.
- It was noted that the financial model considers the capital costs and risks for both the trading floor complex and the warehousing, and includes a detailed operating model for the Epping market that incorporates operating costs and revenues, and operating risks into the overall financial model.
- Committee members noted that the financial modelling had been validated by Deloitte, Ernst & Young and the Department of Treasury and Finance prior to the release of the consultation paper. It was also noted that Treasury is responsible for providing the guarantee for loan funds.
- There are a number of assumptions contained in the model including opening date, occupancy rates, operating costs, warehousing volumes and interest rates. These can all be varied and the model adjusted to understand the outcomes in a variety of circumstances.
- The model solves to cover the cost of servicing the debt and market operations. Committee members noted that the Government is not seeking to recover the taxpayer contribution of \$480 million – only to service debt and meet the operating costs.

- Committee members noted that the model takes into account the mix of funds available (both debt, up to \$120 million and State funds) to achieve the best outcomes for rents. Committee members noted the complexity required to balance the State funding and debt between the trading floor complex and the market warehousing whilst maintaining an acceptable level of return to service the debt. It was also noted that consideration had been given towards warehousing rents that are commercially acceptable.
- Committee members were advised that there is no budget shortfall for the relocation project. The project is within the budget and adequate funds are available to complete the construction.
- Committee members noted that the various options presented in the paper demonstrate what happens when you change the modelling of State funding between the trading floor complex and warehousing.
- Committee members noted that the rent revenue is apportioned between the various asset classes (stores, fruit and vegetable stands and flower market) and can also be varied. For each of the four scenarios represented, two options are provided. One maintains the current rent relativities between the different asset classes and the other equalises the rents between the fruit and vegetable and flower market stands.
- Committee members were advised that each scenario should be regarded as a discrete package and that it is not possible to pick out elements from the different packages and create a new hybrid package.
- It was noted that the rent options provided in the paper are expressed in today's dollars (2012) and are the average rent calculated for each market segment. Rents are based on 10 year leases.
- DBI advised that a technical briefing regarding the financial model will be held late next week for all advisory committee members.
- Committee members noted that comments on the rent options paper are due on the 16 July.
- Committee members noted that the options paper is based on 2012 dollars.

The committee noted;

- That, the high warehousing costs given in the rent options discussion paper should not be connected to the trading floor. The warehousing sector should be considered separately, it should not be included in the model and the growers believe it should not be justified to give a 40% increase in rent for a stand at the new market.
 - The committee were encouraged to state their objection in their submission to the Minister for his consideration.
- There are no retailers' costs included in the rent options discussion paper; it will be issued at a later date.
- The committee noted that the trading floor should have first right of refusal, there is concern that if the stands are a ballot process, there may be more growers who want to take up a stand than what is available at Epping (216 stands). The committee also noted that seasonal growers may not be able to take up a stand due to lack of availability.
 - The committee were advised to submit these issues in their submissions for the Minister's consideration.
- The committee were advised and displeased that the IAP to date has been used for the VFM settlement and Central Plant. There is \$18M remaining of the original \$34M allocated.

- The committee were encouraged to state their objection in their submission to the Minister regarding the future of the industry, lack of growers, cost of warehousing and subsidising it as well as the lack of IAP funds.
- The committee requested that the submission date for the rent options discussion paper be extended to 30 July 2012.
 - This request will be taken into consideration and committee members will be advised.

Date of Next Meeting

- To be advised. – MMA

ACTIONS ARISING

- Advise if submission date can be extended - DBI

Meeting closed at 9.30am