

# FLOWERS ADVISORY COMMITTEE – MINUTES

HELD AT THE MELBOURNE MARKET AUTHORITY BOARD ROOM  
TUESDAY 26<sup>TH</sup> JUNE 2012, 7.30AM – 8.30AM

## ATTENDEES & APOLOGIES

### Flower's Advisory Committee Members

Geoff Maguire Chairman,  
John Boon  
Philip Mays

### DBI Representatives

Jane Niall  
Mary Baker

### MMA Representatives

Gisela Marven - Board Member  
Steve McArthur - Board Member departed at 8am  
Allan Crosthwaite – CEO  
Aurora Kostezky – Legal Counsel  
Megan Sandiford – Minute Taker  
Rozita Hana – Minute Taker

### Apologies

Greg Duffy – Member, Flower Advisory Committee  
Adrian Parsons – Member, Flower Advisory Committee

Meeting opened at 7.30am.

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, all stands whether flowers or fruit and vegetable should have the same rental.
  - The committee were advised to put this forward in their submission to the Minister.
- The committee queried whether parking was an additional cost? Currently flower growers rental includes parking in the total.
  - DBI noted the rent options discussion paper only reflects rents and that additional costs such as parking have not been included. The committee were advised that when the technical briefing is held, it will be made clear what the flower growers will pay in total (in 2012 dollars).
- The committee noted that no CPI has been added and that the market community may assume CPI is not included.
  - The committee were advised that the document is point in time and that the CPI reflected is only for the next 3 years up until the market moves to Epping.
- The committee noted there is assumption that not a large number of flower growers will require warehousing however the committee did note that the higher the rents, the less occupancy the market will have.
- The committee suggested that all discussion papers released from DBI should be hand delivered to stand/store holders in the flower market which will decrease the risk of market users not being able to access it.

**Date of Next Meeting**

- To be advised. - MMA

**ACTIONS ARISING**

- Hand deliver hard copies of discussion papers to the flower market - MMA

Meeting closed at 8.30am