

Inquiry recommends changes to Port of Melbourne rent negotiations

14 October 2020

Port of Melbourne

Victorian consumers could be worse off due to an uneven relationship between the Port of Melbourne and its tenants when negotiating rents, a report into the Port of Melbourne's approach to setting rents has found.

The Essential Services Commission's report found the way the port negotiated and set rents could have a negative impact on Victorian consumers through higher product prices, or deferred investment.

Director of pricing, Marcus Crudden says there are limited market, legislative or contractual constraints on how the Port of Melbourne exercises its power to set rents at the port.

"The Port of Melbourne functions as a monopoly supplier of land at the port.

"We found the port has been able to use its knowledge of rents and its control of the market rent review process to its advantage in negotiations with tenants," he said.

The commission determined that constraints on how the Port of Melbourne sets rents are not sufficient to restrain it from acting in a manner that advantages it over tenants in rent negotiations.

In coming to its findings, the commission examined the port's contractual arrangements and the extent to which the land rents paid are passed through to Victorian consumers.

The commission has recommended changes to improve transparency in the negotiation process and for resolving disputes, aimed at delivering lasting benefits to tenants and the Port of Melbourne over the long term.

This is the first of the commission's market rent inquiries covering the period 1 November 2016 to 31 October 2019.

The commission will undertake further inquiries at least every five years to meet responsibilities set out in the Port Management Act.

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Phone: [\(+61 3\) 9032 1300](tel:+61390321300) or [1300 664 969](tel:1300664969)

Email: reception@esc.vic.gov.au

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