

9-Mar-2012

Mr. David Salisbury
A/g General Manager
Transport and General Prices Oversight
ACCC
GPO Box 520
MELBOURNE VIC 3001
VIA E-mail: transport@accc.gov.au

Dear Mr. Salisbury,

Louis Dreyfus Commodities Australia Pty Ltd supports creating an auction system for the allocation of export capacity in South Australia. Viterra has submitted a proposal for an auction system modeled closely after the existing capacity auction system utilized by CBH under its current Access Undertaking. We previously expressed our support for CBH's auction system as a fair and transparent method of allocating capacity, however this support was challenged by the experience last season.

The most recent auction cycle in WA highlighted significant shortcomings in the current CBH auction rules. The auction process did not efficiently allocate the capacity on offer despite a significant excess of demand for capacity in the first round of bidding. Because the auction did not achieve its intended function, millions of tons of export capacity were unable to be allocated via the auction system. This unallocated capacity was subsequently offered First Come/First Served (FCFS), which the ACCC has rejected as a primary capacity allocation mechanism.

We do not see the results of this year's CBH auction as a failure of the auction concept, but more as a failure of the specific rules governing bidding activities. There has been extensive industry comment and consultation between CBH and exporters with the goal of amending the auction rules to eliminate many of the shortcomings experienced in 2011/12 and to improve the allocation methods for future seasons.

LDC believes Viterra's proposed auction system is progress towards the primary goal of implementing the auction system to allocate shipping capacity in South Australia. The proposed model, however, does not address the shortcomings of the model on which it was based. It should be further refined to meet the needs of the industry as highlighted in the recent consultations held regarding changes to the current CBH system.

Best regards,

Philip Coffin

General Manager, Grains
Louis Dreyfus Commodities Australia Pty Ltd