



3 August 2012

Mr David Salisbury
A/g General Manager
Transport & General Prices Oversight
ACCC
GPO Box 520
MELBOURNE VIC 3001

Dear Mr Salisbury,

RE: Vitterra ACCC Port Access Consultation

Grain Producers SA Ltd (GPSA) would like to the following comments regarding the potential for unintended consequences with Vitterra's revised proposed auction system.

The preferred model put forward for the allocate port capacity is through an auction system process.

The auction system will require the payment of a premium over the booking fee. The auction premium will be rebated through a pool system.

An unintended consequence relates to the capital required to fund the payment of the auction premium, prior to the receipt of the auction rebate, which may take a considerable lag time to occur.

There are two potential sources of capital to fund the auction premium. These are:

- Wheat exporter balance sheets and operating capital,
- Wheat pool equity

Where an exporter has a large balance sheet they have the ability to bid for more capacity than those with a smaller balance sheet.

This could lead then to exporters with smaller balance sheets using revenue generated in the sale of wheat in a pool, using that equity to bid for and secure capacity, rather than distributing those proceeds to pool participants on a timely basis. Although not an inexhaustible supply of cash, there is significant equity in wheat pools.

This could result in:

- Higher than "normal" bids being made to secure capacity
- A delay in pool returns to growers
- Wheat exporters not currently operating pools, seeking to establish pools to source this capital to fund the auction premium,
- Higher finance costs being incurred by wheat pools,
- Cancellation of shipping slots being born by the pool as an unnecessary risk.

Wheat pools by their nature are products where the pool operator has received ownership of wheat without having paid for it and the pool operator has sole discretion to the use of the assets of that pool.

Yours Sincerely

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