



6 August 2012

By Email: transport@accc.gov.au

Mr David Salisbury
Deputy General Manager
Transport and General Prices Oversight
ACCC
GPO Box 520
MELBOURNE VIC 3001

Dear Mr Salisbury

Re: *VITERRA OPERATIONS LIMITED*
Revised Auction System Consultation Paper dated 20 July 2012

With reference to Viterria's Revised Proposal and the invitation by the ACCC to provide comments on any aspect of the proposed auction system, we wish to respond to certain matters which the ACCC has raised under Section 2 - Matters for Comment as follows:

Treatment of auction premium rebate

Gavilon is of the view that the proposed rebate calculation is highly complex and creates difficulty in estimating the cost for which we are liable over the course of the auction process.

The proposed auction rebate calculation works in favour of those slots with spare capacity. Gavilon believes its complexity may lead to gaming and dramatically affect an auction participants rebate by the sudden switch of demand, at a late stage in the auction, to slots with spare capacity.

With rebates applying to the back end slots Gavilon believes this will greatly advantage the larger exporters who have the ability to manage their slots throughout the year as opposed to the smaller to medium exporters that will need to focus on the front end slots.

Furthermore, where the auction is oversubscribed consistently throughout the rounds the rebate may not be distributed back to bidders at all or may only be distributed to the obscure slots. These obscure slots are likely to be dominated by one or two larger players.

Gavilon has previously recommended and supported the auction rebate to be calculated on a per auction basis rather than a single rebate pool where an exporter is exposed to the outcome of further auctions regardless of its participation.

Ability to withdraw from the auction

Gavilon supports the proposed volume limit of 110,000 tonnes per auction round as we believe it may discourage gaming and bidders from chasing unnecessary demand. Gavilon feel that this limit represents a reasonable volume for any trade participant to withdraw from any round.

Whilst we believe, this is a good volume limit it certainly would not prevent gaming as exporters will still have the flexibility to move volume across port zones and port slots where there is spare capacity and it could result in significant changes to the auction participant's rebate.

Gavilon supports the use of proxy bids during the auction process and believe this is an important feature of the CBH auction system. It provides a safeguard to bidders and it is our strong preference to see this feature in the Viterra auction system. Gavilon is of the view that functionality should be developed to provide the safeguard that the proxy bids ensure.

Changes to the First In First Served (FIFS) system

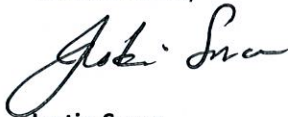
Gavilon is largely in support of the proposed changes to the FIFS system with the exception of the 30 minute time limit between bookings. Gavilon believes this time limit is unnecessary and creates further uncertainty in what is already a difficult process to manage.

Movement, transfer and surrendering of bookings

Gavilon is of the opinion that if an exporter does move across port terminals the lower rebate of either the original port terminal or new port terminal should apply. In other words the rebate is capped at the level of the original port terminal. This will prevent exporters optimizing their rebates and provide flexibility for an efficient system.

In summary Gavilon is of the belief that the proposed auction rebate calculation is very complex. Gavilon feels the changes incorporated into the recent CBH auction were positive, such as CBH having the ability to close the auction under certain circumstances. This together with Viterra's proposal to limit volume withdrawals in any one round would be considered by Gavilon as favourable. Gavilon believes there should be a unified model for the auctioning of port capacity.

Yours sincerely



Justin Swan
General Manager Marketing
Gavilon Grain Australia Pty Ltd