



29th May 2009

Mr Anthony Wing
General Manager
Transport and General Prices Oversight
ACCC
GPO Box 520
Melbourne Vic. 3001

Dear Sir,

Please find attached the submission from the Pastoralists & Graziers Association of WA (Inc.) Western Graingrowers Committee on the Port Terminal Services Undertaking by Co-operative Bulk Handling Ltd.

Last season due to the imminency of harvest the PGA gave its qualified support to CBH's Grain Express initiative.

We stated that it needed to be recognised that CBH, although operating an effective monopoly, was not a legislated monopoly, and that therefore competition was at least theoretically possible.

We note that CBH has shifted record volumes of grain in the first half of the season; although it has not been without problems, which have been solved by CBH shifting cost to their customers.

The international market offers to acquire our grain in the first half of the year for which the Western Australian supply chain is proving inadequate. Former CEO, Imre Mencshelyi has stated that the 400 million CBH and ARG and Westnet rail were seeking from State and Federal Government and growers to repair the narrow gauge rail network (which CBH claimed was a major cause of the shipping bottleneck) was nothing but a 'band aid'

We agree. As the State and Federal Governments have stated that they do not believe that it is their role to be subsidising CBH's capital expenditure, self confessedly CBH has admitted that they do not have the necessary capital nor can they raise it.

In our view it is essential that the Western Australian grain logistics sector become an attractive destination for external investment. Our experience of last season under Grain Express, and the review of CBH's proposed submission suggest that this is unlikely to occur if the Undertaking is accepted by the ACCC.

Contrary to our expectations, in our view, CBH used Grain Express to consolidate and extend their internal monopoly. In the interim we have also become aware of the Grain Infrastructure Group's (GIG) recommendations.

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Under past Grain Freight Agreements negotiated on a commercial basis, a proportion of infrastructure costs are deemed to be fixed and must be met irrespective of the size of harvest.

There could be scope, in future agreements, to negotiate a fixed cost component for all infrastructure provided (above and below rail, roads and storage) and require that all tonnes produced be required to contribute to these costs.

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Also required would be rules of entry for new entrants and legislative support to ensure that unnecessary duplication of infrastructure is avoided.

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It is also recognised that co-ordination of the supply chain by a single co-ordinator with equitable access and services to all customers will minimise supply chain costs and risk of leakage

CBH's failure to address these issues in its Undertaking would suggest that it is not prepared to allow competition into the Western Australian grain logistics industry.

In addition we note the closed loop marketing arrangements in regard to new noodle wheat varieties between the Grain Pool and InterGrain. We have discussed this matter with CBH, pointing out that they, having been granted an export wheat marketing license, then turn around and limit the marketing choices of growers. CBH's response: "take it or leave it".

In conclusion we believe that Grain Express has exposed great deficiencies within CBH, and that the proposed Undertaking makes no attempt to correct these deficiencies in order to permit competition in the Western Australian marketplace. As a result, the Undertaking should not be accepted, as further exemptions would be contrary to the best interests of the industry.

Yours faithfully,



Sheldon Mumby – Policy Director
On behalf of
Rick Wilson, Chairman
PGA Western Graingrowers Committee

MyDocs/Grain/ACCC-Submission/PortAccess/29.05.09