GrainCorp

For Public Register

Submission to the ACCC

In response to the Submissions by

Emerald Group Australia

AWB Limited

Port of Portland P/L

Victorian Freight Logistics Council

Goodman Fielder Limited

Australian Grain Exporters Association

and to the Summary of Confidential Submissions provided by the ACCC

6 May 2011

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Table of contents

1. Structure and purpose of this submission 3
2. Executive Summary 3

Request for continuation of the current approach 4

3. Response to matters raised by parties in response to the draft decision 5

Emerald Group Australia – 6 April 2011 5

Trading of vessel loading slots (elevation capacity) 5

Proposed controls on elevation capacity trading 5

AWB Limited – 15 April 2011 6

Other establishment provisions of the Undertaking (3.3.3) 6

Indicative agreement (4.3.3) 6

Publication of information (4.3.6) 7

Publication of performance indicators (4.3.7) 8

Substance of the PTSP in the proposed 2011 Undertaking (5.3.2) 9

Other mechanisms that obviate slot transfers 11

Speculation / hoarding of elevator capacity 11

Changes to the PTSP (5.3.3) 12

Port of Portland P/L – 21 April 2011 12

Victorian Freight Logistics Council – 21 April 2011 13

Causes of current grain export delays 13

Grain Supply Chain Logistics Group proposal 14

Goodman Fielder Limited – 27 April 2011 14

Context in which Goodman Fielders proposals are made 14

Speculative vessel slot booking 14

Goodman Fielder recommendations 15

Australian Grain Exporters Association (AGEA)- 1 May 2011 18

Objective of the access Undertaking 18

Points raised on page 1 of the AGEA submission 18

Flexibility in shipping slots 19

Shipping stem fees 20

Accountability 20

Ring fencing 20

Other establishment provisions of the Undertaking 21

4. Confidential Submissions 21
5. Conclusion 25

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Submission to the ACCC in response to submissions by

Emerald Group Australia, AWB Limited, Port of Portland P/L, Victorian Freight Logistics Council, Goodman Fielder Limited, Australian Grain Exporters Association and to the summary of confidential submissions prepared by the ACCC

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1. Structure and purpose of this submission

On 23 March 2011, the ACCC sought comments on its draft decision in relation to GrainCorp's proposed 2011 Undertaking that was submitted on 22 September 2010. The ACCC sought comments by 22 April 2011. In particular, the ACCC sought comments on the potential operation of a vessel loading transfer system. GrainCorp provides the following comments in response to the submissions to the ACCC that have been provided to GrainCorp by;

- Emerald Group Australia – 6 April 2011
- AWB Limited – 15 April 2011
- Port of Portland P/L – 21 April 2011
- Victorian Freight Logistics Council – 21 April 2011
- Goodman Fielder Limited – 27 April 2011
- Australian Grain Exporters Association – received 2 May 2011

The ACCC has also put on its web site a summary of what GrainCorp understands are two confidential submissions ("Confidential Submission Summary"). GrainCorp has responded to that summary in section 4 of this submission.

Where section numbers, or headings, are referred to, they relate to sections and headings in those submissions.

This submission should be read in conjunction to those made by GrainCorp on 7 and 18 April 2011.

2. Executive Summary

GrainCorp's response to the range and nature of the submissions highlights the following:

1. **Trading of elevation capacity will lead to speculation and increased costs:** The key consistent message coming through from the submissions is that the introduction of a capacity trading system will create an environment of potential "gaming" and "speculation" in the system and the potential for increased costs which will be passed back to grain growers.

   Both of these outcomes are inconsistent with the objectives of the Wheat Export Marketing Act 2008 (WEMA).

2. **The transfer of elevation capacity will also lead to trading of elevation of capacity:** Some proponents (including the confidential submissions) propose the option of allowing the transfer of capacity to other counterparties plus the ability to transfer between different ports and timeframes.

   The transfer of elevation capacity will lead to trading of elevation, as export traders will inevitably receive and pay consideration for transferred elevation capacity.