

6 April 2011

Mr Anthony Wing
General Manager
Transport and General Prices Oversight
ACCC
By e-mail: transport@acc.gov.au

Dear Mr Wing

Re: ACCC Review of GrainCorp Port Access Undertaking

We refer to the ACCC's draft decision on acceptance of GrainCorp's revised Port Access Undertaking and in particular the issue raised by ACCC regarding the transfer of booked slots.

On the face of it, an ability to trade slots would be useful. The reality of a first-come-first-served system is that exporters are forced to make imperfect predictions well ahead of the coming season in order to secure shipping capacity. The ability to off-load slots would assist in defraying the booking fee in the event that a slot is not required. And superficially a secondary market would provide a mechanism for sorting out supply and demand.

However there are 3 major dangers in allowing trading of booked slots:

1. It will create an environment that will encourage GrainCorp to hoard slots and trade them into the market at a profit. This would undermine the philosophy of the access regime and potentially strangle efficient wheat exporting. Because GrainCorp owns the port facilities it does not face the same risk as other exporters that it might not be able to on-trade the slots it has hoarded. It will simply pay money out of one pocket into the other. And in the absence of ring-fencing GrainCorp's trading division will continue to have better "inside" knowledge and opportunity in respect of the booking process than its competitors.
2. It will encourage speculation by some exporters and in this environment the exporters owned by the large multinationals will have a significant advantage over genuine exporters with typically more limited access to funding. The supply of slots is relatively constrained and the market could therefore be easily manipulated for speculative gain.
3. It may have the effect of driving up the costs of exporting for many genuine exporters. One important feature of the WA auction system is that premia are rebated back to the companies that have actually exported wheat over the course of the year. That feature would not be present if slots were tradeable – the sellers would pocket the premia.

We think these major disadvantages outweigh the potential benefits. Accordingly we do not support the introduction of trading of booked slots.

However if the Commission is minded to allow the trading of booked slots we believe that the following conditions would alleviate our concerns:

- Only accredited wheat exporters can give or take a transfer.
- GrainCorp is excluded from being able to trade slots ie GrainCorp can book slots but may not trade them.
- Slots may not be traded at a value in excess of the booking fee. This could be achieved by requiring that the transferee provides GrainCorp with a statutory declaration to that effect signed by a senior officer of the exporter, each time a transfer is made.

Thank you for the opportunity to provide our comments.

Yours sincerely

John Warda
General Manager
Operations & Supply Chain