

27 February 2015

Deputy General Manager
Infrastructure & Transport – Access & Pricing Branch ACCC
GPO Box 520
MELBOURNE VIC 3001

Email: transport@acc.gov.au

Re. Submissions in response to issues paper Victorian wheat ports exemption assessments

GrainCorp is pleased to provide the following response to submissions in relation to the exemption process for Victorian ports under the Port Terminal Access (Bulk Wheat) Regulation 2014 (**the Code**).

GrainCorp welcomes the acknowledgement in submissions that there are efficiencies and benefits across the wheat export industry through a reduced level of regulation across all Victorian port terminals.

As requested, this document provides some additional and clarifying comments in response to certain matters raised in the submissions.

1. Numerous substitutable options for Victorian grain exporters

VFF's submission argues that the exemption should consider whether an exporter has access to alternative port terminal facilities in Victoria, where each port terminal has a natural "catchment area". The catchment concept was applicable under the single desk export arrangements when there was only one exporter, but has lost currency since export deregulation and changes in transport arrangements. Exporters now have numerous substitutable options for the export of grain.

Bulk Exports: The export of Victorian bulk wheat (and other grains) is highly flexible. The state's smaller geographic area and shorter distances between production and port mean grain can and does move to alternative ports by either rail or road transport. This is driven by the following:

- The rail distance between western Victoria's country sites and Geelong is only ~70km more than Portland and Melbourne is only ~140km more than Portland.
- Melbourne and Geelong have access to the higher standard ARTC interstate line, allowing lower cost and higher payload wagons.
- The Western Victoria and Oaklands lines have been standardised, with Geelong (and Melbourne) port terminal now having dual rail gauge access.

GrainCorp Limited

Level 28, 175 Liverpool Street
Sydney NSW 2000

PO Box A268
Sydney South NSW 1235

T 02 9325 9100
F 02 9325 9180

- Western Victoria’s country sites can readily access Adelaide (the new Outer Harbour port terminal) by the ARTC interstate line.
- The difference in rail and road rates is not significant in Victoria given the short distances and access to fertiliser backload business. This has led to the use of road transport for around 50% of Victorian grain exports.

Consequently, exporters frequently substitute export channels for their cargos depending on other considerations, making the concept of a “Natural Terminal Port” for silos redundant.

Grain can readily move to alternative ports for only a small freight difference that is, in the case of rail transport, less than \$3 per tonne. Examples of selected actual rail costs from different parts of Victoria is summarised in the following table, where:

- Rail from Dimboola (Western Victoria) to Portland is only ~\$0.24/tonne lower than to Geelong and \$2.84/tonne lower to Melbourne.
- Rail from Doon (Western Victoria) to Adelaide is \$0.98/tonne lower than to Portland and \$1.22/tonne lower to Geelong.
- Rail from Worineen (North West Victoria) to Melbourne is \$1.02/tonne lower than to Geelong
- Rail from Oaklands (North East Victoria) to Melbourne is \$1.02/tonne lower than to Geelong.

Silo Rail Rates	Area	Gauge	Geelong	Portland	Melbourne	Adelaide

Silo Rail Differentials	Area	Gauge	Geelong	Portland	Melbourne	Adelaide

Container Exports: The portion of export wheat (and other grains) shipped in containers has grown significantly since deregulation. We estimate that wheat exports

in containers has tripled from 400Kt to 1,200Kt since 2009, representing a significant share of total wheat (and other grains) that is exported from Victoria.

Wheat for these export containers is sourced from all over Victoria and is either packed near Melbourne or in regional Victoria - from Dooen in the west, Mildura in the North West and Tocumwal in the North. All of these containers are exported through Melbourne. This demonstrates that:

- Victorian export wheat can be readily sold to markets in containers in direct competition to bulk wheat that is shipped through any of the Victorian port terminals, and
- Victoria operates as one 'port zone', where all Victorian containerised grain is moved through one point, Melbourne.

2. Timing of exemption

GrainCorp notes the suggestion that the exemption of Victorian ports be reserved until Bunge facility commences operation.

GrainCorp notes that under the transition arrangements developed in consultation with industry, Bunge's new port terminal will not be subjected to the Code until the end of 2015. In the meantime it is exempt and able to negotiate with customers without the access requirements and transparency prescribed by the Code.

As such, GrainCorp's Geelong Portland facilities (and Emerald's Melbourne Port Terminal) are currently operating under a substantial competitive constraint. Any further restriction in addition to the existing transition arrangements would not be in the industry's interests.

3. Provision of information

Several submissions raise the provision of stocks information – at port and up-country.

GrainCorp notes that, if Victorian ports are exempted from the Code, it will continue to publish on its website a daily shipping stem (port loading statement), detailing each ship scheduled to load grain at its terminals each business day, including the name of the grain exporter and type and quantity of grain to be loaded. This is in accordance with the general obligations of port terminal service providers outlined in Part 2 of the Code.

In relation to the request for publication of additional information on stocks held up-country, GrainCorp notes that this issue has been the subject of a separate and extensive industry consultation process, and no market failure in the level of information has been found. The fact there is clear price discovery through the hundreds of prices posted for grain every day is a clear indication that the level of information available is adequate for these market participants to bid.

Further, any exclusive requirement on port terminal service providers to provide this (or additional) information on what is in their systems would provide only a partial and misleading picture of the grain held in storage, given the significant and growing share of grain held in permanent on-farm storage, temporary silo bags or in other bulk handler or independent systems.

GrainCorp has provided extensive comment on this issue to the Federal Government's Wheat Industry Advisory Taskforce. Our submission is available on the Taskforce's website: www.wheattaskforce.gov.au

4. Contact details

For further detail on the information provided in this document, please contact:

Neil Johns

Group General Manager –
Storage & Logistics
02 9325 9117
njohns@graincorp.com.au

Angus Trigg

Director, Government & Media Relations
02 9325 9132
atrigg@graincorp.com.au