

# **T-Ports Pty Ltd**

## *Wallaroo Port - Application for exemption from Parts 3 - 6 of the Port Terminal Access (Bulk Wheat) Code of Conduct*

November 2022

## Summary

T-Ports Pty Ltd (T-Ports) will operate a bulk grain facility and offer receipt and vessel loading services at Wallaroo, Yorke Peninsula, South Australia. The T-Ports service offering employs the use of a shallow draft transshipment vessel (TSV). The transshipment vessel, the MV Lucky Eyre, is currently in use at the T-Ports Lucky Bay Port on the Eyre Peninsula and the vessel will tranship grain from the L-shaped rock causeway onto deep-water ocean-going vessels anchored in the Spencer Gulf. The Wallaroo Port construction program is advancing with port silos and bunker storage expected to be complete for grain receipt in harvest 2022/2023, and with the port causeway and ship loading infrastructure to be completed for export in mid-2023.

T-Ports is seeking exemption from parts 3-6 of the Competition and Consumer (Industry Code - Port Terminal Access (Bulk Wheat)) Regulation 2014 (The Code) on the basis that:

- a. exemption is in T-Ports' legitimate business interests: exemption will reduce the significant regulatory cost of compliance in circumstances where T-Ports' bulk wheat shiploading services are significantly smaller when compared to competitors, will give T-Ports greater operational flexibility and enable it to provide a more competitive port terminal service while ensuring commercial viability;
- b. exemption is in the public interest and promotes competition in upstream and downstream markets as T-Ports Wallaroo facility does not benefit from vertical integration and will compete for grain in the overlapping grain catchment areas of the Yorke Peninsula, Mid and Upper North regions;
- c. exemption is in the interests of exporters who may use T-Ports' independent facilities and benefit from the option of another provider of bulk wheat shiploading services on the Yorke Peninsula (aside from Viterra's vertically integrated operations at Wallaroo and Port Giles);
- d. exporters have fair and transparent access because T-Ports is incentivised to provide access to exporters to maximise throughput and efficiency, and does not benefit from vertical integration;
- e. exemption will promote efficient investment and operational efficiency as T-Ports operates significantly smaller infrastructure than competitors and would consider further investment to meet customer demand, but it would only be operationally and commercially efficient to do so if it had an exemption to reduce the costs of the operation;
- f. T-Ports is not vertically integrated and therefore has no ability or incentive to favour its operations upstream or its own export operations; and
- g. There are exempt service providers within the grain catchment area and an exemption will provide equity with those participants.

## T-Ports Pty Ltd

### *About T-Ports*

T-Ports specialises in innovative solutions for the export of Australian commodities, partnering with customers and investors to use a flexible model that positions port infrastructure close to the product's origin. T-Ports' infrastructure strategy centres on developing shallow water ports with a lower build cost and smaller environmental footprint than traditional deep-water ports. Transshipment vessels load bulk materials in shallow-water ports close to road or rail systems and then discharge into an ocean-going vessel at sea.

T-Ports constructed the first transshipment port at Lucky Bay on the Eyre Peninsula and is progressing construction of the second port at Wallaroo on the Yorke Peninsula. T-Ports began operations at its port terminal facility at Lucky Bay in March 2020 and it has now operated through three grain harvests, handling circa a 1m tonnes of grain across the three harvests.

Further information on T-Ports is available at <https://tports.com>.

### *Wallaroo Port Terminal Facility*

The Wallaroo Port facility is owned by the ICAM ACIF Lucky Bay 2 Trust (IALB2T), a privately funded investment vehicle. The Wallaroo Port is being developed and will be operated by T-Ports, which is a subsidiary of the ICAM Duxton Port Infrastructure Trust, an investment vehicle that owns the Lucky Bay Port.

The Wallaroo Port terminal facility for ship loading and its storage facilities are indicated on the map below.



The Wallaroo Port infrastructure includes a rock armoured L-shaped causeway, at-port storage silos holding 20,500 tonnes, and upcountry bunker storage of 240,000 tonnes of grain.

Similar to T-Ports' Lucky Bay facility, the Wallaroo facility will use a relatively unique ship loading approach that involves a transshipment vessel. As a result of this operating method, grain is first loaded onto the transshipment vessel from the conveyer system on the rock causeway; before being shipped out to deeper water, where the grain is then transferred from the transshipment vessel to the exporting vessel. T-Ports will be using the same transshipment vessel, the MV Lucky Eyre, across both Lucky Bay and Wallaroo Ports.

Loading rates from road receipts will be up to 1,000 tonnes per hour (tph), comprised of two 500 tph hoppers servicing a single 1,000 tph conveyer belt. The on-shore ship loading rates will most likely be

between 1,000-1,500 tph depending on commodity and stock availability. The loading rate for the TSV (the MV Lucky Eyre) to the ocean-going vessel is 1,200 tph, with daily load rates of minimum 7,000 tonnes per weather working day once all operating variables are factored in.

T-Ports already has tremendous support from the grower community who look forward to increased pricing competition, and an alternate service experience for harvest delivery.

### **Grain Supply**

Walleroo’s grain catchment area encompasses the Yorke Peninsula (primary region), the Mid North and Upper North regions of South Australia. The largest participant in grain supply in these regions is Viterra.

On the Yorke Peninsula a significant proportion of storage is located at port, with Viterra’s Port Giles and Wallaroo facilities able to store 514,100 tonnes and 757,500 tonnes of grain at port respectively. In addition, Viterra operate storage sites at Ardrossan and Bute on the Yorke Peninsula. The Mid and Upper North regions contain a relatively higher number of alternate storage sites, that are predominantly owned by Viterra.

Smaller participants include GrainFlow, which operates an upcountry site in Maitland, Mallala and Crystal Brook and ADM, which operates a storage site at Port Pirie.

Total annual capacity estimates of alternate export providers in the catchment area total over 5.00 million tonnes, in comparison to T-Ports Wallaroo business case of ramping up tonnes from 0.17m to 0.50m once operations mature in the mid-term. Combining Lucky Bay’s business case estimate of 0.60 million tonnes per annum, the combined business case capacity for T-Ports Wallaroo and Lucky Bay totals 1.10 million tonnes per annum. The shipments commencing at Wallaroo will not reduce the 0.60 million tonnes business case capacity figure at Lucky Bay or vice-versa.

We anticipate the combined capacity across these two facilities would be circa 1.40 million tonnes or 0.70 million tonnes per port.

We anticipate the facility to facilitate an even mix of full loading of vessels and partial loading of vessels. As is already the case in Lucky Bay, we expect topping-up vessels, after they first receive grain from a separate PTSP, to be a common scenario. We anticipate a two-port loading basis across Lucky Bay and Wallaroo to occur but will not represent a common loading scenario. The preference is for vessels to be fully loaded at either Lucky Bay or Wallaroo.

We anticipate the grain trade customers currently operating out of Lucky Bay will also participate at T-Ports Wallaroo, although note ADM’s export operations at Port Pirie and Cargill’s export operations at Inner Harbour, Port Adelaide may temper their level of participation. T-Ports will be planning for commissioning loads, however there is still the uncertainty of a completion date for construction.

Alternatives      ACCC capacity estimate (Mt p.a.)

Port Giles VT	1.17
Walleroo VT	0.84
Outer Harbour VT	2.54
Inner Harbour Cargill	0.54
Port Pirie ADM	0.44
Total Alternatives	5.53 million

## Reasons in Support of Exemption

In making a determination that a PTSP is exempt, the ACCC must have regard to matters listed in subclause 5(3) of the Code. T-Ports has provided its submissions and supporting information on these factors in this section.

### *a. The legitimate business interests of the port terminal service provider*

Parts 3 – 6 of the Code are onerous, and compliance with their obligations would add significant cost and complexity to T-Ports' operation, which are start-up in nature having experienced only three years of operation at Lucky Bay with yet to be proven operations at Wallaroo.

It is in T-Ports' legitimate business interest to prove the ongoing commercial viability of the business against significantly larger competitors, and this involves efforts to reduce its operating cost base including regulatory compliance costs to ensure a sustainable business model.

### *b. The public interest, including the public interest in having competition in markets; and g. the promotion of competition in upstream and downstream markets*

T-Ports Wallaroo facility will compete for grain in the overlapping grain catchment areas of the Yorke Peninsula, Mid and Upper North regions with Viterra's Wallaroo, Port Giles and Port Adelaide facilities, ADM's Port Pirie facility, Cargill's Port Adelaide Inner Harbor facility and Semaphore's Osborne facility.

With regards to impact on competition in upstream and downstream markets, T-Ports is not vertically integrated and does not have any ownership interests in road or rail freight companies. Further, T-Ports is unable to receive grain via rail services at its Wallaroo facility and will own only 260,000 tonnes of upcountry storage.

T-Ports entering the market should promote competition in the upcountry storage market and the transport market by establishing a new export pathway, which gives potential storage and transport providers more options to deliver grain.

T-Ports expects to face similar constraints from Viterra in the Wallaroo catchment area to those experienced by T-Ports on the Eyre Peninsula. This includes Viterra offering poor access windows at Viterra sites that work in a freight sense for delivery to T-Ports' ports. It is not uncommon for Viterra to allocate a very limited and unreasonable duration of time to outturn a certain volume of tonnage. The limited windows requires more truck resources from an already finite fleet and this places a huge strain on the overall available capacity when seeking timely accumulation from multiple sites at the same time.

### *c. The interests of exporters who may require access to port terminal services*

T-Ports is not vertically integrated and therefore does not have incentives to discriminate or favour itself as an exporter or an associated entity exporter. As such, exporters are able to access port terminal services on a fair and transparent basis.

Granting an exemption will not adversely affect exporters. On the contrary, it is in their interests as exemption helps ensure that T-Ports can offer a viable alternative to the incumbent Viterra operations at Wallaroo and Port Giles on the Yorke Peninsula, and compete with the exempt Viterra, ADM, Cargill & Semaphore operations in the Upper North & Mid North catchment areas.

The continuation of another export pathway for SA grain is a positive development for exporters and growers. Further, the presence of an additional pathway may also alleviate potential constraints at alternate facilities.

*d. The likelihood that exporters of bulk wheat will have fair and transparent access to port terminal services*

As a new entrant in port terminal services that does not benefit from vertical integration, T-Ports is incentivised to provide fair and transparent access to seek throughput and attract customers and therefore does not have incentives to discriminate or hinder access to third party exporters.

*e. The promotion of the economically efficient operation and use of the port terminal facility, and f. The promotion of efficient investment in port terminal facilities*

T-Ports' current shiploading infrastructure handles wheat and barley only, whilst the Wallaroo port storage capacity is far below that of competitors with at-port storage silos holding 20,500 tonnes, and upcountry bunker storage of 240,000 tonnes of grain.

The location and operational interaction between the Wallaroo and Lucky Bay facilities may provide T-Ports with some operational flexibility where there is part-loading across both T-Ports' facilities for the same vessel (i.e. vessels half-loaded at Lucky Bay and then half-loaded at Wallaroo). However, whilst this is a possibility, it is the preference would be for vessels to be fully loaded at either Lucky Bay or Wallaroo.

The use of a single transshipment vessel to service both ports will result in operational challenges and, in above average seasons, possibly cap the amount of throughput that can be delivered by each facility. Factors that may impact the capacity to use the same transshipment vessel across two-separate ports include weather conditions and time requirements as the vessel traverses the Spencer Gulf between ports, and optimising scheduling of crewing requirements. T-Ports would consider further investment in these operations, in response to customer demand. However, it would only be operationally and commercially efficient to do so if the operating costs of business, including compliance costs, were maintained at reasonable levels.

A reduction in the level of regulation will enable T-Ports to respond to its customers' needs more adeptly, innovate with its customers and open up competition to provide an additional efficient export pathway for customers.

T-Ports faces a substantial level of competition from Viterra at Wallaroo, as well as broader competition from Viterra at Port Giles and Port Adelaide, and ADM at Port Pirie to drive efficient operation of its port terminal facility.

*g. Whether the port terminal service provider is an exporter or an associated entity of an exporter*

T-Ports is not an exporter, nor is it an associated entity of an exporter. Grain handling and loading services are offered to grain traders and exporters. As a privately owned investment company T-Ports does not benefit from vertical integration.

*h. Whether there is already an exempt service provider within the grain catchment area for the port concerned*

Whilst Wallaroo, Port Giles, Port Pirie, and Port Adelaide operate in different grain catchment areas, they overlap in sourcing grain from the Yorke Peninsula, Mid North and Upper North regions. Therefore, T-Ports faces competition from ADM's Port Pirie facility, Viterra's, Cargill's and Semaphore's facilities at Port Adelaide, and Viterra's facilities at Port Giles and Wallaroo.

We note that the following facilities have been exempted, specifically:

- Viterra in respect of both its facilities at Port Adelaide;
- Semaphore in respect of its facility at Osborne Berth 1, Port Adelaide;
- Cargill in respect of its facility at Inner Harbour, Port Adelaide; and
- ADM in respect of its facility at Port Pirie.

If T-Ports is not granted an exemption under the Code, it would be subject to a higher level of regulation than three other mobile ship loading operations (i.e. ADM, Cargill and Semaphore) and two larger scale, higher efficiency operations (i.e. Viterra Port Adelaide).

*i. Any other matters the ACCC considers relevant.*

N/A