

## Record of conversation with Bulk Cargo Services

31 May 2007

### GeelongPort exclusive dealing notification

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**ACCC:** Jaime Martin

**Bulk Cargo Services:** Peter Hines

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Mr Hines returned my call of 30 May 2007. I explained that the Australian Competition and Consumer Commission (ACCC) is currently considering an exclusive dealing notification received from Toll GeelongPort in relation to its operations at Lascelles Wharf in Geelong. In particular, GeelongPort proposes to require all port users to use its shore-based figee cranes to unload fertiliser and other dry bulk cargoes at Lascelles Wharf.

I also explained that in considering an exclusive dealing notification such as this, the ACCC can remove the protection provided by the notification if it is satisfied that the conduct results in a substantial lessening of competition and that the public benefit does not outweigh the public detriment resulting from the conduct.

To assist the ACCC's consideration of the GeelongPort matter, I told Mr Hines that I would appreciate the opportunity to ask some questions about Bulk Cargo Services and the industry generally.

A summary of the issues discussed during our conversation follows:

Bulk Cargo Services (BCS) does not currently have a hopper located at Lascelles Wharf. BCS hires its grabs to customers at Lascelles Wharf from time to time. BCS has approximately one or two shipments per year.

BCS hires hoppers and grabs and also provides a service coordinating the unloading process on behalf of its customers.

- BCS operates at many ports across Australia, all of which have different practices. Some of these ports have shore-based cranes for bulk cargo unloading including Kwinana at Fremantle, Brisbane Port and Kooragang 'K2' in Newcastle.

At the Port of Melbourne, bulk discharge common user wharves are located at 'F Appleton', '6 Yarraville' and '28 South' Wharves. While 'F Appleton' has specialised grain loading facilities, there are no shore-based cranes at these wharves. Both BCS and Bruce Stevens Bulk Commodities have hoppers located onsite at different wharves in Melbourne.

- Mr Hines considers the facility most comparable to Lascelles Wharf is K2 in Newcastle. K2 is a common user bulk discharge facility which has two shore-based gantry cranes. K2 is managed by P&O Ports. Both BCS and Bruce Stevens Bulk Commodities have two hoppers located onsite in Newcastle. Mr Hines understands there is no requirement on port customers to use the gantry cranes.

- Mr Hines explained that it is very easy to transport grabs between ports. However, it is more difficult to transport hoppers by road as they require dismantling. It is possible to transport hoppers between ports on ships or barges but this is expensive (around \$20 000). Mr Hines suggested you might move a hopper once a year.

Mr Hines considers the notified conduct restricts BCS' ability to hire its grabs and hoppers to customers at Lascelles Wharf.

Mr Hines explained that in his experience 4-5 stevedores are usually required to run a single crane discharge system, irrespective of whether a ship's crane or shore-based crane is being used. This number usually includes a foreman, two men to drive the crane and one man to operate the hopper.

Stevedores have 'manning agreements' which would determine the number of stevedores required to unload cargo using multiple cranes onboard the ship.

- Mr Hines believes it is questionable whether the figee cranes deliver the environmental benefits claimed by GeelongPort. Mr Hines explained that spill over of cargo is caused by leaking grabs. Mr Hines considers customer should only be forced to use certain grabs if the grab being used is leaking, as occurs in Melbourne. Mr Hines noted that the issue of spill over is governed by EPA requirements.

Mr Hines believes it is common for shed receipt rates to be the limiting factor on bulk cargo unloading rates, rather than the cranes.

Mr Hines understands there might have been an 'informal agreement' for customers to use the figee crane system at Lascelles Wharf in the past. Mr Hines noted, however, that newer customers would not be part of any such 'agreement'.