



CO-OPERATIVE BULK HANDLING LIMITED
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8 July 2008

The General Manager
Adjudication Branch
Australian Competition and Consumer Commission
GPO Box 3131
CANBERRA ACT 2601

Dear Sir Madam

CBH EXCLUSIVE DEALING NOTIFICATION N93439

– Interested party notification

We have reviewed the public version of CBH's Grain Express notification submission. This letter confirms our general support for the Grain Express proposal.

The current supply chain

We agree that the current Western Australian grain supply chain is inefficient. The problems in the current supply chain largely arise from the absence of a nominated party to clearly control the complex grain logistics chain in Western Australia. This causes inefficient use of the storage, handling and transport infrastructure. This is clearly demonstrated when Co-operative Bulk Handling Limited ("CBH") perform cargo accumulation from multiple, geographically dispersed sites, which results in:

- (i) ad hoc (and often late) movements of small grain volumes;
- (ii) sub-optimal use of transport infrastructure;
- (iii) unnecessary opening of bulkhead storages, creating loss by division and poor fumigation practices; and
- (iv) poor utilisation of port storage;

Grain express will deliver benefits

We are aware that the Grain Express proposal provides for a bundled storage, handling and transport service. In our view, this is an appropriate means of service delivery to growers and marketers. The Grain Express structure will promote efficiencies including:

- more flexible and effective receival conditions, which will increase delivery speed, reduce clerical errors and provide growers with a better environment to decide upon marketing options;
- better transport coordination, including increased use of unit trains;
- transparent queuing and shipping arrangements;

Deregulation of the grain marketing

With the deregulation of bulk export wheat marketing, supply chain efficiency becomes both more difficult and more important. While AWB was the sole bulk wheat exporter, there was some rationale for it being a party to industry freight agreements. However, if multiple bulk exporters each make their own transport arrangements and attempt to move their grain to port during the coming harvest, it is difficult to see how the supply chain could operate efficiently.

We agree with CBH that its task as a storage & handling supplier would become unmanageable that there is a real risk that serious delays and increased costs may result. In addition, there is a clear risk that in the absence of structural change, the rail network may cease to be viable. This may have permanent effects because once grain lines close, they are rarely recommissioned.

Issues for Grain Pool

Grain Pool Pty Ltd is likely to be the largest acquirer of grain in the CBH bulk handling system in 2008/09 season and expects to deal with CBH on an arm's length commercial basis. An important issue for Grain Pool is ensuring that it receives genuinely non-discriminatory terms and conditions from CBH. There is some concern that, CBH may equate "non-discriminatory terms" with "identical terms" or otherwise err in favour of Grain Pool's competitors out of an abundance of caution.

Grain Pool intends to carefully monitor its terms and conditions to ensure that a level playing field is maintained.

Grain Express is a viable solution for the 2008/2009 harvest

In our view, the Grain Express proposal is a viable long-term solution to properly address the systematic coordination failures associated with the current supply chain.

We support the Grain Express proposal and the notification submission, and we welcome the proposed changes to improve the efficiency and effectiveness of the Western Australian grain supply chain.

Yours faithfully



Michael Hadfield
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Grain Pool Pty Ltd

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