

**Submission to ACCC**  
**on**  
**Cooperative Bulk Handling Limited (CBH) exclusive dealing notification**  
**N93439 (referred to as Grain Express)**

I am a grain grower from the North Midlands in Western Australia. I applaud your decision to review the “Grain Express notification” for Cooperative Bulk Handling.

This submission represents my personal views, as a Western Australian grain grower. Note that I have been a Director of the (former) Grain Licensing Authority of Western Australia (GLA), and am currently a member of Wheat Exports Australia (WEA).

From a large growers perspective (and my understanding that exporters and traders have the same issue) it appears that CBH have been displaying monopolistic behaviour with Grain Express. The types of behaviour include:

- virtual stocks (this causes issues especially with canola oil increments where buyers can purchase high oil grain, but are unable to export grain of that specification);
- moving grain around receival sites when purchasers wish to move grain out of the CBH system;
- fumigation (this is used as an excuse to withhold grain when it is going to be withdrawn from the system);
- Port fees to introduce grain into their system when you have used road freight to port.

In particular, CBH use grain express as the means of keeping grain within the CBH storage and handling system. CBH have consistently supported attempts (under the previous state labour government) to regulate grain back onto rail, and more recently supported ARG's attempts to put more grain back onto rail. CBH owns the up-country silos and through the exclusiveness of the Grain Express model have complete control of all grain on rail. These characteristics lead to monopolistic behaviour and effectively eliminate competition for rail (these competitive services are being provided in southern and eastern states) and the development of competitive alternate supply chains.

State grain bulk handlers like CBH received control of the ports through the largesse of previous State Governments, as a result of the previous wheat export single desk and State based grains monopoly. For many years they received heavily discounted non-commercial rents on port land. CBH have not made any commercial investment in developing, building or expanding the Ports this has largely been funded by Growers and State and Federal Governments. CBH use their control of the supply chain into these ports to hold out competitors. CBH are penalising those in the industry who are trying to develop alternative supply chain models.

Currently the benefits of deregulation in the grain industry are being offset by the monopoly that CBH hold over the supply chain in Western Australia. What is needed is competition and Grain Express prevents that competition from developing.

Grain Express in WA also causes a major distortion of the supply chain. Grain introduced into the bulk handling system at the point of export incurs the same \$17.10 charge as that which has been stored for many months despite the fact that it has cost CBH very little. People wishing to use their own supply chain or on farm storage are penalised with substantial charges at the point of delivery. There is no attempt to reflect the real cost to CBH in the charges, which in itself is anti-competitive. This makes gaining a suitable return on investment in alternate storage and supply chain systems difficult. Grain Express has the effect of hand-cuffing growers and traders to the CBH system. The coupling of Grain Express to the access undertaking exacerbated this problem.

Supporters of CBH use all kind of public good arguments to support their retention of Grain Express, mostly related to the use of rail. For example:

- That Grain Express is the only means to keep rail open.
- That road deaths will increase if Grain Express disappears.
- That sub-standard lines should be kept open, regardless of cost.

Many of these supporters are delivering to small up-country receival points (silos) on the end of branch rail lines that are no longer viable. These growers support the retention of grain on rail as a means to retain these local receival points. If CBH were not a cooperative and the true cost of running these outdated receival points were reflected in the freight price to port the attitudes of these same growers would change very quickly.

Grain Express is an averaging service that hides the true storage, handling and freight differential costs within the supply chain by equalising them amongst all growers in the State. Why should one grower be subsidising another on handling charges and freight?

Competition would lead to price transparency in rail freight and I believe many growers would be advantaged by this transparency.

Failure of quality standards and increased insect problems are some of the other spurious arguments used to support the retention of Grain Express.

If Grain Express and the CBH supply chain are as wonderful as CBH claim, exporters would have no incentive to develop alternate models.

I sincerely hope you will revoke the exclusive dealing notification N93439 (known as Grain Express notification). Give Western Australian Grain Growers the chance to have competition and price transparency in the grain supply chain.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Kim Halbert', with a stylized flourish at the end.

Kim Halbert