



11 March 2016

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Application for exemption from the Port Terminal (Bulk Wheat) Code of Conduct – Patrick Stevedoring Pty Ltd (“Patrick”), Port Adelaide

Glencore Grain Pty Ltd and Viterra Pty Ltd welcome the opportunity to provide comments on the application by Patrick seeking exemption from the application of Parts 3-6 of the Port Terminal Access (Bulk Wheat) Code of Conduct in relation to Port Adelaide Berth 29.

The proposed exemption

Berth 29 is a significant new entrant port terminal facility at Port Adelaide that is capable of loading a large volume of South Australian bulk wheat. Patrick has stated that it expects to load 225,000 tonnes each year, which represents approximately 25% of the annual grain export task handled by Viterra’s Inner Harbor port terminal located adjacent to Berth 29.

Consistent with its previous submissions, Viterra and Glencore Grain supports deregulation in relation to Australia’s grain export terminals. We believe that full deregulation is the best policy for the Australian grains industry to maximise competitiveness in the global market.

As highlighted in Patrick’s submission, Parts 3-6 of the Code contain “onerous requirements” which are “costly” and limit flexibility”. These requirements have the potential to affect the competitiveness of South Australian grain to the detriment of all participants, including growers.

Viterra and Glencore Grain have also consistently emphasised the importance of a regulatory level playing field to prevent competitive distortions and unfairness likely to result from the application of regulatory requirements to some port terminals and not others.

If regulation is applied, it should apply across all port terminals and operators, to:

- avoid the potential for unintended market distortions due to artificial market forces;
- avoid imposing greater obligations on some operators;
- avoid increased regulatory costs that will arise via a complicated two tier system;
- ensure an appropriate and consistent level of reporting from all port terminal operators; and
- reduce the imposition of undue and unnecessary costs on industry.

Specific matters raised in Patrick's submission

The submission from Patrick's draws heavily on the Australian Export Grains Innovation Centre report of 2014 "The cost of Australia's bulk grain export supply chains" for its information, including cost comparisons of supply chains between states. However, that report contains a number of errors and inaccuracies, including a reference to South Australia as the most expensive supply chain.

Any reliance on the supply chain data contained in the report is highly problematic, as:

- the freight rates used as the basis for the calculations set out in the report were not accurate. Amongst other things, the report used a simple weighted average of freight rates across South Australia and did not take into account that the largest volumes of freight are carried on freight routes with freight rates that are much lower than the average; and
- the report bundled end point royalties and state levies into supply chain costs, and did not take into account the variation in regulation on various bulk handlers and the impact this has on the cost of doing business.

In this regard, the AEGIC report itself states that:

"Using these cost comparisons to make judgements about the management and operations of grain supply chains in any region is unwise. For a variety of reasons each region has unique cost structures, so great care is needed in drawing any inferences from any regional comparison" (pg 7).

It also acknowledges that:

"There are some sound and legitimate reasons for these cost differences as the cost structure in each jurisdiction is influenced by many factors, some unique to that region." (Pg 3)

For these reasons, relying on selective and inaccurate data is highly likely to result in incorrect conclusions and an inaccurate view of how the South Australian industry operates.



The information in Patrick's submission that is taken from the AEGIC report in relation to South Australian supply chain costs should be dismissed as incorrect, out of date and in some cases misleading.

Contrary to the suggestions set out in Patrick's submission, in each of the past three years, Viterra has through the efficient use of the grain supply chain, reduced its freight rates for growers.

Any comparison of supply chain costs must also necessarily take into account the quality of the services provided by different providers. South Australian grain has a reputation for high quality standards internationally. This is a direct result of Viterra's significant focus on maintaining facilities and providing services that deliver the highest possible standards of grain hygiene.

As a new entrant capable of loading 25% of the annual grain export task currently handled by Viterra's adjacent Inner Harbor port terminal, it will be important for the continued reputation of the South Australian grain industry that Patrick's adopts a similarly strong focus on grain hygiene and quality of service and complies with all EPA and other legislative requirements.

If required we can provide further detail on specific matters raised in this letter.

Yours sincerely

A handwritten signature in black ink, appearing to read "Philip Hughes".

Philip Hughes
General Manager, Trading
Glencore Grain

A handwritten signature in black ink, appearing to read "Tim Krause".

Tim Krause
General Manager, Storage and Handling
Viterra