

Viterra Operations Pty Ltd

Application under clause 5(2) of the Port Terminal Access (Bulk Wheat) Code of Conduct for exemption from Parts 3 to 6 of the Code in respect of Viterra's port terminals in South Australia

Response to request for information

7 February 2020

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Viterra Operations Pty Ltd - Response to ACCC RFI dated 23 January 2020

This document sets out Viterra's response to the request for information in the ACCC's email to Viterra dated 23 January 2020.

Question 1: Supplement to the CRA Report – publication

We attach a redacted public version of the Supplementary CRA Report.

Question 2: Viterra Capacity Estimates – 2016/17 and 2017/18 season correction

We attach a revised confidential and revised public version of Viterra's application for exemption, which corrects the:

- 2016-17 and 2017-18 capacity figures at each port terminals; and
- capacity estimate used for T-Ports in the diagrams contained in the schedules to Viterra's application. The original version of the application referred to using 100,000 tonnes per month (1.2 million tonnes per year) as a conservative estimate of T-Port's capacity at Lucky Bay. However, a figure of 50,000 tonnes per month was erroneously used in the diagrams. This has been corrected in the attached version.

Question 3: Catchment zones – stakeholder feedback

As the ACCC has noted, views on catchment zones have previously been presented by port terminal operators in relation to their Code exemption applications. This is because one of the express statutory criteria for considering whether to exempt a port terminal from Parts 3 to 6 of the Code is the extent of competition in a catchment zone. Accordingly, port terminal operators put forward arguments about competition in catchment zones and, for this purpose, typically seek to put forward what may be considered the relevant "catchment zone".

However, as shown by the following statements, a number of port terminal operators (in addition to Viterra) consider that catchment areas now have less relevance and, to the extent that they exist, are broad and fluid:

- Semaphore, in its 2017 exemption application, stated that "*as South Australia has the shortest distance to port than any other Australian State, the catchment area for the grain for exporters to utilise the SCS operations can be potentially drawn from a considerable growing region ...*".¹
- GrainCorp, in its Geelong and Portland exemption application (2014-15), stated that:²
 - "*The catchment concept was applicable under the single desk export arrangements when there was only one exporter, but has lost currency since export deregulation and changes in transport arrangements.*"

¹ Semaphore Port Adelaide wheat port exemption assessment (16 May 2017)

² See supplementary submission (27 February 2015).

- *“The export of Victorian bulk wheat (and other grains) is highly flexible. The state's smaller geographic area and shorter distances between production and port mean grain can and does move to alternative ports by either rail or road transport. ...*

The difference in rail and road rates is not significant in Victoria given the short distances and access to fertiliser backload business. This has led to the use of road transport for around 50% of Victorian grain exports. Consequently, exporters frequently substitute export channels for their cargos depending on other considerations, making the concept of a “Natural Terminal Port” for silos redundant. Grain can readily move to alternative ports for only a small freight difference that is, in the case of rail transport, less than \$3 per tonne.”

- GrainCorp, in its Port of Portland application (2018), stated that:³
 - *“Victoria’s relatively small geographic area and the consequent dominance of road transport means that, for most grain growing areas, the road distance (and cost) to sell grain to the domestic market or to Melbourne Container Terminals is comparable to that of moving it to alternative destinations, including ports in Melbourne, Geelong and – for some growers in North West Victoria – Adelaide”; and*
 - *“Riordan’s exemption application (from 4 October 2018) states that “grain accumulation in Portland’s catchment is influenced by Glencore’s Adelaide ports, Geelong, Melbourne and other mobile bulk loading ports operated by Semaphore and Cargill.”*
- Emerald in its Melbourne port terminal exemption application (2014-15), stated that *“Grain produced in Victoria is consumed domestically or exported through Melbourne or its competitor ports, primarily Geelong and Portland but also Port Kembla and Port Adelaide. Grain produced is transported either directly to the domestic consumer/port or via upcountry storage silos”*.⁴

In addition, an economic analysis of grain handling catchments in Australia by Kingwell in 2017 found that optimum catchment size has increased since the mid-1980s: lower road transport costs, more on-farm storage and improved efficiency of grain receipt have been the main factors leading to the expansion of catchment areas.⁵ The Australian Exports Grain Innovation Centre (AEGIC) has stated that Kingwell’s *“findings are consistent with the observed reduction in the number of receipt sites in many grain-growing regions of Australia”*, and has also stated that *“[m]ost ports have a significant catchment area where road transport costs are competitive with rail costs”*.⁶

³ GrainCorp Port of Portland wheat port exemption assessment (29 November 2018)

⁴ Emerald’s Melbourne Port Terminal exemption application (28 November 2014), including its supplementary submission (26 February 2015)

⁵ Kingwell, R 2017, ‘Changes in grain handling catchments in Australia: an historical perspective’, Australian Journal of Agricultural and Resource Economics, vol. 61, pp. 1–19, as quoted by AEGIC in its *Australia’s grain supply chains: Costs, risks and opportunities* report, <https://www.aegic.org.au/wp-content/uploads/2018/11/FULL-REPORT-Australias-grain-supply-chains-DIGITAL.pdf>

⁶ AEGIC, Australia’s grain supply chains: Costs, risks and opportunities, <https://www.aegic.org.au/wp-content/uploads/2018/11/FULL-REPORT-Australias-grain-supply-chains-DIGITAL.pdf>

Question 4: Further upcountry information

[Confidential]

Question 5: Upcountry outturn fees

[Confidential]