

13 March 2012

Mr David Salisbury
A/g General Manager
Transport and General Prices Oversight
ACCC
GPO Box 520
MELBOURNE VIC 3001

By email: transport@acc.gov.au

Dear Mr Salisbury

Viterra auction system proposal

As a client of Viterra, we write in response to Andrew Zile's email dated 28 February 2012 seeking written submissions from stakeholders on Viterra's auction system proposal.

1. Determination of capacity - Export Select & Export Standard
 - (a) Viterra operates its network on the basis of two alternate service arrangements. In essence, the Export Select system provides for a full bundled supply chain service and Export Standard allow Viterra clients to be responsible for management of the accumulation process (including freight) from country sites to port.
 - (b) We submit that the proposed auction system should incorporate a transparent mechanism to allow Viterra's clients to acquire a full understanding of the particular type of capacity that other clients are bidding for at the auction. Ultimately, the particular logistics that will be required to transport grain to port will impact the capacity sought by clients at auction.
2. First come first served
 - (a) We agree that limiting participants to 5 log-ins (effectively 5 slots) is a prudent approach given that it should have the effect of placing more emphasis and relevance on the auction. However, Viterra needs to provide clients with more detail in respect to the proposed process (i.e. when can a participant re-apply after the 1st of the 5 log-ins are used).
3. Capacity allocation
 - (a) We believe that Viterra has not provided a sufficient disincentive to clients to prevent the common scenario where participants drop significant volumes at crucial stages during an auction. To counter this situation, Viterra operations should have the power to close the auction at any point in time it considers it has the ability to meet the specific demand profile.
4. Auction Premium Pool
 - (a) Given the operational characteristics of the ports of Wallaroo and Thevenard, we submit that, by Viterra applying the premium pool across disparate ports, the rebates payable to clients will be distorted and have the potential to provide an unfair advantage to certain clients who are limited by vessel size.

- (b) Due to the relevant operational characteristics of port, demand for capacity would be reduced, which in turn, will have the effect of reducing the premium that would be applied as compared to shipping out of the major ports in the corresponding time period. The rebate would be fairer if it took into account the particular client's Port usage.

5. Additional Capacity

- (a) We submit that all spare and additional capacity should be re-auctioned. We accept that Viterra could hold an operation flexibility of approximately 5000 tonnes, but anything in excess of that limit should always be offered to clients in an auction.

6. Auction Review Committee

- (a) We do not believe that Viterra should have 2 representatives on the Auction Review Committee. A single Viterra representative on the ARC would always be in the position to request information from the Viterra operations division, however, an extra Viterra representative on the ARC may open up the potential for further influence to occur.

7. Amendments to Port Loading Protocols

- (a) Viterra have elected to make certain amendments to the Port Loading Protocols (**Protocols**). One of these amendments is to include reference to the requirements set out in Table A. Whilst we understand the intention of Viterra with respect to this alteration, we submit that this amendment will have the effect of allowing Viterra Operations to adversely impact a Client's vessel priority if it does not specifically and strictly comply with the requirements of Table A.
- (b) We request that further amendments be made to the Protocols to provide that Viterra will not adversely impact or alter a client's vessel priority where a client's failure to specifically comply with Table A does not adversely effect operational efficiency at the relevant Viterra port, or where non-compliance is due to a matter resulting from the actions of Viterra.
- (c) Given the Protocols include a process for accepting short order bookings (less than 60 days) in clause 2.4(g), it would seem reasonable to amend the Protocols to the effect that certain Table A requirements will, when operational efficiency is not impacted, be waived.
- (d) The inclusion of tonnage should be altered to read "substantial" or "material" tonnage changes that will adversely impact operational efficiency at the port. This request is to allow for minor tonnage changes associated with two port loading etc.