

## Application for exemption from the Competition and Consumer (Industry Code - Port Terminal Access (Bulk Wheat)) Regulation 2014

### Executive Summary

T-Ports Pty Ltd (T-Ports) will operate bulk grain facility and offer grain receipt and vessel loading services at Lucky Bay, Eyre Peninsula South Australia. The T-Ports service offering utilises innovative shallow draft Trans-Shipment Vessels (TSV). The shallow draft vessel trans-ships grain from the harbour to deep water ocean going vessels anchored in the Spencer Gulf. The TSV is expected to be commissioned in September 2019, and the port silos and ship-loader completion expected in Nov/Dec 2019. Bulk grain export services are expected to be commercially provided from 1<sup>st</sup> January 2020.

T-Ports is seeking exemption from parts 3-6 of the Competition and Consumer (Industry Code - Port Terminal Access (Bulk Wheat)) Regulation 2014 (The Code) on the basis that it is providing an alternative supply chain service to the region and the requirements are onerous and would add significant costs and restrict operational flexibility.

### Description of facility

The Lucky Bay site is strategically located in the Eyre Peninsula (EP) grain catchment zone and had initially been developed by Sea Transport Solutions for the operation of ferry services to/from Wallaroo.

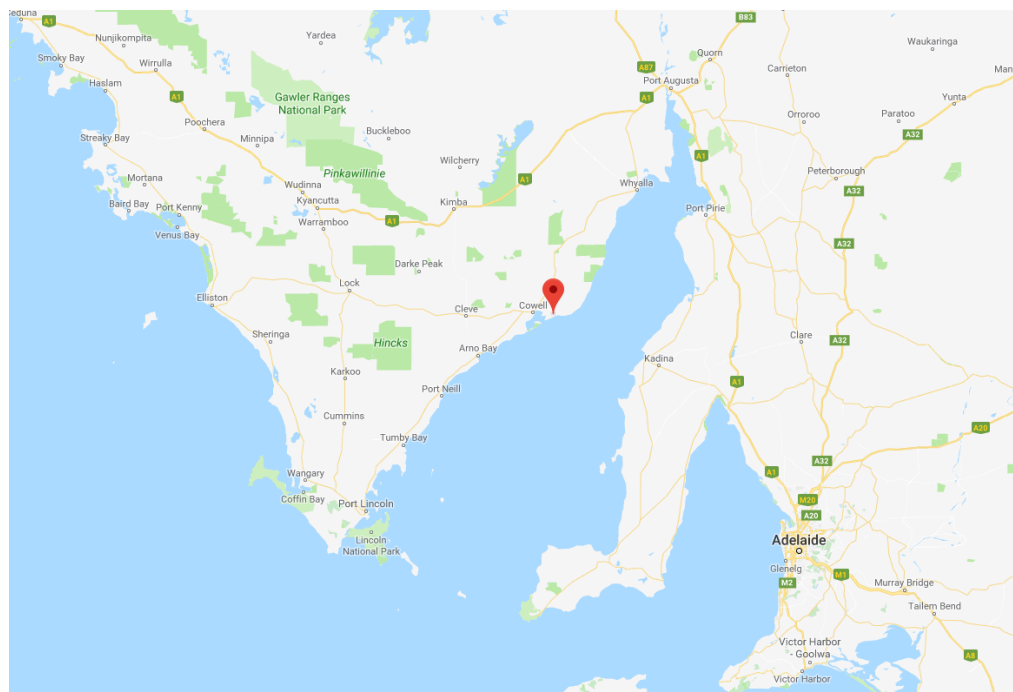


Figure 1: Lucky Bay location (pinned)

Sea Transport undertook a harbour extension for the common user export facility in 2014. It extends the harbour in a westerly direction by 180 meters and by 80 meters in width. This harbour extension incorporates two berth pockets for loading or discharging self-propelled self-discharging vessels (or

Trans-Shipments Vessels (TSV)). The extension was completed in 2016, and land and wharf has now been transferred to T-Ports.



Figure 2: Lucky Bay harbour



Figure 3: Lucky Bay wharf development – Note: Ferry at berth and dredge at common user export facility berth

The T-Ports service offering utilises innovative shallow draft Trans-Shipments Vessels (TSV). The shallow draft vessel only requires four metres of depth in the harbour terminal and trans-ships grain from the harbour to deep water ocean going vessels anchored in the Spencer Gulf. The design of the TSV is based on Sea Transport's previously designed and built vessels such as the MV Wunma and MV Aburri. The MV Aburri has been used for the last 20 years for the transshipment of lead nitrate in North Queensland.

The target loading and unloading time is approximately two hours, based on a nominal load and unload rate of 1,800 tonnes per hour. At this rate, it will be able to load deep water ocean going vessels at a rate of 13,250 tonnes per day. Assuming a 55,000 tonne Panamax, and the load operations working at the maximum design capacity of the TSV and port load out facilities, the vessel can be completely loaded in four days. In practice, maximum load capacity is rarely reached in any port due to a multitude of reasons. As such, it is anticipated that a mean operational rate of 10,800 tonnes per day, equating to 5.1 days loading time, is achievable. Extrapolating this across 7 day operations for a full year equates to a loading capacity of 3.6Mill tonnes, however T-Ports commercial estimates are based on securing up to 600,000mt per annum.

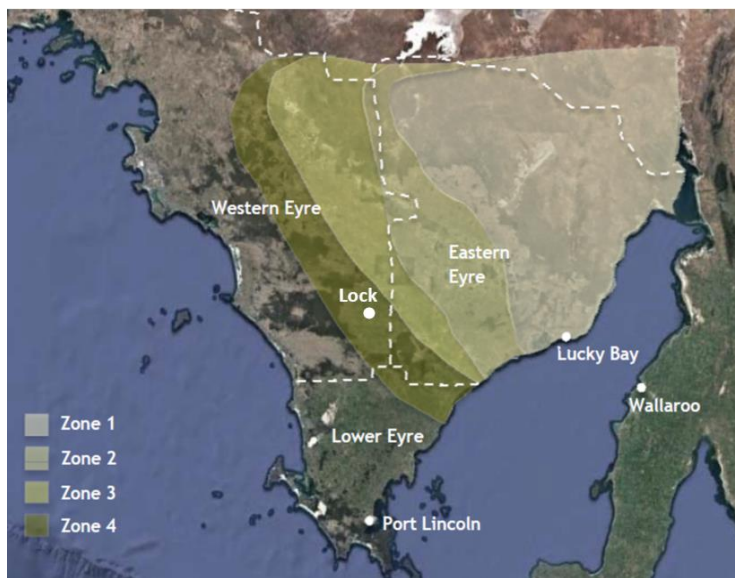
The ship loading facilities at Lucky Bay comprise sampling, weighbridges, road receipt sheds, ship loader and 27,000mt of steel bins storage silos.



Figure 4: Lucky Bay loading facilities (proposed)

T-Ports operations will be supported by the development and operation of grain receipt and storage facilities at Lock (132km from Lucky Bay) and bunker facilities at Lucky Bay (2km from berth). Lock facilities include sampling, weighbridge and 150,000mt of bunker storage. Lucky Bay facilities include sampling, weighbridges and 360,000mt of bunker storage.

Lucky Bay export facilities represent a freight advantage for local growers compared to the cost of haulage to Port Lincoln. The map below identifies 4 zones and estimated freight advantage of Lucky Bay over Port Lincoln.



	Domestic Haulage Advantage (\$/t)
<b>Zone 1</b>	15 – 20
<b>Zone 2</b>	10 – 15
<b>Zone 3</b>	5 – 10
<b>Zone 4</b>	0 – 5

Figure 5: Estimated freight advantage Lucky Bay harbour

The catchment zone area is estimated to include the entire Eastern Eyre region where the cost of transporting grain from farm to Lucky Bay would be notably less than transporting to Port Lincoln (Noting that the vast majority est. 95% of any deliveries to Viterra up-country sites will ultimately be moved to Port Lincoln (at grower cost)). The zone extends into Western Eyre region as far west as

Cungena / Poochera at which point the freight advantage to northern sites begins favouring the Thevenard port and southern sites begins favouring Port Lincoln. The Lower Eyre region freight advantage primarily favours Port Lincoln, however on the northern most parts of this region there will be farms that are physically closer to Lucky Bay and as such would be freight advantaged to deliver to Lucky Bay.

## Sub-clause 5(3) of the Code

(a) the legitimate business interests of the port terminal service provider

T-Ports Pty Ltd was formed after a successful capital raise offered by the ICAM Duxton Port Infrastructure Trust. The Trust is seeking to generate income and capital returns for investors through an innovative investment transforming an existing port into a specialist bulk grain exporting port facility.

T-Ports has developed an innovative business model that gives equity in the business to growers. 120 Growers in the catchment area have signed expressions of interest, through which they receive \$3 in shares for every tonne of grain delivered in the first 7 years of operations. They have signed up for 377,000 tonnes per annum, or a total of approximately 15% of total Equity.

The development of the port at Lucky Bay is expected to provide an alternative choice within the South Australia grain handling supply chain and provide grain growers in the region with significant cost benefits. The development of grain exports through the Lucky Bay Port will provide grain growers in the Eyre Peninsula catchment zone near the port with significant cost savings. The Lucky Bay Port has a substantial domestic road freight advantage for a significant portion of the Eyre Peninsula producers and particularly for grain growers on the Eastern Eyre Peninsula.

Investment Highlights identified in the Information memorandum include:

- Strong growth expected over the investment period
- An investment seeking to innovate upon the traditional port model and monopolistic grain supply chain in South Australia using proven technology that has been utilised in different industries for 20 years transshipping various commodities. The material handling system uses standard equipment, tailored for grain;
- The facility offers significant domestic road freight advantages for much of the eastern Eyre Peninsula grain growers by bringing port services 175km closer to growers;
- Potential to take advantage of increasing annual yields due to improvements in farming technology and practices. Over the past 20 years with better farming practices, grain yields on the Eyre Peninsula and Yorke Peninsula have improved from one tonne per hectare (t/Ha) to two t/Ha; and
- Lower build cost and lower environmental footprint compared to traditional grain export port facilities in South Australia, making the financial feasibility of the investment easier to attain with a lower throughput requirement.
- An investment that has historically outperformed traditional assets classes such as equities and bonds.
- Relatively low volatility compared with traditional asset classes such as equities and bonds.
- Relatively stable long-term yields, with the potential for capital growth.
- Agricultural investments have historically demonstrated low correlations with traditional asset classes, thus providing diversification in portfolios.

(b) the public interest, including the public interest in having competition in markets

Approximately 85% of all grain on the Eyre Peninsula is currently transported by truck<sup>1</sup>. This presents limitations to efficiencies due to fixed tonne capacities (average load per truck is 31 mt) and load restrictions. By developing a port closer to the production of grain, there will be less need to transport grain longer distances, resulting in reduced traffic and carbon emissions. Reducing the total kilometres of heavy truck traffic will improve public safety and reduce road maintenance costs.

T-Ports will offer competition in grain export services and also in grain receipt and storage services offered at harvest.

(c) the interests of exporters who may require access to port terminal services

Currently exporters have only one bulk grain export service provider on the Eyre Peninsula, namely Viterra Ltd, operating grain terminals at Port Lincoln and Thevenard. The Lucky Bay port is expected to have an impact on the demand for services at Viterra Port Lincoln, but less so at Viterra Thevenard. It is estimated that 85% of grain exported from EP is exported from Port Lincoln and 15% from Thevenard.

T-Ports has been discussing service offerings and requirements with several grain exporters currently operating out of South Australian ports. Generally all exporters welcome the introduction of an alternate supply chain and are looking forward to greater flexibility and competition in the market place for bulk grain export services out of the Eyre Peninsula.

Shipping services will be offered on a first in first served basis, with no plans to implement long term agreements or selling of operational capacity.

(d) the likelihood that exporters of bulk wheat will have fair and transparent access to port terminal services

Any exporter who wishes to utilise the services of T-ports will be welcomed. No preference in shipping slots/bookings will be given to those who have grain stored in T-Ports facilities, nor any discrimination against those bringing grain from 3<sup>rd</sup> party storages. All services are offered and charged on a commercial basis.

Exporters will have the choice of 2 export supply chains for a significant portion of EP grain (85% currently exported through Pt Lincoln) with T-Ports offering a commercially viable alternative to the entrenched provider.

(e) the promotion of the economically efficient operation and use of the port terminal facility

Given the long established operations of the current provider, T-Ports will only survive if it offers commercially favourable loading services. These can only be delivered through the combination of efficient investment, and flexible and efficient operating procedures.

The exemption from onerous regulatory control supports this goal of efficient operations.

---

<sup>1</sup> Recent media reports advise that current Viterra Grain rail contracts won't be renewed. This will result in 100% of grain movement by road.

(f) the promotion of efficient investment in port terminal facilities

The trans-shipment model requires less development of wharf and harbor facilities than a traditional deep-sea port, thus delivering a more economic business operation. The investment in and development of the shallow draft TSV minimises the amount of shore side infrastructure required for loading operations and reduces channel and harbour maintenance. The TSV is complemented with a specifically designed grain handling system, but should the need arise, can be easily adapted to handle other forms of bulk, containerised or general cargo

(g) the promotion of competition in upstream and downstream markets

The development of an alternative supply chain from farm gate to ship loading provides competition in the upstream market. Growers will now have the choice between two bulk storage providers and two export ship loading providers. In addition to storage facilities at Lock and Lucky Bay, T-ports will also offer an off-farm accumulation service, direct to ship loading service, supporting the development of effective on-farm storage options. The proximity of the port to the growing areas enables such a service to be viable. This service completes the link of providing competition in provision of services in the entire length of the supply chain for a significant portion of eastern EP growers.

(h) whether the port terminal service provider is an exporter or an associated entity of an exporter

T-Ports is not an exporter, nor is it an associated entity of an exporter. T-Ports owns and operates bulk handling facilities and the Trans-Shipments Vessel. Grain handling and loading services are offered to grain traders and exporters.

T-Ports is a 100% privately owned company with 53% of shares held by Sea Transport Solutions (own, operate and construct marine vessels) and the balance held by a consortium of private investors.

(i) whether there is already an exempt service provider within the grain catchment area for the port concerned

The only other operator of bulk grain export facilities on the Eyre Peninsula is Viterra Ltd, operating the grain terminals at Port Lincoln and Thevenard. Viterra Ltd is not an exempt service provider.

Semaphore Container Services (SCS) is an exempt service provider of a bulk loading operation from Osborne berth 1 in Port Adelaide. LINX (previously BAPS and Patrick) is an exempt service provider of a bulk loading operation from Port Adelaide.

(j) any other matters the ACCC considers relevant.

T-Ports is a start-up business entering as the smaller player in the monopolised grain export market on the EP in South Australia. T-Ports will face significant challenges in entering this market place and it would be detrimental to the business to be burdened by onerous regulatory controls.