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Monday, 25 November 2019

Re: GrainCorp application for exemption at Portland

To whom it may concern,

Further to our previous submission VFF provides the following comments.

**General statement**

VFF reinforces its previous advice that access regulation should apply equally to other participants such as RGS.

**Location Differentials**

Road freight costs can be estimated by multiplying \$0.12/km by distance from origin to destination.

Using this formula to calculate freight costs shows a very strong correlation with LDs –  $r = 0.99$ .

Clearly there is variation from this formula based on supply and demand factors, particularly for spot market quotes.

There is no public information on spot market rail freight costs. These tend to be negotiated with providers' confidentiality on a case by case.

Using this formula you can estimate road freight costs from any origin to any destination. However, the relativity between sites using this formula is similar to using relativity of LDs.

**Portland catchment**

The Portland catchment is generally defined as encompassing the silos on the Wimmera standard gauge lines that connect to Portland. See attached map.

The lowest cost freight option from these silos is generally Portland whether the freight is road or rail. Grain originating outside this zone has lower freight to an alternative port such as Port Adelaide on the western side and Geelong/Melbourne on the eastern side.

Grain railed from silos on out-of-zone eastern broad gauge lines would need to transit the Maryborough - Ararat by rail (currently out of service) with a costly bogie exchange.

The following table shows indicative additional costs for receiving grain at port from a couple of out of zone sites.



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Origin	NTP	Portland			Geelong			Melbourne		
		Road kms	Road freight	LD	Road kms	Road freight	LD	Road kms	Road freight	LD
Charlton	Melb	331	\$ 39.72	\$ 36.25	265	\$ 31.80	\$ 29.25	246	\$ 29.52	\$ 27.00
Donald	Geel	301	\$ 36.12	\$ 32.50	261	\$ 31.32	\$ 28.00	279	\$ 33.48	\$ 30.00
Warracknabeal	Port	276	\$ 33.12	\$ 28.75	312	\$ 37.44	\$ 33.50	337	\$ 40.44	\$ 34.50
Westmere	Geel	180	\$ 21.60	\$ 21.50	147	\$ 17.64	\$ 18.50	210	\$ 25.20	\$ 23.25

Locations closer to Portland obviously have a greater freight advantage over freight to alternative ports. So competition from alternative ports is only for grain originating near the edges of the catchment.

Yours sincerely,

Ashley Fraser  
Director & President  
Grains Group  
Victorian Farmers Federation