



**SOUTH AUSTRALIAN
FARMERS FEDERATION**

10 July 2007

Mr Nathan Petrus
Essential Services Commission of SA
GPO Box 2605
ADELAIDE SA 5001
Email: escosa@escosa.sa.gov.au

Dear Mr Petrus

Re: Submission to the 2007 Ports Pricing and Access Review: Draft Report

The South Australian Farmers' Federation (SAFF) Grains Council are pleased to have the opportunity to make a submission to the Draft Report released on the Ports Pricing and Access Review and Inquiry by the Essential Services Commission of South Australia (ESCOSA).

In our submission to the Issues Paper associated with this review we focussed purely on the questions raised in relation to port access and pricing for grain. Therefore, the focus of our submission to the draft report will again be limited to the issues relating to port access and pricing for grain and grain infrastructure.

With the bulk barley export marketing arrangements that changed on July 1 following the passing of the *Barley Exporting Bill 2007* in March 2007, it is likely that there will be increased competition within export pathways by additional exporters and traders now entering the market. Export marketing restrictions still apply in the wheat marketing arrangements, but uncertainty still exists about the future of these arrangements as the industry works toward forming a new model for wheat marketing in Australia.

As stated within our submission to the Issues Paper, the SAFF Grains Council supports the continuation of ports access and pricing performed by ESCOSA. The SAFF Grains Council also supports the draft report conclusion outlined on Page 53¹, which states:

Draft Report Conclusion

The Commission recommends that the Government address the above inconsistencies in the coverage of the access regime by:

- *Removing coverage at the port of Ardrossan; and*
- *Extending coverage to the bulk loader being constructed at Outer Harbour.*

The SAFF Grains Council supports the Commission in its view that the grain storage and bulk handling facility regulation should form part of a broader review of regulation across the entire supply chain, and is something that must be considered in the context of changes to wheat marketing within Australia. Given there is still a degree of uncertainty with the future of wheat marketing, the SAFF Grains Council recognises the need for consistent regulation across the critical grain infrastructure at port. Given the changes to barley marketing in South Australia have preceded any alterations to wheat marketing then SAFF Grains Council advocates there is a role in the interim for ESCOSA to perform a monitoring role on the storage and handling facilities.

In addressing the comments posed within the draft report, the SAFF Grains Council identifies the following responses:

- *Are there other alternatives to using these facilities?*

In the situation for the grains industry there is very limited alternatives to the facilities already established and operational at the ports identified. Given the majority of grain produced in South

¹ The Essential Services Commission of South Australia. 2007. *2007 Ports Pricing and Access Review – Draft Report*. www.escosa.sa.gov.au

Australia, particularly in a region like Eyre Peninsula, is exported the industry is reliant on the export supply chain. There is currently no competition in services provided at port for storage and handling, or grain loading, and limited opportunities at some ports for export via container. Therefore the grains industry has a heavy reliance on the services provided at port by the current manager of the facilities, ABB Grain Limited.

- *Is there the potential for the misuse of market power in providing storage and bulk handling services?*

Given the lack of competition at port there is a potential for misuse of market power by the operator of the facilities. Although the profitable operation of the storage and handling facilities requires throughput of commodities, there is a possibility that market power can be exercised through unfair pricing structures that might impact on the ability of third parties to service growers and potential delays through a lack of transparency in the management of the shipping stem at port (as identified by the Barley Marketing Working Group²).

- *Will regulation of access to these services produce a net benefit?*

At this point in time the SAFF Grains Council is not in a position to comment on the net benefit that regulation of access to these services might produce. With deregulation of barley marketing only just having occurred in South Australia and the 2007-2008 grain harvest being the first harvest for these changes to be operational it is a little difficult to determine the actual issues that might exist. This is certainly expressed by the working group where they determined that expansion of the regulation to the storage and handling facilities might possibly be required³. A light form of regulation that is provided through the Commission could assist the industry in identifying any costs or benefits that might exist, and could be important information for a broader review of the entire grain supply chain.

In addition, it is likely that changes to the wheat marketing arrangements in Australia will occur. SAFF Grains Council believes that these will lead eventually to a more contestable marketplace, and one of the issues for consideration with these changes will be the issue surrounding the access and pricing of port infrastructure. Within the SAFF Grains Council submission to the Wheat Export Marketing Consultative Committee in February 2007, it was stated that with a transition in marketing arrangements for bulk wheat exports a regulatory mechanism is required to ensure that fair and equitable access to critical grain infrastructure, particularly at port, for new entrants in the export industry is provided⁴.

If you have any questions arising from this submission please do not hesitate to contact either myself on 0417 806 536 or Ben Gursansky at the Federation on 08 8100 8710 or bgursansky@saff.com.au.

Yours sincerely



Mr Brett Roberts
Chairman – SAFF Grains Council

² SA Barley Marketing Working Group, 2006. Report to the Hon Rory McEwen MP (Minister for Agriculture, Food and Fisheries) and SAFF Grains Council. December, pages 55-56.

³ SA Barley Marketing Working Group, 2006. Report to the Hon Rory McEwen MP (Minister for Agriculture, Food and Fisheries) and SAFF Grains Council. December, page 55.

⁴ SAFF Grains Council, 2007. Submission to the Wheat Export Marketing Consultative Committee. February, www.saff.com.au.