



17 September 2003

Mr. Lewis W Owens
Chairperson
Essential Services Commission of SA
GPO Box 2605
Adelaide, SA 5001

By Email: escosa@escosa.sa.gov.au

Dear Mr Owens

Ports Price Review: Draft Report August 2003

AWB is concerned the proposed level of price regulation for Essential Maritime Services in South Australia will not be vigorous enough to protect the grain industry.

AWB agrees with the conclusions set out in the draft Ports Price Review as set out below:

The structure of the market for Essential Maritime Services suggests that market power could exist.

There is some potential for the misuse of market power.

Some port customers have economically feasible alternatives, but some bulk shippers, especially grain, are limited in this regard.

Scope for entry into Essential Maritime Services is limited.

There is significant variation between ports, cargoes and customers. Greater market power concerns arise in respect of bulk cargoes, especially grain.

Essential Maritime Services themselves are a small but significant part of the South Australian economy, having regard to the import and export of billions of dollars of cargoes annually. However, the economic efficiency effects of Essential Maritime Services are limited.

Essential Maritime Services charges make up a small part of the total supply chain costs – any price regulation must be in proportion to the significance of these costs.

Mooring services should be subject to monitoring, as regulatory barriers could deter entry to third party providers.

There are sufficient grounds to continue price regulation of Essential Maritime Services.

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Essential Services Commission of South Australia (ESCOSA) goes on then to state that a light-handed form of price regulation is required. We believe this is at odds with the conclusions found above. AWB feels that price regulation should be put in place so that it will protect the grain farmers from any price gouging by the regulated operators. As stated in our previous submission, South Australian port costs are at the higher end of the spectrum when we consider all costs charged on a per Metric tonne basis. This does not include the requirement for 2 port call visits owing to inefficient port infrastructure.

Flinders Ports has an obligation to its shareholders, not to the farmers of South Australia. Therefore, AWB believes Flinders Ports could take advantage of any opportunity to raise port charges, especially those services that have limited access for competitors and will not affect volumes through their ports if given a free hand.

Port costs charged against the vessel are not as visible as the Cargo Service Charge. Therefore, it should be noted that any price increases in these costs are reflected in higher sea freight rates, this being an additional impost on the grain farmer. Therefore, the level of regulation of Essential Maritime Services cannot be split between differing services as firm regulation on one part could be made up through a light handed approach and therefore increased revenue on other services.

AWB would hope that if a light handed approach is adopted, a robust mechanism is in place for the resumption of tight price regulation if required. The mechanism would need to be quick moving and not take a full three-year review before changes are made.

We would like to thank the ESCOSA for the opportunity to again have input into their review of pricing

Yours sincerely

Nigel Borthwick
Port Operations Manager
Supply Chain Operations