

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 127

Topic: Shipping Stem

Hansard Page: Written

Senator COLBECK asked:

An example of the risks to the industry and growers from the dominance of Viterra is the shipping schedules that show that for the first months of the recent harvest nearly all the shipping slots were booked for Viterra. This stopped growers from selling to other exporters and creating difficulties for other exporters to even buy grain ready for export. For the period from December to May, nearly 1.4 million tonnes of wheat was initially scheduled for shipping, with over 70% booked for Viterra. Viterra has now cancelled the shipping of 1.1 million tonnes, but left these cancellations too late for other traders to take up these shipping slots. This meant growers lost the opportunity to sell to other traders with competitive bids.

Another example is that the shipping stem is dominated by the bulk handler with a \$5 a tonne nomination fee. If an exporter needs on a 50000 tonne boat, \$250 000 has to be paid up front. And any change is considered a new booking nomination. This means the same boat in the same slot requires another \$250 000. This fee is not refunded if the boat is not loaded for any reason. Viterra does not have the same fiscal restraint as in effect the left hand can pay the right hand, so that overall the business does not hand over cash under current nominations. If there was an independent stem operator, it is estimated that Viterra would be required to pay up to \$13.25 million when cancelling previously booked shipping slots.

1. The Productivity Commission sees merit in port terminal operators developing a voluntary code of conduct to govern port access after 1 October 2014 (page 127). How well does the Commission believe this would work?

Answer:

In its draft report *Wheat Export Marketing Arrangements* (March 2010), the Commission recommended continuation of the access test in the Wheat Export Marketing Act until 30 September 2014. After that, access to terminals would be subject to the general third party access provisions contained in Part IIIA of the Trade Practices Act.

The Commission also recommended continuation of legislative requirements for port terminal operators to publish the daily shipping stem and port access protocols, as they are currently required to do (that is, to keep the continuous disclosure rules component of the access test).

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To further support these arrangements, the Commission proposed a voluntary code of conduct by port terminal service operators to govern port access. The Commission noted that such a code could have benefits for exporters if it included features such as the publication of reference prices, minimal service offerings, the publication of reference prices and a binding arbitration process.

These draft recommendations attracted considerable comment from inquiry participants in submissions, at roundtables, and at public hearings. The Commission has taken these responses into account in formulating its final recommendations. The final report has been delivered to the Australian Government and is awaiting release.