Port Access: "If I was in front of the ACCC…!!!"

Last week, the Australian Competition and Consumer Commission (ACCC) released draft determinations proposing to grant exemptions for Emerald's Melbourne Port Terminal (MPT) and GrainCorp's Geelong port terminal under the mandatory wheat code for port access. (See https://www.accc.gov.au/regulated-infrastructure/wheat-export/victorian-wheat-ports-exemption-assessments). The code regulates bulk wheat port terminal operators to ensure exporters have fair and transparent access to wheat port terminals. The ACCC proposes to not grant an exemption to GrainCorp's Portland terminal.

The logic behind this is that there is now sufficient competition between these two ports and in the general supply chains in Victoria (which includes container packers and domestic consumers), along with the impending Bunge facility at Geelong, that there is no longer a requirement to regulate the port terminal operators. The ACCC has asked for comment/submissions on its draft determinations by **24 April 2015**. You can bet that unless there are strong arguments to the contrary, these draft determinations will be converted to final determinations and these port operators will be exempt from parts of the Code.

This will largely mean the operators can negotiate and determine their own terms of access direct with their exporter customers, without having to be subject to ACCC oversight.

So, if you were in front of the ACCC, what would you say?

This is a very complex issue, so rather than attempt to lay out all the possible scenarios here, perhaps it's worth thinking about what **outcomes** we would like the ACCC to focus on for any port terminal service in our grain supply chains? Here are a couple of ideas…

Will it lower supply chain costs?

Fundamentally, Australian grain has to compete on the global market. Therefore, working back from what the end customer is prepared to pay for Aussie grain compared to competitor grain, is where it starts.

From that point, we need the lowest supply chain costs to arrive at the best farm-gate returns. That means sea freight, fobbing costs, freight to port, up-country storage costs, farm to storage site, etc.

The thing about the best supply chains is that they are **connected** – they cannot be looked at as isolated pieces. So please Mr.ACCC, can you make sure the system will drive the end-to-end cost down, not just individual pieces of the chain? Are there commercial incentives in place between the players to drive these costs down?

Will it improve competition for grain back up the supply chain to farm gate?

One of the unlevel parts of our supply chain, is the capture of information on stock levels, grain quality and ownership. This information currently is only available to storage network operators including port terminal operators, yet they service a range of competing exporters. So, Mr ACCC, if you alter the rules by which those parties can negotiate access to port terminals, can you also please ensure that the marketplace (in order to compete for grain through the supply chain) can have the same access to stocks information as the port terminal operator?

The reporting of grain stocks information in Australia is "third world" standard, so unless we equip the market with accurate and reliable stocks data, the current imbalance of trading information will erode the benefits of further deregulation. Information capture is just as effective, if not more effective, in extracting margins as physical ownership of critical points in the supply chain.