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20 Year State Infrastructure Strategy Discussion Paper - Submission

As recognised in the Discussion Paper, appropriate investment in long term, sustainable, and efficiently run infrastructure is a key to ensuring the South Australian economy reaches its potential. Infrastructure in regional South Australia is very important to the future of the state's grain industry and broader economy.

Given Viterra's investment in South Australia, this submission focusses on Viterra's view of regional South Australia and the grain industry.

About Viterra

Viterra operates a storage and handling network for a range of agricultural commodities, connecting growers across South Australia and western Victoria with end-use customers in Australia and around the world.

We are a significant contributor to the South Australian economy and especially the South Australian regional economy through employment, engagement with local businesses, payment of taxes and continuous investment in our supply chain, a majority of which is in regional South Australia.

Viterra has approximately 700 permanent employees with around 1500 seasonal employees joining the company during harvest.

We contributed over \$4.2 billion to the South Australian economy between 2010 and 2018.

We are proud of the significant contribution we make to the South Australian grain industry, helping growers to have access to premium prices through the consistently high standards of quality, safety, reliability and sustainability we are achieving.

The ESCOSA Report – released in February 2019



The South Australian grain supply chain operated by Viterra was the subject of a comprehensive and detailed two year review by the Essential Services Commission of South Australia which was released as a report in February 2019. This report by an independent body found that Viterra operated an efficient, well-run, competitively priced supply chain and invested in that supply chain responsibly and responded to customer needs appropriately. This positive review is recognition of the value that Viterra brings to the South Australian grain industry and the critical role that Viterra plays in supporting regional economies.

What infrastructure investment would make the biggest impact to unlocking economic growth in South Australia in the next 0-20 years.

Given the high fixed cost nature of agriculture along the whole supply chain, government investment in research and development and innovation that supports increased and less volatile grain production supports all stakeholders.

Support companies that invest in infrastructure

Access to reliable and efficient infrastructure is critical for the competitiveness of the South Australian grain industry. The global grain industry is extremely competitive and South Australian grain competes with other grain exporting states and nations into international markets.

Viterra has made significant investments in our South Australian supply chain infrastructure and services over a long period. This provides an efficient and cost effective service to growers and exporters, which enables them to access international and domestic markets and achieve maximum value for their grain.

We are continuing to invest approximately \$40 million each year in capital expenditure and maintenance to ensure our supply chain meets the needs of our customers now and into the future.

Investment in transport infrastructure

Transport infrastructure is critical in moving grain from the farm gate to end users. The more efficiently this can be done, the lower the cost of doing business becomes.

The transport of grain from upcountry to port comprises a significant part of the total supply chain cost. There have been significant advances in both road and rail transport productivity in recent years. This is expected to continue. Viterra has long term agreements with both road and rail service providers to move grain from our upcountry sites to port terminals and end-use customers.



Government investment in roads to handle higher mass vehicles

There is a continuing trend to bigger and more productive freight vehicles and a 24/7 operating environment. When using road transport, we aim to use the highest mass vehicles possible to maximise efficiency. This includes our investment in infrastructure, such as 40 metre weighbridges to accommodate road trains and the decision to transition from rail to road transport on the Eyre Peninsula. There are however limitations on vehicle mass depending on the specific route, including last mile access. We work closely with the Department of Planning, Transport and Infrastructure on identifying transport initiatives for higher productivity vehicles along key routes. Government support for these initiatives would assist in the timely realisation of cost-savings and efficiencies.

Government investment in infrastructure should be driven by broad community benefits and support social and economic outcomes. Efficient, safe and reliable transport infrastructure offers a range of positive outcomes across the community.

Investment in data connectivity

Data connectivity is increasingly important for our business and the services we can provide to customers. Viterra makes significant investment in our IT infrastructure including data centres, networking, hardware and the development of new software to provide faster and greater levels of information and service. This infrastructure also supports our online e-learning for courses provided to employees in remote areas. We have actively supported the expansion of the mobile network in regional areas. We currently have two telecommunication companies (Telstra and Optus) using our silos to provide mobile coverage to regional South Australia. We have 35 towers on our sites across South Australia. Many of these are on long term agreements.

Our storage and handling sites are reliant on network connectivity to successfully operate and provide some of our value adding services to our grower customers. Last year, we implemented a new grain IT management system which was a multi-year, multi-million dollar project. Its potential is achieved with reliable and fast connectivity to ensure the integrity and timeliness of data capture and processing. Our customers rely on being able to have the data instantly and then being able to transact against this. In some cases we have had to install our own broadband satellite technology to achieve the speed and performance that we require to appropriately service growers. Growers generally transact online and need data connectivity to increase their likelihood of capturing the best prices for their products.



As we look to the future, increasing automation and adopting “internet of things” devices at our sites present further opportunities in safety and productivity. In some cases, lack of coverage limits our ability to capture these benefits, ultimately impacting the cost of operation.

The rollout of the NBN and a focus on addressing blackspots will continue to be critical to regional South Australia.

Investment in reliable and cheaper electricity

Electricity is one of Viterra’s single largest costs in operating our storage and handling network. We are part of SACOME’s joint buying group, which has been able to secure multi-year price certainty. Initiatives that reduce the cost of electricity can be reflected back to users of the grain supply chain through lower service fees.

Investment in regional services

Access to services and the quality of those services are very important to attract and retain people to live and work in rural and regional South Australia.

In operating our business we rely on health and medical services. We have regular need for these services for pre-employment medical screenings when recruiting staff and for medical clearances to determine individuals’ fitness for work. This is generalist medical care, not high-level specialist care. This is often not available in smaller regional areas and therefore requires employees to travel to larger regional centres to access services.

Support companies that are regional enablers

Our people are essential to our success. We understand firsthand the importance of retaining talent regionally. Providing training and development opportunities for our employees is one of our main strategies to achieve this. Our courses have been specifically designed by our business and range from safety and operational training to Diploma, Certificate IV and Certificate III level leadership courses. These courses are delivered by trainers who have an in depth understanding of our business. We have a strong focus on safety and customer service, and promote training to develop these skills. We promote development, and value employees creating innovative and safe working systems to improve the workplace.

Employees can use these skills outside of the work environment, in the communities that they live in. If they leave our business they take these leadership and safety skills with them and hopefully integrate those skills into their new roles within



regional communities. Young farmers, for instance, who learn about safety on our sites in many cases, take those skills with them back to the farm and increase the awareness of safety of those around them in that traditionally risky work environment.

Our development courses promote responsibility, team work, self-awareness and provide employees with a better understanding of our business. We encourage internal promotion and provide opportunity and support for those wishing to develop leadership skills.

What strategies should the Government adopt to ensure the necessary infrastructure is in place so our regions can thrive?

The Government should support regulatory best practice which includes lower levels of regulation and red tape which will encourage exporters to come to South Australia because it is an easy place to do business.

To encourage investment and innovation, businesses need a known and consistent operating environment, including regulatory and legislative requirements and costs, which enables them to be competitive locally and globally.

The Port Terminal Access (Bulk Wheat) Code of Conduct (“the Code”), is a Federal Code that impacts significantly on Viterra’s ability to do business with its customers. Due to the unequal application of the Code, the burden and costs of the associated regulatory processes have not been borne equally by the Australian bulk wheat export industry, but are largely shifted onto the South Australian grain industry.

Viterra has recently lodged an application with the ACCC to have its port terminals exempted from Parts 3-6 of the Code. An exemption would place Viterra on a level playing field with competing port terminal operators around Australia and globally which would in turn support lower supply chain costs and increased investment. It would also enable Viterra to provide more competitive and flexible services to grain exporters (increasing the likelihood that they would buy grain from South Australia) which in turn would benefit South Australian growers and the regional economy.

At present, the additional costs and inefficiencies associated with Parts 3-6 of the Code result in costs not only for Viterra but also in the form of missed opportunities for South Australian growers in export markets. Support from the South Australian Government to reduce the impact of the Code on South Australia would be



welcomed and would provide immediate benefits for the State's growers and provide more certainty around long term investment in the grain supply chain.

What opportunities are there to better leverage private investment to drive public infrastructure development? Or what factors should be considered when making inevitable trade-offs about investment in public infrastructure in the context of funding constraints?

Glencore Agriculture is a strong supporter of the South Australian grain industry and invests heavily in our supply chains and people to provide an efficient, safe and sustainable supply chain for growers for the future. Close collaboration with existing stakeholders will ensure that limited resources are applied for optimal outcomes.

Thank you for the opportunity to make a submission to the development of the 20-Year State Infrastructure Strategy. Please contact me if you would like to discuss the submission further.

Yours sincerely,

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Tim Krause
Regional Director, ANZ