

GTA Standard Operating Procedure (SOP) - Development of GTA Location Differentials (LDs)

1. Scope	<p>This policy details the process that GTA will follow to develop the GTA Location Differentials (LDs) for Queensland (QLD), New South Wales (NSW), Victoria (VIC), South Australia (SA) and Western Australia (WA).</p> <p>Note: LDs are not developed or published for Tasmania.</p>
2. Purpose	<ol style="list-style-type: none"> 1. GTA Location Differentials (LDs) are widely used by the Australian grain industry to price “port based” contracts in particular the <i>GTA Contract No 2 Grain and Oilseeds in Bulk - Basis Track</i> commonly known as the “<i>Track Contract</i>”. 2. The majority of grain produced in Australia will, at some stage, be priced and transacted on a “port based” contract, which refers to the GTA LDs. 3. Therefore, development of the GTA LDs must be transparent and receptive to the needs of the commercial grain sector in order that GTA fulfils its charter to “facilitate trade”.
3. Preamble	<ol style="list-style-type: none"> 1. The GTA Commerce Committee is responsible for development and ongoing review of the values used as the GTA LD’s. 2. GTA will not change the current methodology (method of calculation) of the GTA Location Differentials (LDs) for a period of no less than three [3] years from the date of the introduction of this policy, subject to any significant changes in the market, which will be determined by the Commerce Committee and approved by the Board. 3. GTA will provide industry with 18 months lead time from the publication of any significant changes to the methodology used to calculate the GTA LDs. This notice period can be concurrent with the 3 year period as per section 3.2 (above). 4. GTA will provide industry with 18 month notification of any changes to the LDs as a result of Point 3 above. This notice period can be concurrent with the notice periods as per section 3.2 and 3.3 (above). 5. Note: <ol style="list-style-type: none"> 1. there will always be a need for some minor reviews of the LD’s but the LD methodology should remain constant; 2. it is the markets role (not GTA’s) to deal with the difference between the LDs and freight rates; 3. minor amendments such as inclusions and omissions of sites, spelling errors, storage operator name changes or any other minor changes of a non-material nature may be executed from time to time by GTA management on the approval of the Commerce Committee Chair.
4. Definitions	<ol style="list-style-type: none"> 1. Location Differential A Location Differential is the “value” attributed to a specific up-country grain bulk storage and handling facility to an export port terminal facility by the GTA Commerce Committee for the purpose of valuing up-country grain on a ‘port bases’. The up country grain bulk storage and handling facility must be operated by a GTA Member. A request for an LD must be made by the owner/operator of the upcountry facility.

	<p>2. Natural Terminal Port (NTP)</p> <ol style="list-style-type: none"> 1. For the determination of the Natural Terminal Port for a site, rail transportation to a port takes precedence over road transportation to that same port. 2. Where a port and tributary up country rail site are connected by rail, the Natural Terminal Port for that site will be the port with the lowest Location Differential. 3. Where an up-country site has only road access, the Natural Terminal Port for that site, will be the port with the lowest Location Differential. <p>3. Rail site</p> <ol style="list-style-type: none"> 1. A grain storage site is defined as a 'rail site' where grain can be physically loaded to a train for transportation by rail. Where a site does not meet all the following criteria, it cannot be classified as a 'rail site', and thus shall be classified as a 'road site'; <ol style="list-style-type: none"> 1. be capable of receiving a train service via an operational line and/or siding, 2. have operational infrastructure of commercial ability capable of loading a train for the duration of the season, and 3. the owner/operator of the site must provide rail out loading services to the market for the duration of the season. 2. For the avoidance of doubt, the location of a grain storage site adjacent to a rail line does not automatically classify it as a 'rail site'. <p>4. Port A port has the commercial ability to load grain and is utilised by the trade.</p> <p>5. Season 1 October – 30 September of the following year</p>
<p>5. Development of Locations Differentials</p>	<ol style="list-style-type: none"> 1. In Qld, NSW and VIC, the GTA LDs are based on a cent per kilometre per tonne formula using the shortest road distance to port, determined by GTA management using Google maps. 2. The South Australia and Western Australia Location Differentials are based on the Viterra Export Select Rates, CBH Grain Express rate and Bunge Grower Freight Deduction. GTA will release the SA and WA LDs as soon as practicable following the release by Viterra, CBH and Bunge of their rates. 3. In its recommendation to the GTA Board, the GTA Commerce Committee reserves full rights to amend any rate submitted by a site operator or Bulk Handling Company (BHC) / Port Terminal Operator (PTO).
<p>6. Consultation and approval of Location Differentials</p>	<p>Common process all states</p> <ol style="list-style-type: none"> 1. The GTA Commerce Committee will review the current GTA LD's each year. 2. The GTA Commerce Committee will develop a Member Update for circulation to members with an invitation to provide submissions on any aspect of the GTA LDs. This Member Update will include; <ol style="list-style-type: none"> 1. recommendations from the Commerce Committee (if any); 2. issues held over from the previous year (if any);

	<ol style="list-style-type: none"> 3. a request to members to review and provide comment relating to the methodology used to determine the LDs in each state (refer Section 5); and 4. a request for grain storage operators to nominate or cancel LDs for any of their sites for the forthcoming season. <p>This document will be released to Members in February of each year. Industry submissions raised in relation to the LD Member Update should close no later than the last week of March.</p> <p>3. Consultation and approval for QLD, NSW & VIC LDs <u>ONLY</u></p> <ol style="list-style-type: none"> 1. The GTA Commerce Committee will consider all submissions and release a DRAFT set of LDs by the last week of April (Version 1) for a second round of industry submissions. 3. Industry will have three weeks to consider the DRAFT LD's and respond to the second recommendation by submission to GTA. Second round of submissions due by the last week of May. 4. The GTA Commerce Committee will consider industry submissions and accept or reject the comments made in the submissions. 5. The GTA Commerce Committee will develop a final DRAFT set of LDs and an explanatory memorandum by first week of June each year. 6. The GTA Commerce Committee will finalise the GTA LDs and forward to the GTA Board for approval, a recommendation that the LDs as tabled be gazetted on the GTA website. 7. GTA will aim to publish the QLD, NSW and VIC Location Differentials by the end of June. <p>4. Consultation and approval for SA & WA LDs <u>ONLY</u></p> <ol style="list-style-type: none"> 1. The Commerce Committee will review the GTA LDs that are based off the Viterro, CBH and Bunge Export Select Rates, Grain Express and Grower Freight Deduction rates respectively following their public release by the applicable storage provider. 2. The GTA Commerce Committee will finalise the GTA LDs for SA and WA and forward to the GTA Board for approval; a recommendation that the LDs for SA and WA as tabled be gazetted on the GTA website.
7. Sites in same location	Sites operated by different grain storage operators in the same location (town or post code) will have the same LD.
8. Inability to agree	Where the GTA Commerce Committee having considered Industry submissions and feedback and are unable to agree to the proposed LD(s), the current LDs will prevail.
9. Effective date	The LDs will be effective from 1 October, except where GTA relies on provision of rates from commercial operations which the industry have agreed to use as the LD's in the respective state(s).

10. Changes, additions or deletions	Once LDs are gazetted by the Board there will be no changes, additions or deletions to locations or values without agreement by the Board on recommendation from the GTA Commerce Committee.
11. Explanations	<p>Use of GTA LDs</p> <p>LD's allow grain contracts that are contracted on a "port basis" to be financially settled to a particular site by the subtraction of the LD from the "port "price.</p> <p>LDs are not freight rates</p> <ol style="list-style-type: none"> 1. Actual freight rates will vary according to: <ol style="list-style-type: none"> 1. Mode of transport, either rail or road; 2. Quantity being moved by a particular buyer; 3. Time of year of transportation, ie peak or low volume period; 4. Overall size of crop. 2. Where LD's are used for other purposes this should be done in the knowledge that there may likely to be a difference between the GTA LD and the actual cost of freight execution. When using LDs, it is the responsibility of the user to manage any difference between the GTA LDs and the commercial freight cost. 3. Accordingly, commercial interests must adjust their port based pricing according to their analysis of the LDs. <p>LDs do not reflect operating efficiency of any particular site, This is a commercial function.</p>
12. Responsibilities	<ol style="list-style-type: none"> 1. The GTA Operations Manager is responsible for the processes required to establish, approve and maintain this policy. 2. The Chairman of the GTA Commerce Committee is responsible for the implementation, management and adherence to this policy.
13. Further Information	Further questions should be directed to the GTA Operations Manager.
14. Effective Date	25 February 2010
15. Owner	GTA CEO
16. Approval	GTA Chair

Version Number	Issue Date	Nature of Amendment
1	25 Feb 2010	New Policy
2	Nov 2011	Commerce Committee Review of procedure
3	Feb 2013	Commerce Committee Review of procedure
4	23 Feb 2016	Board review – no material change. Improved definition of process.
5	26 Apr 2016	Commerce Committee Review – no material change. Improved definition of Rail site in response to Member Submissions.
6	28 July 2016	Commerce Committee Review – Under Definitions of Rail Site the word ‘has commercial ability ‘’be added to clause 3.1.2
7	27 March 2017	Commerce Committee Review – clarified notice periods described in the preamble (section 3). Redefined SA and WA wording to include Bunge as a PTO. Clarified Commerce Committee retains right to change any LDs submitted by Industry.
8	28 th March 2017	Approved by GTA Board