

Member Update

Title: **GTA Registered Bulk Handling Company process to cease**

Update No.: **16 of 10**

Date of Issue: **14 July 2010**

Definitions

- **Track Contract** refers to the “GTA Contract No 2 Grain and Oilseeds in Bulk (Basis Track) June 2008”
- **RBHC** refers to Registered Bulk Handling Company

Effective immediately, the GTA Board, following a recommendation from the Commerce Committee and the Transport, Storage & Handling Committee, will cease to gazette Registered Bulk Handling Companies.

This decision has ramifications for the Track Contract which will be detailed in Member Update 17 of 10 to follow.

GTA will still gazette member’s sites for Location Differentials – no change to this process.

1 Explanation

GTA goes through a process each year to identify organisations that wish to attain Registered Bulk Handlers status.

Up to 2006 there were five organisations that held RBHC status. In the intervening years, there has been an explosion of storage operators seeking RBHC status - 17 applications in 2010.

2 Why do organisations wish to attain RBHC status?

2.1 It is a requirement of the Track Contract

Currently there are numerous references to RBHC in the Track Contract and in particular Clause 10 of the Track Contract which reads as follows:

10. REGISTERED BULK HANDLING COMPANIES: *Application(s) to this contract shall be accepted from _____, or if not specifically named, any GTA Registered Bulk Handling Company with properly gazetted tariff rates for storage and handling at time of delivery.*

Trade practice is to insert the organisations into this clause that they wish to have applied to the contract.

2.2 Organisations require their site to be rated with a Location Differential

As part of the RBHC process, applicants nominate sites they wish to have rated. These LDs are used for purposes other than pricing the Track Contract, i.e. grower port based contracts. Refer 4.1 below.

2.3 Licensing requirement

Some major storage organisations have RBHC status as a requirement for independent storage operators to attain a licensing agreement with the major storage provider.

2.4 Promotional benefits

Organisations that attain RBHC status receive exposure via GTA and are able to include RBHC status in their credentials, funding applications etc.

3 GTA concerns

3.1 Perceptions that it is a vetting process

Organisations that hold RBHC status could be perceived to have been vetted by GTA which is certainly not the case. GTA provide the information supplied by organisations and it is up to the commercial sector to make their own judgements as to whether they wish to hold storage agreements with any or all RBHC.

3.2 Value of information supplied versus time and effort for all concerned to apply and process.

The process calls for provisions of certain information. The information that is supplied is in many cases valueless. All GTA is doing is making the documentation supplied by the organisations available to members. In the case of the section on financial viability, 11 of the applications this year cited “Directors declaration”, i.e. they didn’t have an independent auditor statement. Also, in regards to Quality Assurance, 10 organisations had no independent auditor and relied on internal quality programs of unstated credibility.

4 Considerations with removal of RBHC from the Track Contract

4.1 Location Differentials

GTA will still call for applications from members to have sites rated for the purposes of determining a Location Differential for their sites around March of each year.

4.2 Legal considerations

If the reference to RBHC is removed from the Track Contract then parties would be left to expressly identify in each contract the applicable bulk handlers. Evidence suggests this already occurs.