SUGAR TERMINALS LIMITED

ABN 17 084 059 601

RECEIVED
18 SEP 2014
Senate Rural Regional Affairs and Transport Committee

15 September 2014

The Committee Secretary
Senate Rural and Regional Affairs and Transport References Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Sir

Submission to the inquiry into the current and future arrangements for the marketing of Australian sugar

Thank you for your letter dated 8 September advising of this inquiry and inviting Sugar Terminals Ltd (STL) to make a submission.

Background

STL was incorporated in 1998 to become the owner of bulk sugar terminals at seven sugar ports in Queensland.

100 year leases with options for a further 100 years were signed with the relevant port corporations at Brisbane (since sold), Bundaberg, Mackay, Townsville, Lucinda, Mourilyan and Cairns.

In August 2000, under the terms of the Sugar Industry Act 1999, the terminal assets were transferred to STL and shares in STL were gifted to millers and growers based on their participation in the industry over the previous ten years. 360 million shares were issued as follows –

M class shares	229 million
G class shares	131 million

The number of shares issued has not changed since then. The G class shares have been listed on the National Stock Exchange of Australia since 2004 to provide a market for G class shareholders. There are currently 5966 G class shareholders and 6 M class shareholders. G class shares may only be acquired by Active Growers and M class shares may only be acquired by Active Millers.

Since August 2000, the terminal assets have been managed by Queensland Sugar Ltd (QSL) under a Sublease with STL. The current Sublease is for a term of 5 years and expires on 31 December 2018.

STL has the right to terminate the Sublease earlier if QSL's volume falls below a nominated percentage of the total volume.

STL may also exclude a terminal if QSL's volume for that terminal falls below a nominated percentage of the total volume.

Comments

STL has observed with interest the announcements by some milling companies to withdraw from QSL and market their sugar independently from July 2017 onwards.

As far as STL is concerned, these announcements may have some effect on item (b) of the terms of reference of this inquiry ie "equitable access to essential infrastructure".

If the marketing arrangements are changed as proposed, STL could continue to engage QSL to manage the terminals under the Sublease. It will also have the right to terminate the Sublease or exclude a terminal(s) from July 2017 as set out above. If the Sublease is terminated, or a terminal(s) is excluded, STL will have a number of options including –

1) operate the terminals itself. This could be achieved by purchasing equipment from QSL and employing QSL's terminal employees. Alternatively, STL could engage another terminal operator
2) individual terminals could be sold or subleased to milling companies.

There are many issues to consider in relation to the alternatives set out above. STL has not considered these issues in detail pending the outcome of this inquiry and the sugar market investigation which is being conducted by the Agricultural Cabinet Committee of Queensland Government. However, STL remains committed to ensuring sugar exporters have access to its facilities regardless of future marketing arrangements.

Yours faithfully

Stuart Gregory
Chairman