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MEDIA RELEASE

Sugar Terminals Limited decides to insource Terminal Operations

Sugar Terminals Limited (STL) today announced it had decided to insource the operations of its Bulk Sugar Terminals (BSTs), located at Cairns, Mourilyan, Lucinda, Townsville, Mackay and Bundaberg.

STL Chair Mark Gray said this decision has been taken in order to reduce costs, drive greater efficiencies and to remove a clear conflict of interest which will better position STL to serve the industry into the future. As a result, STL has notified Queensland Sugar Limited (QSL) of its intention to terminate the Operating Agreement under which the BSTs are currently operated.

“As the asset owner STL already meets all operating costs, and approves and funds all capital investment, so collectively it makes sense that we operate these BSTs,” Mr Gray said.

“A simplified structure will streamline operations, eliminate duplication, and remove the inherent conflicts of interest in the current outsourced arrangements.

“Unnecessary duplication exists due to the allocation of costs incurred from the QSL Board, Executive, support functions, insurance policies and auditing requirements, amongst others.

“Removal of duplication in corporate overheads will ultimately deliver a permanent reduction in costs. It will also clarify accountabilities and responsibilities whilst delivering greater transparency and the potential for further cost efficiencies for the sugar industry.”

Mr Gray said the management of conflicts of interest under the current arrangements was becoming increasingly difficult.

“A simplified structure with STL having direct operational responsibility will remove the inherent conflicts of interest that arise due to the circumstances in which the current operator is also a customer. In the industry’s highly competitive marketing environment, this change will put all customers on an equal footing, which is ultimately the best outcome for all users.

“Insourcing will also enable STL to better pursue its diversification strategy in a far more direct and focused manner, while continuing to prioritise the needs of the sugar industry, who will always be our primary customer.”

Mr Gray further highlighted that with the advent of grower and marketing choice in 2017, the subsequent joint negotiation with QSL of the BST Operating Agreement incorporated explicit provisions which contemplate the insourcing of the operations function to STL.

“The Operating Agreement provided a bridge from the former single desk marketing model to the current multi-marketer environment, within which the industry has continued to evolve with active competition between marketers.

Our purpose is to be a sustainable, globally competitive provider of storage and handling solutions for bulk sugar and other commodities.

"In these circumstances, the Operating Agreement is of diminishing value, and is not suitable to meet the future strategic challenges facing STL. It is now timely to bring the operations function in-house."

STL Chief Executive Officer David Quinn said the change will create a more streamlined operational model that will enable STL to focus on further optimising performance and driving better service outcomes.

"The BSTs play a vital role in the industry's supply chain, and by taking operational responsibility we can more directly drive continuous improvement and innovate to achieve operational excellence," Mr Quinn said.

"STL recognises it is the custodian of assets owned by the entire sugar industry. We will continue to invest in maintaining, upgrading and renewing them to service the needs of the industry."

Mr Quinn said he would be engaging directly with affected QSL operational employees who work in and around the terminals to provide further information and ensure they are fully informed about the changes.

"STL recognises the skill and experience of the current workforce who operate the terminals and we are committed to offering employment to all site based operational employees on the same terms and conditions of employment, recognising their length of service and accrued entitlements.

"We are focused on making this change as smooth as possible for all employees.

"The transition timeline will be the subject of discussion and planning with QSL. STL is aiming to ensure this occurs in a timely and seamless way and to minimise integration costs, as that is in the best interests of all affected stakeholders, most importantly employees, and will ensure future stability and better long-term competitiveness for industry.

"QSL is both a major shareholder and customer and STL will always seek to maintain a positive and productive relationship with the QSL business. This change will enable QSL to focus on its core business of marketing sugar and pursuing its own separate strategic objectives."

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