

Senate Standing Committees on Rural and Regional Affairs and Transport

Submission on behalf of:

Wheatbelt Railway Retention Alliance

Representing 100,000 people in 26 member Local Governments of:

Beverley; Bruce Rock; Corrigin; Cuballing; Cunderdin; City of Fremantle; Dumbleyung; East Fremantle; Kondinin; Koorda; Kulin; Lake Grace; Merredin; Moora; Mount Marshall; Mukinbudin; Mundaring; Narembeen; Narrogin Shire; Nungarin, Quairading; Town of Narrogin; Trayning; Wickepin; Yilgarn; York.

WA Farmers Federation - 17 Affiliated Zones state-wide

With support from 13 groups and individuals:

Australian Association for the Study of Peak Oil and Gas

Curtin University Road Accident Research Centre

Farm Power Pty. Ltd.

Farming Champions

Fremantle Road to Rail Group

Helena Valley Estate Resident Association

Mount Helena Residents & Ratepayers Assoc. (Inc.)

Narrogin Environmental Action Team Inc.

Professor Peter Newman

Professor Stephen Powles

RACWA

Roadside Conservation Committee

Wheatbelt South WALGA RoadWise Programme

Wildflower Society of WA

The Wheatbelt Railway Retention Alliance was formed in December 2010 bringing together Local Government, WA Farmers and many groups with the overwhelming agreement that the grain freight task must remain on rail, for a safe, efficient path to port for an important export commodity. Rail is vital for the safety of our communities and for the viability of the grains industry, which is the back bone of Wheatbelt towns and the economy.

WRRRA Chairman: Greg Richards:

Coordinator: Jane Fuchsbichler:

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1. Introduction:

A viable agricultural industry flows on to the Nation's economy, prosperity; long term welfare and sustainability.

Australia is a large continent; agricultural produce is a major export commodity; transport is one of the biggest cost factors affecting the viability and international competitiveness of Australia's Export Industries.

Around the world it is being acknowledged that rail is the preferred transport choice of the future.

In this submission we are concentrating on freight issues not public transport. Our knowledge is of Western Australia conditions and environment.

Western Australia exports approximately 90% of the grain it produces each year. The path to port is a vital part of the supply chain. Freight costs are in the top 3 budget items in a grain growers' budget and impact greatly on the viability of grain growers. Freight is a last cost at the sale of the grain and comes directly off the final price received by producers.

2. WA Harvest:

At harvest the speed of delivery to a storage site is vital to enable grain to be harvested quickly and delivered into a safe storage site. Short distances to storage assist greatly in the ability to harvest quickly and ensure quality of grain is maintained.

It is not possible to deliver direct to port. Distances are too great; it would slow down harvest; storage at port is not available for the entire annual crop.

Trucking for short distances to a storage site gives flexibility and speed at harvest.

Rail for the long distance from bin to port is the safest, the quickest, the most economical and most efficient path to port.

WA has the ability to export up to 70 million tonnes of grain from its' ports, however the "pipe line" to port; the infrastructure network to port, can only achieve a task in the region of 13 million tonnes each year.

To achieve, speed, efficiency and a safe path to port an upgraded the rail network would facilitate the task, with little to no inconvenience to those in the city in the vicinity of the ports.

3. Western Australian Wheatbelt Roads and Safety:

Storage bins were built on the rail. Cooperative Bulk Handling a grower cooperative has now served the growers for over 80 years. Rail was always the intended path to port, with the rail acting as a river flowing to port.

Roads in the WA Wheatbelt were in the main engineered in the 1950's. These roads were designed for 6 – 8 tonne trucks. The roads are an inadequate network to provide a safe and economical path to port for modern road trains carrying in excess of 60 tonnes depending upon the road conditions.

Western Australia - Wheatbelt Roads



Road safety is an important issue:

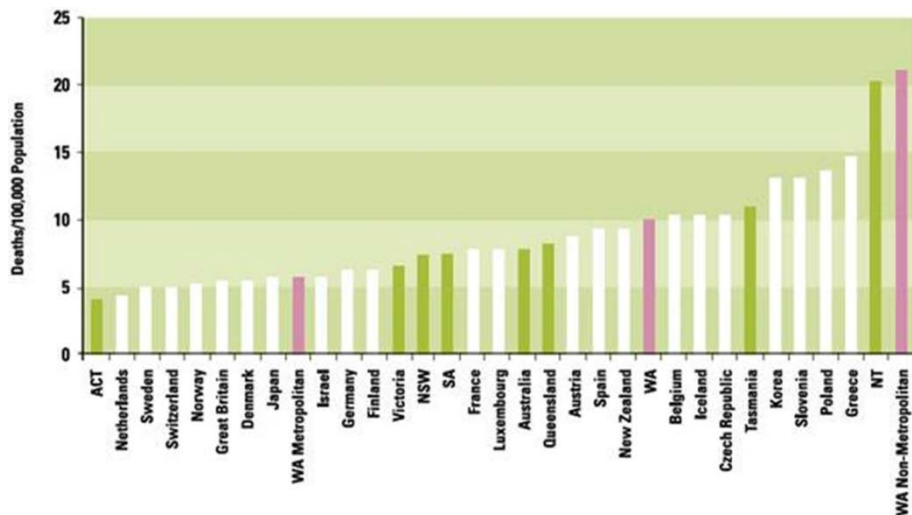


Figure 6: WA in comparison to other jurisdictions (based on 2006 data)
(Australian data from ABS, 2008. International data from IRTAD, 2008)

Wheatbelt South has the highest road toll in WA:

- 740 people have been killed or seriously injured in 10 years (2001-2010) in the region, which is a rate of 312.6 per 100,000 population, the highest rate in WA.
- As at 24th November 2014, 86 people have died on regional roads in 2014 (20 more than at the same time the previous year) and 78 people have died in the Metropolitan area. (Office of Road Safety)

Estimated Cost of Crashes by Crash Severity and Region, 2013:

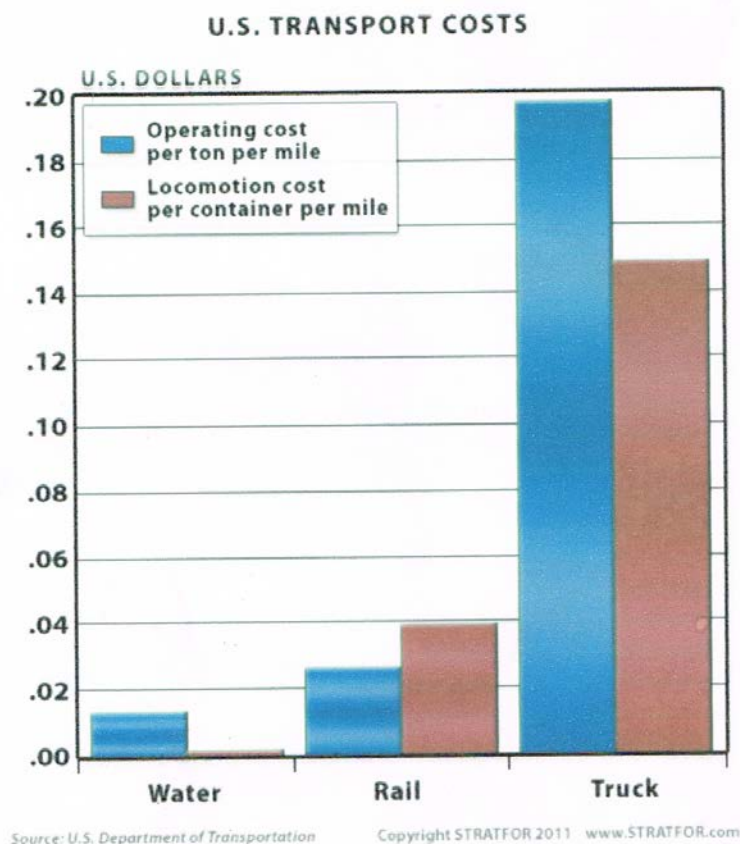
Year	Crash severity	Regional	Metro	Western Australia
2013	Fatal	8,064,256	7,097,929	7,631,212
	Hospitalisation	476,527	297,519	353,380
	Medical attention	104,538	75,413	79,963
	Property damage only	11,612	11,612	11,612

The cost to upgrade roads to road train standards would be approximately \$1million per kilometre. The Wheatbelt is a vast area; to upgrade all roads is not financially achievable in the short term. It is not possible to meet the required standard in a short space of time and even then the cost for road freight would be higher than rail freight.

To upgrade the supply chain and the urgently needed increased speed to port, rail is the best option. Rail upgrades would be cheaper; could be achieved more quickly; have a longer life span; freight for growers more cost effective; road impact repair and maintenance would be minimised; less trucks on roads would improve road safety for other road users.

For long distance haulage rail out performs road transport. Rail acts like a river to port, where possible following the topography.

4. Rail freight is more fuel efficient than road:



The World Health Organisation's International Agency for Research on Cancer declared on June 12, 2012 that diesel particulate pollution is a Category 1 carcinogen. That puts it in the same category as cigarette smoke. The ultra-fine diesel particulates are smaller than 10 microns in size (PM10).

According to the UK Department for Transport rail freight produces almost 90% less PM10 emissions than road freight (DfT Logistics Perspective Dec 2008 P8 paragraph 10).

To deliberately increase diesel particulate emissions by encouraging truck freight at the expense of rail freight is a public health hazard.

5. Grain Marketing:

Marketers have repeatedly commented that the supply chain and path to port is vital. Marketers have stated at grower meetings that if rail closes and the path to port is slower, grain prices in that area would be discounted. This has become a far greater issue since deregulation of the grain export marketing arrangements.

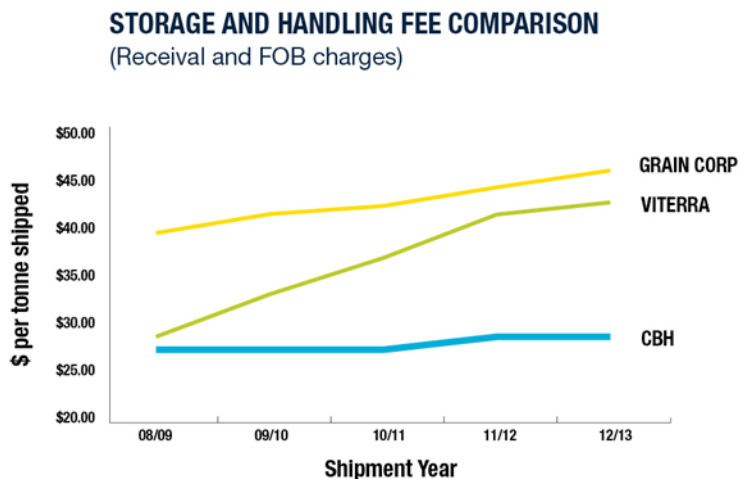
If marketers have to hold grain, due to an inability to meet shipping needs the cost is passed on to growers

The 2013/14 season saw an example of this. In the Albany Zone of WA grain prices were significantly less in the Albany Zone than in other port zones. Marketers were not able to get grain to port fast enough to meet price spikes. Only 2.5 trains per day were able to travel to Albany Port as there are not passing lanes to allow more trains to travel the line. It was estimated at the time that loss of ability to meet the market demands could have cost the industry in the region of \$250m in just one season.

The present lease arrangement for the WA Freight Rail Lines has resulted in many restrictions upon the flow to port – speed restrictions; heat restrictions, weight restrictions – all add to freight cost; hinder the path to port; impact upon grower viability and the Nation’s economy.

6. Competition Restraints:

In Western Australia CBH a grower owned and controlled cooperative is the main storage and handling operator. CBH’s charter is to act in the interests of the growers; it exists to improve returns to growers. A WA cooperative improving returns to growers keeps funds in WA, which in turn flow through the WA economy. CBH has been able to keep storage and handling fees at a far lower level than the corporate equivalents in the Eastern States.



In a deregulated market, other companies are entering the market in WA, with Bunge presently operating out of Bunbury.

A corporate’s duty is to its shareholders, profits from overseas corporates benefit overseas shareholders, it is not necessary to consider the best interests of Western Australians. As shown in the recent Inquiry tabled in WA State Parliament 16th October, 2014.

Economics and Industry Standing Committee The Management of Western Australia’s Freight Rail Network Report Page 154 states *“it (the lease agreement) is hardly in the state’s interests and certainly not the farmers’ interests”*.

Page 172: *“The profitability of Brookfield Rail is a matter for Brookfield Rail, not the PTA”* and *“the view of the Committee is that the PTA should place greater emphasis on protecting the rights and interests of Western Australian citizens”*.

The Rail Freight Lease Agreement is held by Brookfield Rail a Canadian Company; they have a monopoly of the Rail Freight Lines, at this stage allowing no competition into the management of WA Rail Freight Lines. Access fees for the grain freight rail lines in WA are in the region of 3 to 4 times those in the eastern states.

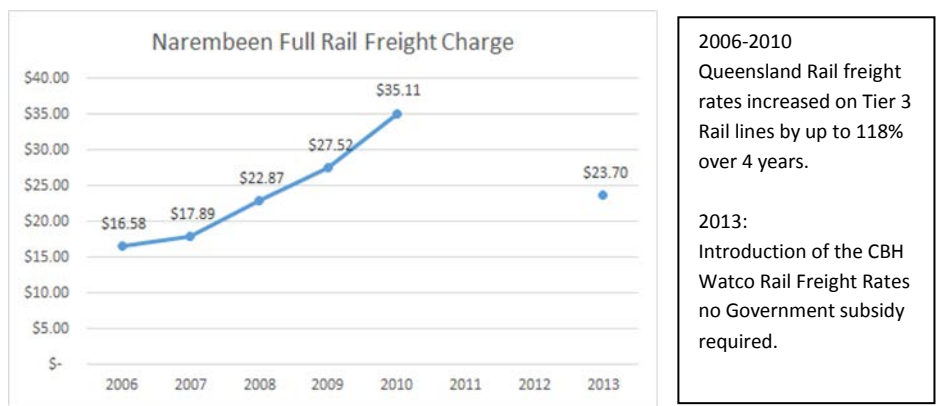
Lack of competition and very little overseeing regulation to the Rail Freight Lease Agreement is crippling efficiencies in the supply chain, with excessive access fees.

Economics and Industry Standing Committee Inquiry into the management of Western Australia’s freight rail network page iii *“the determination of costs made by the ERA demonstrated the costs proposed by Brookfield Rail to be excessive”*.

7. Transparency:

In the Rail Freight Lease Agreement with Brookfield Rail, in Western Australian, transparency has been a huge issue.

In 2009 when a breakdown of freight charges was requested by growers, it was impossible to get a breakdown of access fees and operator rolling stock costs. It was not possible to get any transparency at all until CBH invested in rolling stock. This investment has resulted in lower freight rates and far greater transparency.



Even then much was kept entirely “confidential”. The recent Parliamentary Inquiry Economics and Industry Standing Committee even had difficulty accessing information.

We would ask that this Senate Standing Committee on Rural and Region Affairs and Transport include in their research the WA Parliament Economics and Industry Standing Committee Inquiry into the management of Western Australia’s freight rail network report tabled 16/10/14.

It would also be advisable to include the Auditor General’s report Management of the Rail Freight Network Lease: Twelve Years Down the Track (January 2013).

Both of these reports clearly show the lack of transparency of the lease agreement, problems with its “light touch” management and the deterioration of an important state asset, despite access fees in the region of \$45m per year having been paid by grain growers. The flow on effect and cost to the export grains industry and viability of growers is extremely concerning.

8. Conclusion:

The difficulties experienced in WA as a result of lack of maintenance of rail freight lines; the lack of transparency and management of the Rail Freight Lease Agreement has a major impact on the viability of growers.

Closure of sections of rail(which had been carrying 6,500 tonnes per day into Merredin the day before closure), 30th June 2014, forcing tens of thousands of truck movements onto roads which were engineered in the 1950's and 1960's will further challenge the bottom line of growers in the Kwinana Zone of the WA Wheatbelt. The Kwinana Zone produces approximately 50% of WA's grain.

The Rail Freight Lease Agreement is impacting greatly on the development of infrastructure and planning. How does CBH the grower owned cooperative plan for the future, with no control over the path to port, its performance standards and its management?

The political reality is that population in the Wheatbelt has reduced and therefore is not seen as a power in the Ballot Box. However the production in the Wheatbelt, despite seasonal variations continues to increase, with research and technological improvements.

The Agricultural Industry needs to be recognised for the role it plays in the Australian Economy. Safe, efficient infrastructure is vital for the development of any economy. Freight infrastructure for the Agricultural export industry is as important as public transport is for the city to operate and function.

For a strong, healthy economy investment into rail infrastructure in the Wheatbelt is vital. Road infrastructure has also been allowed to deteriorate. An overarching plan for freight with roads to complement the rail freight infrastructure for an efficient path to port is long overdue.

An overseeing body like the ACCC must be in place to ensure monopoly powers are not abused. A system must be in place to ensure that Australia's interests and its citizens are protected.

In a recent inquiry in the UK in to power supply issues, it was stated that those being investigated had “Exploited their privileged monopoly position and neglected their customers”. It is essential that Australia guards against this practice.

Wheatbelt infrastructure has been neglected for decades, now is the time to act, great things can be done and must be done for a better future.