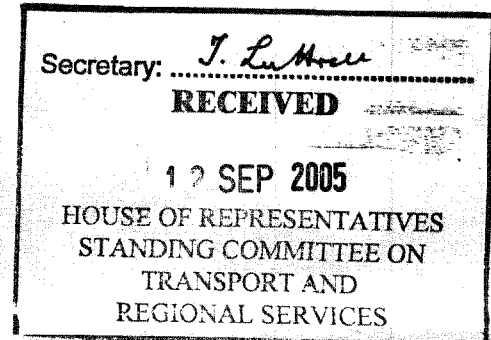


House of Representatives Standing
Committee on Transport and Regional
Services

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Issue:

The NSW Farmers Association (The Association) notes that the purpose of the Federal House of Representatives Standing Committee on Transport and Regional Services is to inquire into:

- The role of Australia's regional arterial road and rail network in the national freight transport task;
- the relationship and co-ordination between Australia's road and rail networks and their connectivity to ports;
- Policies and measures required to assist in achieving greater efficiency in the Australian transport network, with particular reference to:
 - land transport access to ports;
 - capacity and operation of major ports;
 - movement of bulk export commodities, such as grain and coal;
 - the role of intermodal freight hubs in regional areas;
 - opportunities to achieve greater efficiency in the use of existing infrastructure; and
 - possible advantages from the use of intelligent tracking technology;
 - The role of the three levels of Government and the private sector in providing and maintaining the regional transport network.

Background

Given globalization trends and Australia's export orientation, the quality of infrastructure (in particular roads, railways and ports) must be internationally competitive. It is readily apparent that the quality of road/ rail infrastructure in particular is in decline in rural and regional areas making the task of competing against low cost structure countries in Asia and South America all the more difficult. Government needs to play a key role in this area given that the market can not otherwise supply these resources at cost effective levels.

Of the stated terms of reference, the Association is in particular concerned about the possible closure of 15 restricted rail branch lines ("Branch Lines") in regional NSW. The 15 restricted rail branch lines in NSW represent 24% of the NSW rail network and freight approximately 67% of the annual wheat export task valued at approx \$350mill.

While the State Government recently announced \$58mill for 11 of the lines over the next 3 years;

- a. the funding is significantly less than the \$168mill recommended in a recently released Government commissioned report,
- b. the announcement perpetuates the continuation of significant underinvestment by State Government in the lines which has led to 4 lines being suspended for safety reasons,
- c. The announcement was made in isolation to the NSW Roads Minister and the inevitable impact on local roads from the suspension of the 4 lines.

It is common knowledge that rail is a more efficient mode of transport than road over large distances. For instance, the Australasian Railway Association states that rail has a cost advantage of \$26 per thousand net tonne km's over road transport while removing up to 80 B double trucks off the road.

The Association has identified the following costs associated with rail infrastructure decline:

Impact on Road Safety and Road infrastructure:

The 15 Branch Lines handle over 3million tonnes of grain each year and their potential closure will result in a massive shift in the dynamics and cost of grain haulage in NSW. An extra 79 000 B double trucks will be forced to move grain over narrow and crumbling regional roads each year thereby raising serious road safety and infrastructure damage issues. Already, the announced suspension of 4 lines will mean an additional 9,000 B double trucks on local road networks.

The road safety issue stems from the fact that thousands of extra trucks will be traveling on narrow roads which are barely wide enough for one way traffic. The condition of these local roads will also degenerate as local Governments (already financially strapped) struggle to finance basic road maintenance. Many roads, already in poor condition and not engineered for heavy vehicle activity will suffer increased damage. The Bureau of Transport and Regional Economics has estimated that for each lost train trip, road damage costs are in order of \$5,000.

Cost Shifting

If rail lines and services are closed, grain producers will be forced to carry their grain further distances to their next closest or next cost effective receival point.

The recent suspension of four Branch Lines in regional NSW will force farmers to use road transport as opposed to rail at an anticipated additional cost of \$10 per tonne. Increased damage will result to local roads meaning that Shires and Local Government will be forced to pay for extra road activity associated with increased heavy vehicle movements. The immediate impact of the recent line closures will be that an extra 200 000 tonnes of grain will have to move longer distances by road from November to January this year, requiring around 14 000 truck movements (7500 x 26mt tonne trucks making return trips).

It should be noted that the announcement to suspend the four lines was made without any consultation with key stakeholders or those such as the NSW Roads Ministry, Grain Growers, industry companies and Local Shires that will be directly affected by the decision. No discussions were held by the State Government with Federal Government agencies prior to the announcement to suspend services in NSW despite the potential for the well publicised AusLink program to assist with the development of a long term operational plan for the lines.

This lack of consultation typifies the absence of continuity between governments, industry and the community when dealing with infrastructure issues and highlights the need for a National effort to address the long term future of NSW and Australian transport networks.

Competition and the Lack of a long term infrastructure plan

The Association supports increased competition along the grain supply chain and recognises that on going rationalisation and consolidation of infrastructure will occur over time as a result of this process. The offering of services such as "on farm or "harvest" pick up" have arisen as result of increased competition in the grain storage market and have provided greater levels of competition among bulk handlers and the ability for farmers to operate more efficiently at harvest.

On farm pick up services are typically aimed at attracting grain away from silos which are operated by competing bulk handlers. In many cases, road freight rates charged to growers at attractive (and in some instances below) commercial levels which are sufficient to encourage the movement of grain in trucks over long distances to large super sites, by passing several existing silo's in the process.

The Association is concerned that many branch line silo's will close, largely because the poor state of rail infrastructure servicing them makes them uncompetitive with larger sites. If this happens, many grain producers will be left with no other option but to supply larger super sites via road. The net long term effect will be less competition along the supply chain, more road damage, and no new incentives for industry to invest in storage or transport infrastructure.

Current operators on the NSW rail network indicate that low speed and axle limits (imposed by safety regulators because of poor track condition) are having a dramatic affect on their returns. 10km/hr speed restrictions often cost the operator valuable time and means they are forced to pay train crews for a full shift because their delivery is sometimes delayed by less than an hour.

It has been made clear by successive NSW State Governments that they intend to dissolve their interest in track infrastructure by either closing it down or handing it over to the private sector to operate on a commercial basis. If this type of infrastructure is to continue operating, it is clear that private sector involvement must increase. The major barrier to entry for a private rail operator is the existing condition of rail track. Capital expenditure levels of initial outlay required to increase speed and axle limits are very high make it very difficult for a private rail operator to extract commercial returns over time. It is clear that any potential operators in NSW (and Australian) rail track services must be offered incentives to in rail infrastructure.

International competitiveness

While not specifically mentioned in the terms of reference for this committee, it needs to be noted that Australian grain producers are at a considerable freight disadvantage when compared to US, South American and Black Sea producers of grain. Producers of oilseeds in the eastern states of Australia pay around US \$31 to transport their grain to ocean ports; 100% more than US counterparts in the Mississippi region who pay US \$15 per metric tonne. Brazilian farmers' freight costs to export terminals are on par with those of Australian farmers, but costs for Brazilian farmers are likely to reduce as significant expenditure on transport infrastructure is currently being undertaken by their government.

With NSW exporting around 5million tonnes of wheat each year, it is very clear that without significant transport infrastructure planning and investment, cost disadvantages will compound and Australia's international competitiveness into vital grain markets will deteriorate.

Recommendations to the Committee

In reference to the following terms of reference;

- movement of bulk export commodities, such as grain and coal;
 - the role of intermodal freight hubs in regional areas and;
 - opportunities to achieve greater efficiency in the use of existing infrastructure;
- The Association recommends to this committee that it develop proposals to facilitate the longer term operation of the states freight network. The Association believes that an extensive strategic planning process with industry groups is required so that long term operational plans for the transport network can be further developed. The Association particularly eager to explore the potential for AUS-LINK funding as received in South Australia for the Eyre Peninsular rail network.
 - The Association recommends that the committee develop a number of scenarios for the longer term operation of the rail/road transport infrastructure which can then be applied on a state and regional basis. The scenarios should address such issues as;
 - Ownership of rail track infrastructure by one or a combination of State & Federal Government, large rail service provider or other industry body.
 - Incentives to attract rail investment from the private sector. Tailoring of existing business investment programs such as the Federal Government Pooled Development Funds (PDF) scheme. The Association understands that PDF's are limited as to what level of ownership they can take up in a business and would like to see this level increased to attract more investments funds to rail and other transport infrastructure projects.
 - The Association recommends that this Standing Committee investigate broadening the current lease arrangements of Australian Rail Track Corporation (ARTC) to include more NSW rail infrastructure. (Recent findings from the NSW Grain Infrastructure Advisory Committee found the ARTC was 40% more efficient than the NSW Rail Infrastructure Corporation (RIC) when managing below rail infrastructure).

The Senate committee must recognise that efficient and well managed rail services are essential to the continued viability and competitiveness of Australian farmers. By addressing the importance of rail infrastructure as a priority mode of transport, many negative flow on effects associated with cost shifting and inefficiencies will be eliminated. Specifically, future Federal Government initiatives should address anticipated increases in production and the changing paths to markets and export terminals.

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