



20 November 2003

The Secretary  
House of Representatives Standing Committee  
on Transport and Regional Services  
Parliament House  
CANBERRA ACT 2600

### **Inquiry Into Privatisation of Regional Infrastructure and Government Business Enterprises in Regional and Rural Australia**

#### **Introduction**

This letter and accompanying document have been prepared by Grain Growers Association (“the Association”). We are an East-Coast grower organisation, representing some 15,000 grain producers. The Association also has substantial investments in grain infrastructure, particularly in the storage and handling company, GrainCorp.

This submission to the Inquiry focuses particularly on the issue of regional rail privatisation in NSW, particularly Project Broadacre. It is our broad assertion that such privatisation has not adequately served the general community interest, and will ultimately have substantially detrimental effects on regional and rural communities in that State.

While we recognise that this privatisation was not occasioned by the Federal Government, we nonetheless would seek its review by the Committee both as an example of a poorly constructed privatisation model, and as a matter in which the Federal Government can seek a role.

A previously-released document is provided as attachment for the Committee’s consideration.

This is: “Case Study on Regional Impact of Rail Freight Charges” (Summary Report), prepared for the Association in October 2002. This document illustrates the potential economic and amenity loss to regional NSW communities from rail line closures, and also emphasises the role of privatisation arrangements in delivering these risks.

Grain Growers Association Limited  
20 White Street | PO Box 53 | Dubbo NSW 2830 | Phone: 1800 620 519 | Facsimile: 02 6884 9027  
Email: [enquiry@graingrowers.com.au](mailto:enquiry@graingrowers.com.au)



## **Project Broadacre**

At the heart of the Association's concerns about the privatisation of regional rail in NSW is the much-discussed Project Broadacre. A summary of this project is as follows:

1. In November 2001, NSW Treasurer, Hon. Michael Egan announced that as part of the sale of FreightCorp to Pacific National, over \$100 million would be spent in the construction of high-volume Grain Consolidation Facilities (GCFs) at Werris Creek and Stockinbingal. The facilities would be operated by AWB Limited under a joint 5-year Freight Agreement, with Pacific National Limited. This is the core of Project Broadacre;
2. Before the sale of FreightCorp, the NSW Government provided both "above track" (payments to mitigate the cost of carrying goods) and "below track" (maintenance of lines) Community Service Obligations (CSOs);
3. In June 2001, the NSW Treasurer announced that as part of the sale package, the purchaser would need to contribute approximately \$235 million in above track CSO for the 6 years to 2006. However, the Government specified that of this, \$112 million would be allocated to fund Project Broadacre.

In short, this meant that the privatisation model by the NSW Government diverted CSO commitments which would ordinarily assist in keeping branch lines open, to private grain consolidation infrastructure.

As a combined result of CSO loss for branch lines, and the creation of premium points for grain consolidation, many lines on the NSW regional branch network are in danger of closure.

## **Consequences**

There is a series of negative consequences stemming from this privatisation. These include impacts on the efficient operation of the supply chain for grain in NSW, as well as localised regional impacts for non-urban NSW communities.

Many of these consequences are addressed in the attached document, but we would note a number of the key issues by way of summary, viz.:

1. Impacts on the efficiency of grain handling, including:
  - a. This is a diversion of CSOs to duplicate, rather than complement existing infrastructure;

Grain Growers Association Limited  
20 White Street | PO Box 53 | Dubbo NSW 2830 | Phone: 1800 620 519 | Facsimile: 02 6884 9027  
Email: [enquiry@graingrowers.com.au](mailto:enquiry@graingrowers.com.au)



- b. The funding of these facilities for AWB Limited confers on the Single Desk Holder a dominant position, which will substantially deter entry into the market by new players. It also acts as a disincentive to investment in the current infrastructure;
  - c. This is an exclusive arrangement between the dominant operators in rail and grain export, which is an anti-competitive outcome of the privatisation;
  - d. As Pacific National has pointed out, in its response to the NSW Farmers' Association Road Rail Taskforce Green Paper: Growers should have no expectation of a reduction in rates flowing from Pacific National's investment in Grain Consolidation Facilities;
  - e. The unnecessary duplication and by-passing of existing storage facilities at the Newcastle and Port Kembla ports is likely to result in inefficiencies and job losses at those port facilities;
2. Equally importantly for the Committee's Consideration, Project Broadacre may cause significant detriment to NSW rural and regional communities, including:
- a. The loss of above track CSOs will inevitably lead to branch line closures;
  - b. This means substantial loss of jobs in communities where businesses depend on rail freight, and will likely involve a further increase in migration away from small centres, with substantial loss of facilities in smaller towns;
  - c. The shift of transport mode from branch lines to road will result in increased rates, greater pollution and greater public safety risks and trauma rates.

In short, this is an aspect of the NSW rail privatisation which simultaneously reduces competition and market efficiency, and reduces the amenity of life in a large number of rural and regional communities.



## **Terms of Reference**

We note that the Committee's Terms of Reference are focused on whether privatisation has led to:

- Transport systems which are safe, more efficient, internationally competitive, sustainable and accessible; and,
- Regional Communities which have better access to opportunities and services and which are able to take the lead in their own planning and development.

We would submit that the NSW FreightCorp privatisation, and particularly the Project Broadacre component are entirely antithetical to these goals.

## **Potential Federal Role**

We further note that the Committee is asked to consider: "The role of the three levels of government and the private sector in providing regional infrastructure".

Therefore, we believe this issue should be a matter of concern, and indeed priority for the Federal Government. More specifically, we would ask the Committee to:

- Create the requirements for a detailed investigation of this matter, including its economic and social impacts;
- Examine Project Broadacre in the context of a regulatory structure which is in conflict with agreed competition principles;
- Seek evidence from those in regional communities who are most likely to be affected by these arrangements;
- Consider the potential conflict between management of the Single Desk for wheat, and creation of a dominant domestic position in storage, handling and transport;
- Identify how the Federal Government might assist the NSW Government in reversing the diversion of CSOs in order to protect the branch network; and,
- Support the view that the maintenance of regional rail services is a critical component in the maintenance of regional towns and rural communities.

Grain Growers Association Limited  
20 White Street | PO Box 53 | Dubbo NSW 2830 | Phone: 1800 620 519 | Facsimile: 02 6884 9027  
Email: [enquiry@graingrowers.com.au](mailto:enquiry@graingrowers.com.au)



The Association would be pleased to provide further information in relation to this letter and the attached document, and would also be pleased to appear before the Committee if required. Please contact us at any time if we can be of further assistance.

Yours sincerely

**Tony Eyres**  
**Chief Executive**

Grain Growers Association Limited  
20 White Street | PO Box 53 | Dubbo NSW 2830 | Phone: 1800 620 519 | Facsimile: 02 6884 9027  
Email: [enquiry@graingrowers.com.au](mailto:enquiry@graingrowers.com.au)