
REVIEW OF THE WESTERN AUSTRALIAN RAIL ACCESS REGIME

SUBMISSION BY

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Do you want this?



Or this?



SUMMARY

GROWERS OF GRAIN PERSPECTIVE

These areas have a long and expanding history of grain production. An efficient and affordable transport network is of vital importance to us. Grain growers pay for all the costs of below and above ground transport regardless of who collects the money through our grain freight deductions and these are substantial.

PRICING MODELS

The current pricing model is not working satisfactorily and has led to stagnation. A more appropriate model is required.

DORC MODEL

Needs modification to encourage innovation and productivity gains.

TIER THREE LINES

Rail lines not being used must be handed back to the Government so that the Government can in turn encourage above rail users to operate on them.

Our competitors in other countries (Canada) have efficient rail networks that enable them to transport grain in quantity from up country to Port.

COST EFFECTIVE MODEL

Grain handlers like CBH and **Bungeys have cut their operating and handling costs of grain to help growers to meet the rising competition in the grain markets. All sections of the transport and handling industry must be required to work together to build an efficient and cost effective transport network.**

SUBMISSION ON REVIEW OF THE WESTERN AUSTRALIAN RAIL ACCESS REGIME

Prepared by prominent grain growers situated in the Kondinin, Corrigin, Lake Grace and Kulin Shires.

We welcome the opportunity to put forward this submission.

GRAIN GROWERS PERSPECTIVE

We have had a long and consistent history of grain production in these areas. Our grain production will continue to expand in the future as we improve our methods and varieties of grain planted. We are in the longest grain haulage area in Western Australia. The cost of freight is of vital interest to us. At current freight rates, say from Hyden to Albany by rail, the cost of freight varies between \$40 and \$50 a hectare. It is a grain grower's third largest cost after fertiliser, and weed control. When related to costs per hectare in grain growing.

The viability and prosperity of these areas is dependent on grain production. Our grain is transported to all the major ports of Kwinana, Bunbury, Albany and Esperance.

We market our grain into very competitive markets that are very price sensitive. Co-operative Bulk Handling Ltd and Bungey, the Western Australian main grain handlers have done much to reduce our grain handling and storage costs. Farmers have invested heavily in modern farming machinery and techniques and research through Grower Research and Development Corporation.

Our grain transport network must embark on a similar programme of applying more efficient systems that encourage innovation and efficiencies in all sectors of the transport and handling system.

OUR TRANSPORT SYSTEM NEEDS TO CUT COSTS AND IMPROVE THE SERVICE IN THE SAME WAY AS OUR BULK HANDLERS HAVE DONE.

THE PRICING MODELS

It is difficult for us to work the numbers around the models presented because we are farmers not accountants or economists.

What we do know is that the current model for pricing is not working satisfactorily. CBH and ARC are having difficulties in coming to an agreement within a reasonable time frame and this is not a satisfactory situation. Stagnation has set in the current system and we can't allow this to continue.

From our experience and from discussions with industry people that know the rail industry it would appear that the depreciated optimised replacement cost (DORC) is a better model. However, as set out in the paper this would not overcome the major concerns that we have such as the stagnation.

This model must be modified to encourage innovation and efficiencies to be incorporated into the rail transport network in both below and above ground operations. This needs to be ongoing and applied in a pragmatic rather than in a dogmatic way. This would reduce the cost of the rail transport making it more competitive and beneficial for the grains industry. Some of the benefits of the efficiencies were passed back to us as grain growers.

THE CANADIAN MODEL (GRDC GROUND COVER PUBLICATION)

Grain growers have invested a lot of money and research into improving the efficiencies of grain production on their farms both directly and through organisations like GRDC (Grains Research and Development Corporation).

Grain growers can't afford a stagnated rail system when other competing countries in the world like Canada have streamlined their rail system so that their grain trains can carry loads of up to 10,000 tonnes of grain at any one time. (GRDC Publication)

The pricing model and access agreements that the Government choose to implement must incorporate drivers that would bring about passing loops of at least 2,000 metres or more to enable the expansion of these more efficient larger trains.

We understand, but it is difficult for us to obtain the correct information, that rail access rates in Western Australia are 2.6 to 5 times higher than the rail access rates are in the Eastern States. and account for about half our rail freight costs in the longhaul areas. We ask the question is this driven by corporate greed or other factors? Whatever factors drive this high price, they must be addressed in the model that is applied.

CBH have already experimented with 1800 metre trains (I believe this is the maximum length allowed in Western Australia carrying 9,500 tonnes of grain.) This can be done in Western Australia in the grains industry. The mining industry move massive quantities of coal and iron ore and gain the efficiencies of scale.

Our transport system and the pricing of this service needs to be done in accordance with a model that encourages innovation, efficiencies and responds quickly to the needs of all parties whether they are grain growers, marketers or rail operators. If this is done our grains industry will continue to expand as it has done over the last few years. We must plan forward to what will be needed in the years beyond 2020.

As grain growers in keeping with our farming practices and our international reputation we need a world class transport system, similar to what we had prior to privatisation not just a fit for purpose network. Currently much of our network is has heat restrictions placed on the rail operators so that they are limited as to when they can run trains. Rail operators only make money when their trains are going forward to Port loaded with grain. It is important to them that the track standards are as high as possible so that their cycle times enable them to

Make a good return on their investment. Slow track speeds and low standards inhibit carrying capacity as do heat restrictions. Pricing models need to take this into account.

The National Farmers Federation has set its sites on a national agricultural production reaching 100 Billion dollar industry in the future. The grain growers in Western Australia wish to be part of this expansion. An efficient transport system is vital to enable us to achieve this.

Neither the current system or the proposed DORC model by themselves appear to accommodate what is needed.

Rail needs volume of freight and the pricing structure must attract freight onto rail and away from road.

If all grain freight were to be forced onto the road network through the collapse of the grain rail network we believe that the road network would fail/could not cope with the additional heavy traffic. Road accidents for the rural and regional roads would rise substantially, government would need to spend hundreds of millions of dollars into a rapid upgrading and widening of all the major roads.

This would bring about traffic congestion in the Port areas of Albany, and Bunbury in particular if all this grain were required to be carted by Road.

The road accident figures are already too high for the wheatbelt area despite the best efforts of Western Australian Police. (Main Roads figures reveal that over 900 death and seriously injured people on these roads in four year period.) Not a good statistic.

TIER THREE RAIL LINES

The Rivers and Streams Chart of Rail Freight can give a misleading overview. The Tier Three Lines played an important part in transporting grain from these areas to the Standard Gauge Line to ports.

SGNR Review of these lines recommended their closure. We believe they were given incorrect figures on the actual cost required to upgrade the network. (see photos of road collapsing only recently been rebuilt) These roads are now dangerous not only for trucks but for light vehicles. Had we been given correct figures the outcome of the deliberations of that committee would have been different.

The Tier Three lines and any other rail line not being used must be surrendered back to the Government so that the Government can take over these lines and offer them out to above rail users wherever there is interest in doing this. As it is now these Government owned assets are depreciating to an unacceptable level.

Since the privatisation of the Western Australian Rail Network both community and industry expectations and obligations have not been met. The closure of the Tier Three lines and the subsequent failure to allow any other party access to these lines has been a disappointment.

Most of the wheatbelt rail network is dedicated 100% to the transport of grain. If it wasn't for the grain industry these lines would not have been built. The farmers dependent on these lines pay for the total freight and maintenance bill. Farmers have a vital interest in the costs that are incurred and how the price structure is arrived at. It is essential that we as growers have a key input to the pricing structure regardless of what model is used.

The pricing model needs to reflect the unequal bargaining positions of the parties.

Historically the railway lines and rolling stock were government owned and receipt and handling infrastructure was built alongside by CBH. This investment is now very considerable and the privatised railway line owner, ARC, has an absolute advantage in access negotiation as the bulk handler and train operator cannot walk away from these assets and seek alternatives as normally would be the case. This appears to have led to the line owners extracting monopolistic rent on behalf of their overseas shareholders with little regard for the other parties involved.

This is the conundrum that we believe needs to be addressed by the ultimate owners (the Western Australian Government), so that a "fair profit for fair service" can be established ensuring all participants in this value chain have a strong future.

In conclusion Commissioner Hayne's Six Ethical Principles are a good basis on which to incorporate into any negotiations or modeling.

OBEY THE LAW

DO NOT MISLEAD OR DECEIVE

BE FAIR

PROVIDE SERVICES THAT ARE FIT FOR PURPOSES

DELIVER SERVICES WITH REASONABLE CARE AND SKILL

WHEN ACTING FOR ANOTHER, ACT IN THE BEST INTERESTS OF THAT OTHER.

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*C J Nicholl on behalf of Trevor
(SEE EMAIL)*

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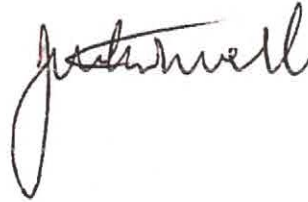
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*Colin Nicholl on behalf of Dean
Sinclair*

JOSH WHITWELL HYDEN

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A handwritten signature in black ink, appearing to read 'Josh Whitwell', is written over the printed name 'JOSH WHITWELL'.