

WA Rail Access Review Draft Decision Paper.

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.

With support from 14 groups and individuals:

**Australian Association for the Study of Peak Oil and Gas
Curtin University Road Accident Research Centre
Farm Power Pty. Ltd.
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
WA Farmers Federation - 17 Affiliated Zones state-wide
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 and other industries, which are the back bone of Wheatbelt towns and the WA economy.

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IT IS VITAL THAT THE PRESENT RAIL ACCESS PROBLEMS ARE NOT ALLOWED TO CONTINUE

The Draft Decision Paper for the WA Rail Access Review is a comprehensive document containing some technical information, which requires experience beyond that of the average member of the public, however the impact of the operation and service provided by the WA rail freight network has an impact on every WA citizen. This point cannot be over emphasised, it has a massive impact on the WA economy; the WA tax payer; maintenance and upgrade cost to the roads; city congestion; road safety; export industries and the environment.

In light of the overwhelming impact of the Rail Access Code on the State of WA, it must be emphasised that immediate action to correct the present flawed system is vital. The cost of the present inefficiencies has been borne for far too long by the WA people and by its export industries.

Following are points which need to be addressed:

1. The current lease of the below rail State owned asset, has been under a spotlight for many years. The present system to negotiate access and pricing is lengthy and expensive, deterring most companies from even attempting to negotiate. The on-going process with CBH on behalf of WA grain growers, is still unresolved after more than 5 years. Export industries need certainty and the ability to plan a sustainable, economical freight system in order for them to compete internationally. The current system is undeniably flawed, **changes to the process are vital and urgent.**

The following are key areas to rectify:

- a) Access charges in WA are 50% to 70% higher than in the eastern states.
- b) Rail users must accept Arc access charges or not use the rail, the process to negotiate a price is onerous.
- c) Arc insists on confidentiality in its negotiations with access users. Access charges to State owned infrastructure must be transparent.
- d) In the arbitration process between Arc and CBH, Arc has insisted on confidentiality, CBH is not allowed to communicate with its growers who pay all CBH costs (CBH is the WA grain growers). The grower owned cooperative is unable to be open and transparent with the growers who own the cooperative and ultimately pay all costs incurred.
- e) Absolute transparency is essential. The rail network is a state-owned asset, it is a vital artery for export industries and for the WA economy. The rail network was built to serve the needs of WA not to ensure high returns for a foreign corporate to provide dividends for overseas shareholders. A monopoly operator must be held accountable.
- f) The WA Salt Company stopped using standard gauge rail and now transports approximately 130,000 tonnes of salt to Perth by truck via the Great Eastern Highway as a result of a 36% increase in rail freight costs. This is a perfect example of the failure of the access code; lack of transparency with no regulator in place having the power to ensure that unreasonable price increases are not possible. It also underlines the fact that the arbitration process is far too difficult and expensive for most companies to consider.
- g) Pricing does not reflect the performance level of the tracks. Access fees are not reduced when track performance is reduced, with speed and load restrictions imposed.

- h) There are no time frames. Limits need to be in place to prevent lengthy, ongoing, unresolved, dragged out arbitration. Misuse of the Code, allowing delay and frustrating the process of obtaining reliable access for users, must be prevented.
 - i) The Lease has 30 years remaining. It has been repeatedly proven that the Access Code and present operation of the rail freight network is not meeting the needs of export industries. Grain growers and rural communities in particular are wearing significant costs as a result of the present management and operation of the rail network.
2. **Recommendation 1B:** A transition period of 5 years for changes is unacceptable. The present system is flawed, it has cost rail users and the WA economy dearly over nearly two decades. Changes to the Rail Access Code must be implemented immediately. Costs, delays and disruptions have been incurred and absorbed, by rail users without any compensation and with no consequences to the track operator. Any transition period continuing to cost rail access users and the WA economy is not acceptable. Immediate changes are essential.
 3. **Recommendation 3:** Competitive Imputation Pricing Principle: To price rail access based on competition in WA is impossible and impractical. The track operators have a monopoly in WA. Pricing against road transport is not appropriate. It is accepted world wide that rail is a more economical way to transport large volume bulk freight tasks particularly over long distances. To price rail according to road competition, would enable rail access pricing to come in at just a few cents under road freight costs, thus not reflecting the true costs of the track operator. Without transparency this allows the track operator/lessee to make unreasonable margins. This is already happening to some extent and cannot be allowed to continue. If WA export industries are to be internationally competitive it is vital that freight costs be kept to a minimum, not a price that the rail operator can get away with, due to a monopoly position. The ability to abuse monopoly power must be removed.
 4. **Recommendation 14:** Service Quality: Average performance standards are not appropriate, minimum standards and service quality must be ensured. Every kilometre of track should achieve a minimum performance standard.
 - a) Speed restrictions cost the rail user in time and fuel. This is a cost shifting exercise by the track operator/lessee, reducing track maintenance costs at the expense of the rail access user. Speed restrictions increase profits for the track operator, a foreign corporate sending profits off shore, whilst increasing costs to WA export industries and communities.
 - b) Consequences and penalties must be in place for the track operator, if the track service and performance is not up to minimum standards. A regulator with power must be in place to enforce penalties if the rail operator does not meet minimum service and performance standards.
 - c) If there are “temporary” speed restrictions it must be clear, what is “temporary” how many days? What is the exact location, why and how many kilometres? The reasons for speed restrictions must be clearly explained by the track operator and checked by the regulator to ensure they are justified. The location must be precise with no ability to shift restrictions a few kilometres one way or another. Time frames for speed restrictions must be enforced.
 - d) Consequences for failure to meet minimum standards must be harsh and a serious deterrent. It cannot be tolerated that rail access users incur unreasonable costs due to the failure of the track operator to provide minimum performance standards.

- e) Service quality indicators must be clear and transparent. The track operators' reporting on standards of the track must be detailed and granular, with no grey areas.
- f) Closure of Tier 3 Rail is a perfect example of the track operator/lessee cost shifting to growers, local government and state government. Freight costs to get grain to port in the grain growing area of Kwinana South are the highest in WA. The Kwinana Port Zone grows in the region of 50% of the States grain. The closure of Tier 3 in the Kwinana Port Zone has impacted greatly on freight costs, road safety, road repair, maintenance and upgrade costs. It is impossible to keep on top of road repairs, it will continue to be an ongoing challenge to budgets to maintain roads to a standard fit for the grain freight task. Road safety continues to be a huge concern.
- g) There is no longer any access to Tier 3 rail lines which were successfully delivering in the region of 6,000 tonnes per day into Merredin, prior to the closure of Tier 3 rail lines. The roads now carry the burden of this freight task, increasing costs, causing double handling, damaging roads, impacting upon road safety and the environment. Significant costs and consequences are being borne by the WA grain industry and the WA tax payer. The track operator/lessee on the other hand reduces their costs and increases their profits and dividends for off shore shareholders. Changes to the Rail Access Code with a regulator with power to oversee the Code and protect the interests of rail users is vital.
- h) If the present operator/lessee does not wish to provide access to tier 3 rail lines, the lines should be put up for tender to any other interested parties to provide access to the state-owned infrastructure.

In conclusion:

Access fees charged for the use of Tier 3 Rail (which included maintenance costs) up until its' closure in 2014, did not go into maintaining the Tier 3 Rail. Did that money go straight into Arc profits? Maintenance and performance standards must be closely monitored. Growers paid access fees for the rail to be maintained, now growers are paying again, in increased Shire Council rates, to repair roads damaged due to the closure of Tier 3 Rail.

Part of the responsibility of the track operator is also safety and communities in the regions (triple bottom line). Fire breaks are part of this responsibility, it is our understanding that fire breaks are not always kept in order. There is still a need for fire breaks along the closed Tier 3 lines. "Care and Maintenance" appears to be No Care and No Maintenance at the moment, if fire breaks are not done, rural communities and properties and lives are at risk.

The State Government is elected to represent the people of WA, promote WA industry and care for the economy of the State. It is imperative that the problems with the operation of and access to the rail freight network are urgently addressed, to assist export industries to be internationally competitive, give certainty and improve the long-term prosperity of the State of WA. In short WA government and regulatory authorities must take back control of the State-owned rail asset.

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Coordinator

On behalf of WRRRA

March 2019

