

Position Statement

GRAIN FREIGHT NETWORK

The Parliamentary National Party's position on the future of the grain freight network in regional Western Australia.



Introduction

The Nationals WA believe the State Government has a responsibility to ensure the State's grain freight network is operating efficiently and that least cost pathways are available for the benefit of growers and the safety of regional communities.

Discussion

The rail network serving the Wheatbelt is vital to the international competitiveness of the State's grain industry, designed to transport around 40 per cent of the nation's grain export task to market quickly and at reasonable cost.

The grain export industry has undergone significant changes since deregulation and the introduction of new wheat export marketing arrangements in July 2008. Coupled with a requirement to review the long-term lease of the State's grain rail infrastructure, these changes prompted the State Government to review the grain freight network in 2009.

“ The Nationals WA support grain on rail and believe it is time to review the freight network, particularly tier 3 rail and road related infrastructure. ”

The review resulted in a recommendation to close the Merredin-Bullaring-Yillimilling-Narrogin, Kulin-Yillimilling, Kondinin-Merredin, Trayning-Merredin and York-Quairading lines¹ concluding they were not competitive with road transport routes.

In 2010, a \$352 million State and Federal Government investment package was announced in response to the report. This was designed to underpin the future viability of the grain freight network and included rail re-sleeper works and siding upgrades on grain freight lines (\$187.9 million); improvements and maintenance to Wheatbelt roads (\$118.3 million); and a transition assistance package to ensure rail transport remained competitive with road (\$14.6 million) during the upgrade period.

Since this time there have been some notable changes in the grain transport sector:

- CBH sought tenders for rail operators to transport grain from its up country receival sites to port and in 2010 they announced a partnership with Watco², a company with experience in regional rail transport in the United States of America; and
- In 2010 CBH made the decision to invest \$175 million into new locomotives and custom built wagons, the delivery of which commenced in May 2012.



CBH states that the new locomotives and wagons³, combined with Watco's experience in rail logistics, will provide increased efficiency and deliver significant cost benefit to the grower. This has been reflected in their 2012/13 freight rate estimates, where they've announced an average reduction in rail rates of around 7 per cent and an average rise in road rates of between 5 and 8 per cent⁴.

In light of these significant developments The Nationals believe it is time to review the grain freight network, particularly infrastructure in the tier 3 network, to ensure least cost pathways are available for the benefit of growers and the safety of regional communities.

Recommendations:

1. Government to appoint and fund an independent entity to review and provide advice in relation to further investment in the grain rail network. The review should include (but not be limited to):
 - an examination of the tier 3 grain rail network for cost, productivity and efficiencies on a comparable basis with road; and
 - an assessment of the operating and maintenance models of Brookfield Rail and CBH/Watco to ensure the least cost, sustainable business model is utilised for the benefit of industry.

2. Government to commit to further investment should the outcome of the independent review demonstrate the ongoing viability of the grain rail network.
3. All lines currently in use to remain open and maintained to a standard that allows CBH/Watco to use them.

References:

- ¹Strategic Grain Network Committee for Freight and Logistics Council of WA, 16 December 2009, page 9
²www.watcocompanies.com
³www.abc.net.au/rural/news/content/201012/s3092581.htm
⁴https://www.cbh.com.au/media/262066/faq_freight_rates_2012_13.pdf

