

GREAT EASTERN COUNTRY ZONE

ABN 96 022 769 145

c/-BHW Consulting
PO Box 6456
EAST PERTH WA 6892
T: 0427 854 478
E: hwestcott@wsquared.com.au



Our ref: GECZ 270214

Mr Jeremy Threlfall
Assistant Director Rail
Economic Regulation Authority
Level 4, Albert Facey House
469 Wellington Street
Perth WA 6000

By email: publicsubmissions@erawa.com.au

Dear Mr Threlfall

INTERIM SUBMISSION: BROOKFIELD RAIL PTY LTD FLOOR AND CEILING COST DETERMINATION

I write on behalf of the Great Eastern Country Zone.

The Great Eastern Country Zone (the Zone) welcomes the opportunity to make a submission regarding the Economic Regulation Authority's (ERA) determination on the Brookfield Rail Pty Ltd Floor and Ceiling Cost Determination. Please note that due to meeting schedules, this submission has not yet been endorsed by the Zone's Member Councils. The Commission will be informed of any changes to this submission following consideration by the Zone.

The Zone is one of 12 non-metropolitan Zones that form the State's peak local government body, the Western Australian Local Government Association (WALGA).

The Zone's membership includes the Shires of:

Bruce Rock;
Cunderdin;
Dowerin;
Kellerberrin;
Kondinin;
Koorda;
Merredin;
Mt Marshall;
Mukinbudin;
Narembeen;
Nungarin;
Tammin;
Trayning;
Westonia;
Wyalkatchem; and
Yilgarn.

Shires of:

Bruce Rock
Cunderdin
Dowerin
Kellerberrin
Kondinin
Koorda
Merredin
Mt Marshall
Mukinbudin
Narembeen
Nungarin
Tammin
Trayning
Westonia
Wyalkatchem
Yilgarn

The Zone understands that WALGA will be making a submission to the ERA regarding the Brookfield Rail Pty Ltd Floor and Ceiling Cost Determination. The Zone is aware of, and supports, WALGA's views on this matter.

In seeking public submissions on its determination of floor and ceiling costs for certain routes on the railway network managed by Brookfield Rail Pty Ltd (BR), the ERA advised that the material provided by BR is confidential. This confidentiality arises from BR's advice that this information remains confidential as per section 50(3) of the *Railways (Access) Code 2000*.

Given the narrow terms of reference for the ERA's task, that is to determine floor and ceiling costs for certain routes on the railway network managed by BR, this creates considerable difficulty for the Zone to prepare any commentary on the validity of Brookfield Rail's estimates of floor and ceiling costs. That said, the outcome of the determination process has the potential to impact significantly on the Zone's Member Councils.

The Zone's submission by necessity therefore covers material that the ERA may be unable to comment on but nonetheless should be in the public arena to broaden public debate on the issue.

▪ **Transparency**

In its submission to the ERA regarding the determination on the Pilbara Infrastructure Pty Ltd for floor and ceiling costs Aurizon noted that on occasions it was necessary for confidentiality to be maintained in otherwise public regulatory processes¹. Aurizon's submission also detailed why transparency of process was also required.

The Zone concurs with this view.

For farmers within the Zone there is concern as to how access fees are calculated. Given that grain growers in Western Australia pay over \$40M per annum in access fees² the Zone would argue that transparency is lacking. Details on the reasons for amending access fees should be made available, particularly given the methodology the ERA is required to use. This currently does not happen. Growers who used the now closed Quairading to York rail line must question the level of maintenance undertaken by BR and its predecessor if the line is not considered safe or fit for purpose any more. Similarly for those growers whose access lines have had speed and weight restrictions placed upon them. Given that access fees are substantially higher in this State than on the eastern seaboard, farmers with the Zone are right in asking questions around the notion of "value for money".

Whilst respecting BR's right to claim "commercial in confidence" over the information it provided to the ERA it must be remembered that the asset under BRs stewardship is not a private one but a public one.

One of the key findings of the Auditor General's 2013 report on the management of the rail freight network lease was that limited information is available to Parliament and the public regarding the lease of the network or its condition³. Given the rail freight network is a public asset this is considered an unacceptable situation by the Zone. With lines closed, placed in

¹ <http://www.erawa.com.au/cproot/11475/2/20130627> D107340 - Public Submission - TPI Floor and Ceiling Cost Determination - Aurizon.pdf

² Email dated 14 January 2014 from Owen Davies, Freight Fund Manager Cooperative Bulk Handling Group to Robert Dew, Executive Officer. Local Government Grain Freight Group

³ Office of the Auditor General (2013). Management of the Rail Freight Network Lease: Twelve Years Down the Track. Retrieved from https://audit.wa.gov.au/wp-content/uploads/2013/05/report2013_01.pdf

care and maintenance due to lack of use, or operating with speed and weight restrictions in place, information on the lease should be available for public scrutiny.

Public scrutiny will allow a thorough examination of access charges and their appropriateness. Such scrutiny should allow for the development of a fee structure that reflects the level of service provided. Where maintenance standards have decreased, access charges for these routes should be set at a low level to reflect this. Equally where maintenance standards are high access charges can be set to reflect the standard provided by the lessee.

Recent comments made by former State Transport Minister Alannah McTiernan highlight the need for transparency⁴. The Zone echoes this sentiment and would hope that its submission goes some way in persuading the State Government to act on what has become (in the Zone's view) an untenable situation.

The cost of “grain on rail” versus “grain on road” – what does it mean for affected local governments?

Local governments across the agricultural region have always been interested in the wellbeing of the agricultural sector - without a viable and sustainable grain industry the viability and sustainability of their communities comes into serious question. Thus an efficient and cost effective transport chain to allow for farm to port delivery of grain is essential.

One of the factors impeding this is the lack of parity that currently exists between the cost of road freight when compared to rail freight when carting grain.

Vehicles “pay” for the use of the State's road network through the ‘pay as you go’ system which uses a combination of fuel excise and vehicle registration charges. Given that the charges are averaged over the whole road network, this provides a cross subsidy to heavy vehicles. Such cross subsidies clearly apply to grain freight by road in WA and have led to over use of road infrastructure relative to rail. This is clearly evidenced in the declining use of the rail network. Rail operators in setting freight charges do not have this flexibility for cross-subsidisation and as such they are unable to offer rail users a competitive rate to cart grain on rail.

What does this mean for local governments impacted by increasing levels of road transport of grain from farm to port?

One of the major functions of local governments in the agricultural region is the provision and maintenance of the local road network. Whilst the Zone recognises that the State Government has provided funding for upgrades to local roads in recognition of the increasing heavy vehicle traffic the Zone would argue that the levels of funding are insufficient for the level of upgrade required. Nor has any allowance been made or funding commitment been given to assist in the ongoing maintenance that these roads will require into the future.

Recent cuts to the State Road Funds to Local Government Agreement will impact upon local governments, further adversely affecting their ability to maintain roads⁵.

Given the State's current economic situation, the Zone believes any additional financial support to assist in upgrading and maintaining the local road network to accommodate the

⁴ <http://www.farmweekly.com.au/news/agriculture/agribusiness/general-news/tier-3-future-doubtful-mactiernan/2684583.aspx>

⁵ <http://au.news.yahoo.com/thewest/countryman/a/20448916/safety-fears-after-road-funds-cut/>

increased use of the network for the transport of grain from farm to port is unlikely. Affected local governments, despite their limited abilities to raise revenue to offset these additional and ever-increasing costs, will be forced to fund this work. Effectively this shifts freight infrastructure maintenance expenditure from Brookfield Rail and the State Government to ratepayers in the areas affected by line closures and restrictions. This, the Zone believes, is yet another example of cost shifting from State to Local Government.

The Zone believes that the current (artificially) low price for road infrastructure should be incorporated into any method used to determine access charges, not just for BR but any future lessee.

Future road safety is also an issue that needs to be considered in the debate on rail versus road debate. In the absence of parity between road freight charges and rail freight charges for grain more grain will travel to port on a road network that was not constructed to take the volume or configurations of modern heavy transport vehicles. Many rural roads are unsuitable to accommodate large trucks and local traffic. This is an important issue in WA's Wheatbelt, since the "Wheatbelt North" and "Wheatbelt South" regions already have the highest number of people killed or seriously injured per 100,000 population for the 10 year period 2003-2012 in the State⁶. Increasing volumes of heavy vehicle traffic on these roads will only raise the potential for these statistics to worsen.

The Zone hopes that the ERA will be able to find a resolution to what has become an almost intractable situation. It is possible that the transport of grain on rail could be removed almost completely, with transport by road. Ultimately this means that local governments such as the 16 Councils within the Great Eastern Country Zone, will be forced into funding work for which they do not have the financial capacity to undertake.

Thank you again for the opportunity to comment.

Yours sincerely

Helen Westcott
Executive Officer

3 February 2014

⁶ <http://www.ors.wa.gov.au/Statistics>