Submission for the attention of Assistant Director Rail

Consultation

Brookfield Rail Pty Ltd Floor and Ceiling Cost Determination

Wheatbelt Railway Retention Alliance

Representing 100,000 people

Local Government members:

York; Beverley; Quairading; Bruce Rock; Narembeen; Kulin; Kondinin; Lake Grace; Corrigin; Cuballing; Wickepin; Dumbleyung; Trayning; Cunderdin; Nungarin; Mukinbudin, Merredin; Mount Marshall; Yilgarn; Narrogin Shire, Town of Narrogin, City of Fremantle, East Fremantle, Mundaring, Koorda.

WA Farmers Federation - 17 Affiliated Zones state-wide

With support from 13 groups and individuals:

Australian Association for the Study of Peak Oil and Gas
Curtin University Road Accident Research Centre
Wheatbelt South WALGA RoadWise Programme
Narrogin Environmental Action Team Inc.
RACWA
Professor Peter Newman
Roadside Conservation Committee
Fremantle Road to Rail Group
Wildflower Society of WA
Farm Power Pty. Ltd.
Professor Stephen Powles
Mount Helena Residents & Ratepayers Assoc. (Inc.)
Helena Valley Estate Resident Association

Chairman WRRA: Bill Cowan: Telephone: 90616 012 Facsimile: 90616 032
Email: cowandianebill@westnet.com.au
Postal Address: P.O. Box 123, Narembeen, W.A. 6369

Co-ordinator WRRA: Jane Fuchsbichler: Telephone: 9046 9050 Facsimile: 9046 9040
Email: kjfuchi@wn.com.au
Postal Address: "Melrose", P.O. Box 85, Bruce Rock, W.A. 6418.

The Wheatbelt Railway Retention Alliance was formed in December 2010 bringing together Local Government, WA Farmers and other interested groups and individuals. The members of the alliance overwhelming agree that the grain freight task must remain on rail, for a safe, efficient path to port for an important export commodity.

1. The State Grain Freight Rail Network (SGFRN) is of vital importance to Wheat belt communities and the Western Australian Economy

Wheat belt roads were engineered 50 to 60 years ago when most trucks carried around six to eight tonnes.

These roads had an anticipated 40 year life span and have now gone passed their use by date.

Given that over 85% of Western Australia's grain harvest is exported, on an average year eight to ten million tonnes of grains need to be freighted from farms to port, this year it was over 15 million tonnes.

As farm management practices have evolved, and farm machinery has grown in size and efficiency, the size of the trucks moving grain has increased over eight-fold to 50 tonnes or more.

The road network in the Wheatbelt is inadequate to carry this increased grain freight task to port particularly due to the poor conditions of many of the roads that were not engineered to carry present day road trains.

This is made evident in the 2009 Western Australian Auditor General's Report *"Maintaining the State Road Network"* it was found 'the cost of eliminating existing overdue maintenance may exceed $800 million.'

Rail is not only vital for the safety of our communities but also for the viability of the grains industry, which is the backbone of Wheat belt towns and the Western Australian economy.

A well maintained, safe, efficient**,** economical rail network is a vital artery for the Wheat belt.

Chairman WRRA: Bill Cowan: Telephone: 90616 012 Facsimile: 90616 032
Email: cowandianebill@westnet.com.au
Postal Address: P.O. Box 123, Narembeen, W.A. 6369

Co-ordinator WRRA: Jane Fuchsbichler: Telephone: 9046 9050 Facsimile: 9046 9040
Email: kjfuchi@wn.com.au
Postal Address: "Melrose", P.O. Box 85, Bruce Rock, W.A. 6418.

2. Freight Costs need to be kept to a minimum for grain producers to remain viable

At present the cost of freight to port for grain growers is approximately 8% of the value of the grain.

Every freight price rise impacts on the viability of grain growers as these price rises are inevitably passed on to growers.

The access fees currently being charge make up 40 - 50% of the freight cost and the access fees in WA are in the region of four times that of the eastern states.

The Kwinana Port Zone historically has taken up to 98% of the grain to port by rail. Total production of this area is between 6 million and 7.5 million tonnes per annum.

Every dollar increase in freight reduces the profit margin of the grain producer as freight is one of the big items in grower's budgets along with chemicals and fertiliser.

For growers to remain viable into the future supply chain costs, including freight, need to be kept to a minimum.

3. The negative impacts of freight prices increasing

- Increasing costs of freight reduces grower viability.
- If access fees and subsequent freight rates become untenably high this would push the freight task onto an inadequate un- safe road network.
- Road safety is already a huge concern in the Wheat belt and increased truck movements will increase the danger and risk on our roads. The Wheat belt has the highest road toll in the state.
- The cost of road maintenance will be passed on to growers through rises in local Shire Rates; figures of 31% increases in rates are anticipated.
- Grain buyers have said they would pay less for grain where it is difficult to get the grain to port.
- The combination of higher freight rates, higher Shire Rates, lower grain prices and a deteriorating road network will lead to farms in those areas becoming unviable which will result in a devaluation of land prices.

Chairman WRRA: Bill Cowan: Telephone: 90616 012 Facsimile: 90616 032
Email: cowandianebill@westnet.com.au
Postal Address: P.O. Box 123, Narembeen, W.A. 6369

Co-ordinator WRRA: Jane Fuchsbichler: Telephone: 9046 9050 Facsimile: 9046 9040
Email: kjfuchi@wn.com.au
Postal Address: "Melrose", P.O. Box 85, Bruce Rock, W.A. 6418.

4. There is a total lack of transparency

The ERA's invitation for public submissions states Brookfield Rail Pty Ltd (BR) has advised that the material it has provided to the Authority is confidential.

It is difficult to see how a public consultation on a matter can be made relevant with the secrecy which veils this issue.

The question of why there is no transparency needs to be addressed urgently.

The Western Australian Rail Network is a State Tax Payer Asset and as such dealings with matters pertaining to this asset should be entirely transparent.

Why is the Lease agreement not tabled in Parliament and open and transparent?

What has happened to the $400m that growers have already paid in track access fees since 2000?

As per Finding 12 of the SGNR how can the rail close "regardless" of actions taken by governments?
Has the State Government lost or given away control of this vital State Tax Payer Asset?

The flawed and outdated Strategic Grain Network Report (SGNR) stated that 'Tier 3 lines in the Kwinana South Zone are not competitive with road transport and during 2010 rail services will cease to operate on them regardless of actions taken by governments.'

This has proven to be incorrect and it should be noted that currently the CBH / Watco trains are running on Tier 3 lines with greater heat and speed restrictions and are still cheaper than road transport by between $4 - $6 per tonne.

In addition, on the Merredin – Narembeen line CBH / Watco have transported over 4,000 tonnes in a day, when the previous best was 1,400 tonnes.

The 2013 Western Australian Auditor General's Report "*Management of the Rail Freight Network Lease: Twelve Years Down The Track"* states:

> 'The State faces significant risks over the remaining 37 years of the lease. Specifically these relate to keeping track performance standards up to date, monitoring maintenance on certain lines, the need to adapt or step outside of the lease to meet policy objectives on the grain lines.

Chairman WRRA: Bill Cowan: Telephone: 90616 012 Facsimile: 90616 032
Email: cowandianebill@westnet.com.au
Postal Address: P.O. Box 123, Narembeen, W.A. 6369

Co-ordinator WRRA: Jane Fuchsbichler: Telephone: 9046 9050 Facsimile: 9046 9040
Email: kjfuchi@wn.com.au
Postal Address: "Melrose", P.O. Box 85, Bruce Rock, W.A. 6418.

Available documentary evidence indicates that an additional $400 million investment commitment was made by the successful bidder during the tender process, but this was not incorporated in the lease. There is no clear record of why.

Limited information is available to Parliament and the public regarding the lease of the network or its condition. The lease and its variations have not been tabled in Parliament, and no regulatory agency reports publicly on the condition of the network or its use.'

5. The monopoly position of the lessee in this state is detrimental to the future viability of the (SGFRN)

The State asset has been allowed to be controlled by a corporate, who by necessity must put its' shareholders first, before the interests of Wester Australian communities, road safety issues, tourism and the long term viability of WA grain growers.
The rail access fees have a large gap between the top end and bottom end price structure allowing the lessee to charge almost whatever they wish with no regard to the cost of maintaining and running the line.

The 2013 Western Australian Auditor General's Report "*Management of the Rail Freight Network Lease: Twelve Years Down The Track"* states:

'This unusual accounting approach was highlighted by KPMG in its 2009 review, without resolving the issue. This accounting treatment increases the likelihood that a line will be viewed as uneconomic, increasing the risk that costs will shift to the State. We found no evidence that PTA had sought expert advice on the lessee's methods of cost allocation, or raised the matter with the lessee after KPMG highlighted these concerns

The intended privatisation of the freight rail network by lease was supported by a regulatory structure to prevent the abuse of monopoly positions in the market, to guarantee that all freight carriers could use the network at fair prices, and to ensure the safe operation of the network. The State Rail Access Regulator was established in 1999–2000 to regulate

The condition of the narrow gauge lines used primarily for carrying grain has degraded.'

The lease agreement and management of it has failed to serve the best interests of the State.

Chairman WRRA: Bill Cowan: Telephone: 90616 012 Facsimile: 90616 032
Email: cowandianebill@westnet.com.au
Postal Address: P.O. Box 123, Narembeen, W.A. 6369

Co-ordinator WRRA: Jane Fuchsbichler: Telephone: 9046 9050 Facsimile: 9046 9040
Email: kjfuchi@wn.com.au
Postal Address: "Melrose", P.O. Box 85, Bruce Rock, W.A. 6418.

There is no true and open transparency and competition and there is definitely no "guarantee that all freight carriers could use the network at fair prices ... and ensure the safe operation of the network"

The extremely high access fees in this state combined with the declining performance standards of the track leave growers with no other option than to believe that Brookfield Rail has exploited its privileged monopoly position and neglected their customers.

6. Closing comments

Rural Western Australian communities, businesses and agricultural industry must have a competitive, well maintained, open and transparent rail network, with guaranteed performance standards.

There is an urgent need for transparency and accountability with respect to access fees for the state owned asset. Access fees must be transparent and the ERA must play a role in ensuring this transparency.

Road safety will continue to diminish unless a well maintained, safe, efficient and economic rail network is made a priority in this state. Brookfield rail must be held accountable not only with respect to access fees but also with respect to its obligations under the lease agreement.

Bill Cowan
Chairman Wheatbelt Railway Retention Alliance

Chairman WRRA: Bill Cowan: Telephone: 90616 012 Facsimile: 90616 032
Email: cowandianebill@westnet.com.au
Postal Address: P.O. Box 123, Narembeen, W.A. 6369

Co-ordinator WRRA: Jane Fuchsbichler: Telephone: 9046 9050 Facsimile: 9046 9040
Email: kjfuchi@wn.com.au
Postal Address: "Melrose", P.O. Box 85, Bruce Rock, W.A. 6418.