ECONOMIC REGULATORY AUTHORITY

June 2015

Submission on behalf of Bill Cowan – Farmer , Narembeen Shire.

As a farmers we are faced with the constant challenge of cost squeeze due to higher inputs and lower returns.

Due to the loss of the Tier 3 rail lines we have seen an increase in freight of more than 10%.

Current freight is $28.40 which is due to rise by a further $1.40 due to the interim access agreement.

If wheat is $300/ tonne an access fee for Merredin of around $8/ tonne doesn't sound too bad, however when you take out cost of production and then add in the access fee rise, it is a large proportion of our profit.

Cost of production example at Mt Walker

Chemical and spray operation. ------- $92.00/Ha

Fertilizer and seed - - - -- - - -- $143.00/Ha

Seed, harvest and local carting - - - - - -$85.00/Ha

Freight, receival fee and port charge - $90.00/Ha

Av cost of ownership or lease of

Land at Mt Walker - - - - - - -- - - - - - -$50.00/Ha

Total cost - - - - - - - - - - - - - - - - - - $460.00/Ha

With wheat priced at $300/tonne our break even point is 1.53t/Ha, which is now above our 5 year average. (1.4 t/Ha) This now means we are putting in a crop and hoping for a better than average season.

Last year we only averaged 1.35t/Ha.

Local Government Authorities are also affected by the closure of Tier 3 lines as the extra truck movements are causing a huge maintenance problem on both sealed and unsealed roads. This also disadvantages us because as rate payers we are once again hit with rate increases.

It seems that Brookfield Rail can charge more for access fees anytime they wish, as the ceiling and floor price are so far apart. There are no checks or balances that can be implemented, because all price increases will be within the upper and lower limits, as these are so far apart.

For example, if access fees were to double (which is what has been forecast) then the access fee would be almost 2/3rds of the total rail freight component. (ie. From Merredin)

Under the current agreement there is nothing to protect farmers from this or a far greater rise. If the fees do increase much more, rail will no longer be a viable option for farmers to move grain to port.

As the interim access agreement is only until the 31st of December, we believe that growers will be particularly vulnerable as wheat buyers now want their grain in a more timely manner. We could lose market share if a new deal isn't struck quickly. We could also be caught with not being able to get our harvest finished in  time before grain losses and weather damage occur due to local bins being full.

It is worrying that a Multi National company who is purely profit driven can have such a detrimental effect on a multi billion dollar industry. An industry which with the downturn in mining could be the biggest single earner for this State and the Commonwealth. With the flow on effect due to the many supportive industries for grain production it is already arguably bigger.

It is a worry that Canada, the home of Brookfield, could stand to gain immensely with the demise of the West Australian crop. If Brookfield aren't happy with an access agreement they can deny access as happened just recently.

It is unbelievable that a company can have the power to do this to the detriment of an entire industry. Access should be set at a fair price and linked to the CPI. Currently West Australian access is more than double that of other States.

How can this government allow a company to close access on all grain lines and still not allow some other entity who would possibly do a better job for cheaper, to run and maintain the line.

A Royal Commission should be held into the whole lease agreement, especially the changes made in 2010, which allowed the closure of lines and non maintenance of certain sections.- Not to mention the PTA kickback fiasco. It needs to be investigated whether there was something underhand or just incompetence from our bureaucrats and polititions.