

The following submission is made by Timothy Bush.

It is a good to be able to consider a number of topics relating mainly to the export grain supply chains of wheat.

In March 2009 I made a submission to the NSW Grain Freight Review.

Many issues which I raised in that Review were not in my opinion properly canvassed in the NSW Grain Freight Review Report of September 2009.

I am pleased to see that the Productivity Commission has covered nearly all these issues in its draft report – there is a wealth of information available on which to comment.

Therefore my comments mainly examine issues in chapter 6, **Transport, storage and handling** of the Productivity Commission's Wheat Export Marketing Arrangements ( PC WEMA ) Draft Report 2010.

At times my comments may appear harsh, this is certainly not a reflection on the staff of the Productivity Commission who have prepared a PDF document which totals some 390 pages – a mammoth task.

If I can shed light on any of my comments which help understanding of any issue I am pleased to contribute if I can.

I look forward to reading your final report in the new financial year !

PC WEMA 2010 Draft Report P187

*“ Up-country storage facilities have been rationalised with many replaced by larger, more efficient facilities*

Bulk handling companies have rationalised the number of their storage facilities.  
This has occurred, in part, to improve operational efficiencies.

Prior to deregulation, charges were the same across all storage sites, meaning that more efficient sites cross-subsidised those sites that were less efficient. Bulk handlers have moved towards site-based costing, which has caused them to close down those sites that are uneconomic to maintain.

Table 6.3 shows that, before the Wheat Export Marketing Act took effect, bulk handling companies had already substantially reduced the number of up-country storage facilities (by about one-third between 1998 and 2006).

**Further rationalisation is expected in the future... ( my bold ) ”**

Comment

I agree that further rationalization of up country storage facilities will continue.

To then source three year old information (2007) from SVGA – Table 6.3 which contradicts the 2010 information provided by the Grain Handling companies themselves of the number of operational up country storage facilities per Table 6.1 P 180 is ridiculous.

Timothy Bush

**Table 6.3 Number of up-country storage sites**

By time, and State

<i>State</i>	<i>Company</i>	<i>1998</i>	<i>2006</i>	<i>2015 (potential)</i>	<b>ACTUAL (Table 6.1 WEMA Draft report 2010 P 180 )</b>
NSW	GrainCorp	265	145	43	
	AWB	–	10	10	
	ABA	–	3	3	
Vic	GrainCorp	257	92	25	
	AWB	–	4	4	
	ABA	–	2	2	
Qld	GrainCorp	87	42	10	
	AWB	–	4	4	
SA	ABB	116	111	39	<b>106</b>
	AWB	-	4	4	
WA	CBH	200	196	101	<b>193</b>
	<b>Total</b>	<b>925</b>	<b>613</b>	<b>245</b>	

Source: SVGA (2007a, p. 9).

**Comment**

In the four years from 2006 to 2010 ABB (now Viterra ) has closed only 5 sites across South Australia. Likewise in Western Australia CBH has closed only 3 sites in this 4 year period.

SVGA reports for AWB in 2006 ...	NSW	10	2010 (per AWB )
	Vict	4	
	Qld	4	
	SA	4	
		<u>22</u>	22

AWB No change

SVGA reports for ABA in 2006 ...	NSW	3	2010 (per ABA )
	Vict	<u>2</u>	
		5	8

ABA A few more strategic sites to compete against GrainCorp in the eastern states

The really interesting analysis is that relating to GrainCorp (GCN) – this now public company controlling the up country storage facilities of the NSW, Queensland & Victorian former state based grain handling authorities with facilities built since the 1940's some of which originally received grain in bags delivered by horse & cart.

Across the whole of Australia the 2007 SVGA report (Single Vision Grains Australia) January 2007a, *Transport Infrastructure Issues Paper One: Network Review for the Australian Grain Industry*, reproduced as Table 6.3 **Number of up-country storage sites** as above was predicting wholesale closures of rail branchlines & that then this would result in the closure of hundreds of up country storage facilities.

From table 6.3

SVGA reports for GrainCorp in 2006	NSW	145	2010 (per GrainCorp) (Table 6.1 WEMA Draft report P180 )
	Vict	92	
	<u>Qld</u>	<u>42</u>	
		279	
			250
SVGA <i>potential</i> for GrainCorp in 2015	NSW	43	
	Vict	25	
	<u>Qld</u>	<u>10</u>	
		78	

The 2007 SVGA Review is fundamentally “flawed” – its predictions have not occurred across the last 4 years as evidenced by the current up country storage facilities provided by the grain handling companies to this Inquiry.

Some branchlines have closed but often the up country storage facilities are retained by the grain handling companies & operated with road transport.

This is strongly backed up by the scenario assumptions utilised in the much more recent 2009 Report of....

New South Wales Grain Freight Review September 2009

Appendix D: Underlying BCA (Benefit Cost Analysis) model assumptions P71

#### “ Operating Scenarios

Three operating scenarios, outlined below, have been modelled for each of the CRN (Country Regional Network) Grain Lines.

##### 1. Closure of the CRN Grain Lines

The closure scenario assesses the impact of closing the CRN Grain Lines, and is used as the base case for determining the benefit that would be derived from investing further in the CRN Grain Lines.

The closure scenario assumes that the grain line silos remain open. There are strong arguments to support this assumption

- The silos provide the necessary amount of storage for the grain task in the short term; and
- There is a strong commercial incentive for GrainCorp to ‘capture’ grain supplies as far up country as possible (and away from the competing sub-terminals on the mainlines).

Consequently, the assumed operating environment is that grain will be carried from the farm gate to the nearest silo as occurs now. However, grain will then be carried by road to the nearest mainline storage facility (sub-terminal) for transfer to rail.

This ‘new’ road task is likely to be organised by the grain handlers and/or marketers. The grain will then be carried directly to port by mainline trains.

(the other Scenarios being).....2. Stabilisation ie. Status quo –maintain branchline 3. Upgrade (branch railway line)”

Compared to the SVGA 2007 Network Review with its core assumption that the smaller up country storage facilities close & grain goes by road to sub terminals & is then railed for export this viewpoint IS NOT supported by the New South Wales Grain Freight Review September 2009.

Further....

New South Wales Grain Freight Review September 2009 P4

“ Key messages

#### 1. Retain majority of branch lines

The Review has concluded that the majority of the grain branch lines should be retained & investments made to stabilise the condition of the lines at Class 5 level (or Class 3 if the line has already been upgraded to this level). “

This changed perspective ties in with what the PC WEMA 2010 Draft Report states on Page 179

“ **Up-country storage sites.....**

*In total, there is approximately 50 million tonnes of bulk-handling up-country storage capacity – this is roughly twice the size of harvest in a good year. Excess storage capacity is a common feature across Australia.”*

As quoted from the previous page ...” Operating Scenarios .....**1. Closure of the CRN Grain Lines**

” There is a strong commercial incentive for GrainCorp to ‘capture’ grain supplies as far up country as possible (and away from the competing sub-terminals on the mainlines). “

Particularly for GrainCorp all these sites are assets in the competitive business of storing grain ( ie vs onfarm storage ) & now trading in grain.

New South Wales Grain Freight Review 2009 P60

“ NSW Grain Supply Chain– Efficiency Scorecard

#### **Storage and Handling**

GrainCorp has a network of 180 country silos in NSW, of which 150 have rail access. This network is supported by 6 sub-terminals, of varying size and function, located at Moree, Narrabri, Parkes, Temora, Junee and Werris Creek. Werris Creek is strategically important as its location provides the opportunity for 24 hour turnaround services to Newcastle.

AWB GrainFlow has major sites at Bellata, Beanbri, Gilgandra, Nyngan, Narromine, Bogan Gate, West Wyalong, Stockinbingal and Grong Grong. AWB also has a site at Oaklands (*10 sites*) served by the Victorian rail network, and a site at Talwood in southern Queensland which can be used for northern NSW product.

ABA has silos at The Rock, Goolgowi and Coolamon. (*3 sites*)

#### Assessment

The efficiency (load/unload times) of centralized storage sites is highly variable.

Sub-terminal storages and larger, fast loading sites provide an essential element in the competition for grain handling and marketing services. Although there is a broad range in the operational standard of these sites, the cost of improving their grain handling efficiency is not an obstacle should the emerging competitive market pressures continue into the medium term.

### Overall Assessment: ADEQUATE “

This document credits GrainCorp with 180 sites !! compared with 145 sites quoted by SVGA for 2006 Table 6.3

I believe this difference is that there are a number of silos around NSW which aren't shown on GrainCorp's "Combined Storage Map"

<http://www.graincorp.com.au/prodserv/SL/Maps/Combined%20Storage%20Map.pdf>

(accessed April 20 2010)

These may not be shown as "operational" on the Map but in the event of a large harvest, either right across the state or in a particular district these sites are still owned by GrainCorp & can with minimal effort be opened for direct delivery or utilised as overflow storage.

Koorawatha between Cowra & Young is an example of such a silo.

On a similar theme the PC WEMA 2010 Draft Report at Page 182 quotes once again from SVGA 2007 Review

“ Transport .....

Single Visions Grain Australia (SVGA) state:

Rail traditionally dominates in the haulage of grain from the more distant regions to the major ports ... Road transport is used by many domestic consumers, particularly in the milling and stockfeed sectors & trucks are also heavily used for deliveries to port from coastal growing areas (particularly in WA & SA).

Road transport is also used for export grain when rail is unable to meet short term demands (such as in bumper export seasons, peak shipping demand periods or when silos fill up at harvest time). ... The upshot of this pattern is that rail is used overwhelmingly for the haulage of the more distant volumes, while road transport has a higher proportion of volumes grown closer to the port or the major mills (typically in cities and regional centres) and feedlots. (SVGA 2007a, p. 6).

This is from the NSW Grain Freight Review Call for Submissions...

[http://www.nationbuildingprogram.gov.au/publications/reports/pdf/NSW\\_Grain\\_Freight\\_Call\\_Submission.pdf](http://www.nationbuildingprogram.gov.au/publications/reports/pdf/NSW_Grain_Freight_Call_Submission.pdf) Page 9

“ Consistent with broader transport trends in Australia, more and more grain is being transported in NSW by road throughout all parts of the chain with the exception of bulk export shipments. It has been noted that traditional single desk selling arrangements had been well suited to the railway operators, as they consolidated large volumes into a single customer relationship.<sup>5</sup>

For this reason, with the greater fragmentation of the grain supply chain expected as a consequence of export deregulation<sup>6</sup>, the trend to road may well intensify in the future.

5 Sd&D, Single Vision Grains Australia (SVGA) Transport Infrastructure issues Paper Two: Commercial Aspects of the Australian Grains Industry January 2007. “

Following is an extract from the single page submission by Manildra Group to the NSW Grain Freight Review.

“ Manildra Group is the largest single user of wheat in NSW, and quite possibly in Australia.

The Manildra Group continues to exhibit growth.

Manildra has been able to achieve its growth by maintaining its focus on lowest cost producer. In part this has been as a result of investment in the leading technology, dedicated and determined ownership and leadership, and a committed workforce. Such a program includes cost effective and efficient logistics.

Manildra logistics are based significantly on rail both for grain inbounds and flour and millmix outbound both bagged and bulk.

The majority of wheat from branch lines in the Central West is moved by rail by Manildra.

The Honan family under leadership of Mr Dick Honan, have invested significant capital into their 3 regional flour mills –

- Gunnedah, Manildra Flour Mills and Narrandera
- The starch, gluten glucose and ethanol plant
- Joint venture with NSW sugar co-operative

#### CHANGES IN PRODUCTION AND PATTERNS AND IN DOMESTIC AND EXPORT MARKETS FOR GRAIN

There is an incorrect conclusion stated in the “call for submissions” identified on page 9. Whilst smaller users may access grain on road, the larger consistent consumers of grain in the NSW market continue to access and move grain in the most cost effective form which is by rail. It is envisaged that this will continue as long as there are rail lines that access the wheat growing regions. The domestic market will continue to reflect growth in Australia’s population. “

Manildra Flour Mills were represented on the NSW Grain Freight Review 17 member Taskforce at General Manager level.

In sharp contrast to the views expressed by SVGA in its 2007 Review the NSW Grain Freight Review reported P4

“ 1. Retain majority of branch lines .....

Retaining these lines and keeping them operational at the minimum level of service to be fit for purpose by the industry will require a one off capital injection and a commitment to providing appropriate maintenance funding in future years.

If the lines were closed, the increased truck traffic on the road system would increase the cost of road provision and maintenance well above this level—the burden of which would be borne directly by state and local governments and, indirectly, by the federal government, which also contributes funding to maintain the road system.

In addition, the 'above track' costs of carrying the grain task on these routes by road are significantly higher than the equivalent rail costs. For example, the cost of hauling grain to a consolidation centre by road ranges between 8 and 10 cents/ntk, compared to a cost of between 3 and 6 cents/ntk by rail.

This is consistent with the views expressed by industry that, if the branch lines were closed, producers would, in most cases, face significantly increased freight costs and thus lower returns. “

#### Areas of Interface between the NSW Grain Freight Review 2009 & the PC WEMA 2010 Inquiry

NSW Grain Freight Review 2009 P34 states.....

“ Although the Review was asked to examine the domestic and export grain supply chains in NSW, the Terms of Reference identified its primary focus as:

*...that section of the grain supply chain involving the movement of grains between the initial consolidation points to a mainline consolidation point. “*

Here are the Terms of Reference – indeed the Call for Submissions document from page 1...

[http://www.nationbuildingprogram.gov.au/publications/reports/pdf/NSW\\_Grain\\_Freight\\_Call\\_Submission.pdf](http://www.nationbuildingprogram.gov.au/publications/reports/pdf/NSW_Grain_Freight_Call_Submission.pdf)

## **NSW Grain Freight Review**

### **Call for Submissions**

#### **About the review**

##### ***Purpose and Terms of Reference***

The NSW Grain Freight Review has been commissioned and funded by the Australian Government.

The purpose of the Review is to examine the grain freight supply chains considering institutional, governance and accountability arrangements (both public and private); and competition, pricing and asset management aspects of the NSW grain freight task.

Having considered these matters, the Review's chairperson is to develop advice and recommendations with a view to identifying how best to ensure the most appropriate modes of transport are used to move grain efficiently through the supply chain to enhance its long term sustainability.

##### **Terms of Reference**

In undertaking its assessment, the NSW Grain Freight Review is to provide a short, medium and longer term appraisal of the domestic and export grain supply chains in NSW in terms of the grain markets that they serve with a view to identifying some long term sustainable opportunities that may lead to increased efficiencies. This assessment will, by necessity, take account of the recent changes to wheat export marketing arrangements provided for in the *Wheat Export Marketing Act 2008*.

Specifically, the Review is to have regard to:

- the grain supply situation in NSW in terms of cropping patterns, densities and innovations (e.g. new grain types, farming practices, and the increasing provision of on-farm grain storage), and the likely impact of climate change<sup>1</sup> in terms of short, medium and long term trends for the grain industry.

- the market demand situation for NSW-produced grain, examining in detail the domestic and export sectors with their multiplicity of customers and niche grain requirements, including considering the likely impact of the *Wheat Export Marketing Act 2008* on both market sectors and the supply chains separately serving those sectors in terms of short, medium and long terms trends for the grain industry.
- the capacity of the grain supply chain infrastructure to service the domestic and export markets in terms of the various transport options currently available to growers and service providers, including: examining the level of access, pricing, and competition; considering the nature of ownership, management and investment in the grain supply chains' physical assets; as well as competition for available locomotives and rolling stock and available track slots with the coal industry and other sectors relying on bulk freight transport and handling.

1. The intention is not to undertake new detailed analysis of the likely impact of climate change on grain production but to distil any existing analysis.

In making its recommendations for future sustainable arrangements for the NSW grain freight supply chains, the Review's Chairperson is to have regard to:

- the role of road and rail modes of transport in NSW for both non-port haulage of grain and haulage to ports and the extent to which these roles are affected by any concentration of and/or vertical integration of ownership, pricing, access and competition aspects at various stages of the domestic and export grain freight supply chains;
- the efficiency of the current access, regulatory and institutional arrangements covering the transport of grain in NSW;
- opportunities that may lead to increased efficiencies, flexibility and sustainability through reshaping the domestic and export grain supply chains through:
  - strategic investment in fixed rail infrastructure (e.g. track upgrades) and rolling stock, while at the same time maintaining a balance between the needs of growers and the needs of service providers;
  - examining road sector chain of responsibility issues that are now emerging; and
  - examining the efficiency, pricing, access and competition aspects of the handling and storage facility operations at Newcastle, Port Kembla, Melbourne and Brisbane seaports for NSW grains bound for export markets;
- how to best facilitate the grain freight industry's response to emerging market demands, including considering the appropriate role of governments vis-à-vis possible proposals for private/public investment to address any existing and/or emerging infrastructure bottlenecks, whilst also taking account of environmental and social externalities;
- potential new rail freight opportunities that could reduce rail's dependence on seasonal grain freight flows; and
- the roles and responsibilities of the grain industry, freight operators, handling and storage operators, the NSW Government and the Australian Government with respect to managing future institutional, governance and accountability arrangements to bring such opportunities to fruition in the context of on-going domestic and international competition and economic change.



NO WHERE IS A PRIMARY FOCUS EVEN MENTIONED !!!

*that section of the grain supply chain involving the movement of grains between the initial consolidation points to a mainline consolidation point. “*

From the top of the page AGAIN

“ Having considered these matters, the Review’s chairperson is to develop advice and recommendations with a view to identifying how best to ensure the most appropriate modes of transport are used to move grain efficiently through the supply chain to enhance its long term sustainability. “

Having spent considerable time looking at the whole grain supply chain for my submission readers may understand how angry one becomes when “a PRIMARY FOCUS “ suddenly appears & a considerable proportion of your submission input is not even considered.

I quote from my own submission to the New South Wales Grain Freight Review ..Timothy Bush

“ Unlike the Victorian Rail Freight Network Review the terms of reference of this Review focus on Grain Freight & its supply chains encompassing an overall view of current trends in the grain industry from an agricultural perspective, changes in marketing legislation & the capacity of the whole grain supply chain infrastructure. “

The first appearance of “the primary focus” is in the NSW Grain Freight Review Final Report Sept 2009. Tucked away Page 65

## Appendix A: Terms of Reference

### Purpose of the Review

The purpose of the NSW Grain Freight Review is to examine the grain freight supply chains considering institutional, governance and accountability arrangements (both public and private); and competition, pricing and asset management aspects of the NSW grain freight task.

Having considered these matters, the Review’s chairperson is to develop advice and recommendations with a view to identifying how best to ensure the most appropriate modes of transport are used to move grain efficiently through the supply chain to enhance its long term sustainability.

### Scope of Review

The grain supply chain in New South Wales comprises a number of discrete sections:

- farm gate to initial consolidation point (on branch line) – generally, this is a relatively short distance, with grain always being transported by road;
- initial consolidation point to either a mainline consolidation point or directly to a domestic customer – grains transported directly to a domestic customer are almost always transported by road while grains moving to a mainline consolidation point can be moved by rail (using the branch network) or road and can involve distances of up to 100km;
- mainline consolidation point to port (export grain) – grains are always transported to port by rail.

*The primary focus of the Review will be on that section of the grain supply chain involving the movement of grains between the initial consolidation points to a mainline consolidation point.*

### Terms of Reference

In undertaking its assessment, the NSW Grain Freight Review is to provide a short, medium and longer term appraisal..... (as above)

Timothy Bush

So the NSW Grain Freight Review Taskforce decided (or their political masters) to introduce a **Scope of Review** & *The primary focus* in the finished report !!

That this has occurred substantially undermines certainly my confidence as to what else has been deleted, hidden, altered to suit the NSW grain industry or the minister's responsible for the NSW Grain Freight Review.

It is great to have all the participants in the industry involved but meeting behind closed doors the temptation is to believe that they worked out a package where they all win – don't look at issues we don't want raised & have the Federal Government rubber stamp the whole package.

- Submissions will be placed on the Commission's website, shortly after receipt, unless marked confidential or accompanied by a request to delay release for a short period of time. **Submissions will remain on our website as public documents indefinitely.**

The above paragraph is from the Productivity Commission's submission cover sheet for the WEMA Inquiry.

It is interesting to note that all the submissions to the NSW Grain Freight Review have been removed from the website.

[http://www.nationbuildingprogram.gov.au/funding/projects/NSW\\_grain\\_freight\\_review.aspx](http://www.nationbuildingprogram.gov.au/funding/projects/NSW_grain_freight_review.aspx)

For a Review whose " purpose of the NSW Grain Freight Review is to examine the grain freight supply chains considering institutional, governance and accountability arrangements (both public and private); and competition, pricing and asset management aspects of the NSW grain freight task. " there is a distinct lack of figures.

As we are now aware the scope of the NSW Grain Freight Review – indeed its PRIMARY FOCUS is basically costing branch railway lines vs truck transport to grain subterminals.

The conclusion is.....(as stated above) " For example, the cost of hauling grain to a consolidation centre by road ranges between 8 and 10 cents/ntk, compared to a cost of between 3 and 6 cents/ntk by rail. "

As far as figures, costings, calculations this is it (other than six figures of NPV's for the Weemelah & The Rock lines.

The fate of the 22 branch railway lines now the *primary focus* of the NSW Grain Freight Review is portrayed P38 in a three colored table. **Key ( to colors)**

- a. NPV clearly negative                      b. Marginal                      c. NPV clearly positive

**Figure 6: Summary of outcomes of the quantitative benefit cost analysis.**

**Retain?**                      **Stabilise at Class 5**                      **Improve to Class 3**                      **Improve to Class 2**

Can't put any actual detailed calculations & figures in the Review Report – somebody may use them against us in the future!

Why ? NSW Grain Freight Review P73

" The costs provided by ARTC as input to the Task Force on a confidential basis, represent what could be classed as the minimum level of expenditure required to achieve the service standard outlined above. "

The ARTC.. Australian Rail Track Corporation ... owned by the Federal Government – why does ARTC need to keep all this confidential ???

Contrast this to the previous NSW rail branchline report “ Grain Infrastructure Advisory Committee  
Report on Rail/Road Options for Grain Logistics                      FINAL DRAFT January 2004 “

<http://pandora.nla.gov.au/pan/44135/20040824-0000/www.transport.nsw.gov.au/giac/GIAC-Report.pdf>

Nine pages of detailed costing for each branchline provided at the back on Road Rail Options Report - reported to the nearest \$1,000 – overly precise.

Returning to the NSW Grain Freight Review 2009 P79

“ The key differences between the NSW Grain Freight Review benefit cost analysis, and the analysis undertaken for the GIAC Report are: ..... “

There are some valid improvements on the methodology utilized by the GIAC in 2004 but I can not assess their worth because I can not access the NSW Grain Freight Review 2009 calculations.

I do however note that the order of magnitude specified P 39 below seems absolutely huge.

“ lines for which the results of the analysis were ambiguous (coloured light grey in Figure 6) - the results were considered to be ambiguous if the Net Present Value of the improvement alternative lay within the range +/- \$5 million. “

Returning to the ARTC - this is the same ARTC who submitted this document to Infrastructure Australia.

<http://www.artc.com.au/Content.aspx?p=186>

2008-2024 Interstate and Hunter Valley Rail Infrastructure Strategy

30 June 2008

P14

“ Notwithstanding rail’s continuing strong position overall, there is a community perception that rail generally struggles as a mode.

Rail’s declining share in that portion of the market where road and rail are in genuine competition is a major factor in this perception.

A second factor is that rail has been subsidised to remain in a small number of markets, principally grain on low-volume rural branch lines, where logistics improvements and economic logic suggests that road is the more appropriate option. Although the volumes involved are small, they attract disproportionate amounts of community focus. “

Well that’s why - grain lines are bad for Public Relations – it should all be on road !!!

We (ARTC) don’t want those slow old trains coming off these branch lines cluttering up our interstate railway lines – sometimes it rains then they want to run grain, then it stops! – WE WANT MORE COAL .... It runs everyday..... or have ARTC changed their viewpoint ????

However according to the NSW Grain Freight Review 2009 best to ....P50

## **“ Recommendations**

Responsibility for the management of the NSW branch line network be consolidated in the hands of the ARTC.

NSW Government seek to renegotiate its lease with the ARTC for the NSW interstate and Hunter Valley networks to include the branch line network.

The NSW Government in conjunction with the ARTC develop rolling three year infrastructure plans for each branch line, make these plans publicly available and notify relevant parties of any changes to these plans.

Under the lease agreement, the ARTC be required to negotiate and agree priorities for and the timing of branch line network maintenance with all train operators on this network. “

On October 21, 2009 there was a Joint Media Statement by The Hon Anthony Albanese MP Minister for Infrastructure, Transport, Regional Development and Local Government and Tony Burke Minister for Agriculture, Fisheries and Forestry

## **NSW Grain Review Report Released**

The Australian Government has today released the final report from the NSW Grain Freight Review Taskforce - an important milestone towards making sure farmers can continue to get their produce to markets both here and overseas.

Federal Infrastructure and Transport Minister Anthony Albanese and Federal Agriculture Minister Tony Burke said the review, conducted by former deputy chair of the National Transport Commission Des Powell, assessed the current state of the road and rail infrastructure underpinning the operation of the State's grain industry.

"Based on this assessment, Mr Powell and colleagues have put forward eighteen recommendations designed to safeguard the industry's future access to reliable, well maintained freight transport infrastructure," said Mr Albanese.

"A copy of the report has been provided to the NSW Government for their consideration, given they own much of the infrastructure and have responsibility for its day-to-day operations.

"I understand they will be responding in the near future.

"I have also submitted the report to *Infrastructure Australia* asking them to consider it as they develop both the National Port Strategy and National Freight Network Strategy. We are determined to get the long term planning right and not repeat the mistakes of the past."

Mr Burke said: "This report delivers on an election promise and provides a new focus for long-term planning for grain transport." .....

[http://www.minister.infrastructure.gov.au/aa/releases/2009/October/aa434\\_2009.htm](http://www.minister.infrastructure.gov.au/aa/releases/2009/October/aa434_2009.htm)

And there was no cheque from the Commonwealth to actually do anything.

So what indeed has been the response of the NSW Government ?

## MEDIA RELEASE

David Campbell MP      Minister for Transport      Minister for the Illawarra

### **CAMURRA TO WEEMELAH LINE TO RESUME IN DECEMBER**

**Thursday 12 November 2009**

Minister for Transport David Campbell today announced that services would resume on the Camurra to Weemelah rail line in mid December, earlier than expected.

The Camurra to Weemelah line, which was suspended on 1 September 2009, is expected to carry between 200,000 and 300,000 tonnes of grain during the 2009/10 grain harvest.

"I can now advise that essential maintenance work is due to be completed by 14 December and services will resume after that date," Mr Campbell said.

"The Government had hoped the line would be open by February 2010 and I'm sure grain growers will welcome the earlier start."

Mr Campbell said the maintenance work included the replacement of around 2,500 railway sleepers.

"As I announced earlier, GrainCorp has agreed to partially fund the maintenance upgrades, by contributing a one dollar per tonne rail access fee on the line, and I welcome their support."

<http://www.transport.nsw.gov.au/sites/default/file/releases/091112-grain-lines.pdf>

This follows a Media Release dated October 15, 2009 "Weemelah line to resume" as alluded to above.

Funny – Minister Campbell has not even mentioned the words *NSW Grain Freight Review*.

Checking the NSW Department of Transport website - Ministerial Media Releases today (April 22, 2010) no official comment yet.

There have of course been discussions behind closed doors & that "GrainCorp has agreed to partially fund the maintenance upgrades, by contributing a one dollar per tonne rail access fee on the line" (\$1/ ton on gross train weight or net wheat weight ?) reflects these NSW Grain Freight Review Recommendations.....

#### **"Weemelah to Camurra Junction line Recommendations"**

- The NSW Government and the owners of fixed infrastructure along the Weemelah- Camurra Junction line enter into negotiations on appropriate arrangements for the sharing of the costs of upgrading the line.

- The line be retained if these negotiations result in a cost-sharing agreement acceptable to all parties.

- If the negotiations do not result in a satisfactory cost-sharing agreement, the line be closed. “

The WEMA Draft Report reflects this user pays position P212 with.... DRAFT FINDING 6.3

*Investment in transport infrastructure should be funded by those who benefit from the investment, which in many cases is likely to be both the community and industry. Where governments make investment in rail infrastructure based on perceived social benefits, payments should be made in the form of community service obligations.*

It should be noted that GrainCorp is the only owner of grain silos on the **Weemelah to Camurra Junction** rail line & there is little other potential traffic – this makes such “negotiations” on cost sharing relatively easy.

This brings me to WEMA Draft Report P210

“ The most recent national review of each grain line in Australia showed, after cost-benefit analysis, a positive outcome from closing many branch lines throughout Australia. A summary of the findings from that report (aggregated to the state level) are presented in table 6.4.

(As the report was released in February 2009, some of these branch lines might subsequently have been closed or upgraded.)

Table 6.4    **Potential grain branch line closures**                      By State

<i>State</i>	<i>Upgrade</i>	<i>Retain</i>	<i>Close</i>
NSW	4	1	11
Vic	1	4	8
Qld	–	1	2
SA	–	2	–
WA	–	7	9
<b>Total</b>	<b>5</b>	<b>15</b>	<b>30</b>

Source: SDD (2009). “

The source of this 2009 report SDD (Strategic Design and Development) February 2009, *Pilot Supply Chain Studies NTC Final Report* is the same author as the 2007 SVGA report which has been dealt with earlier in relation to the prediction of wholesale closures of up country storage facilities & rail branch lines.

Instead of guessing what has occurred in relation to branch line closures best to get the most upto date information direct from the appropriate rail authorities. Reworking the above table shows....

<i>State</i>	<i>Upgrade</i>	<i>Retained</i>	<i>Closed</i>
NSW	4	11	1
Vic	1	10	2

The NSW Grain Freight Review September 2009 dealt with the NSW lines.

Weemelah to Camurra has been discussed above, the branch line leaving the Main South at Demondrille (Harden) – Young – Koorawatha - Cowra (including Koorawatha – Greenthorpe ) is closed .

I have not seen a verdict on The Rock – Boree Creek branchline which the NSW Grain Freight Review recommended identical discussions with the owners of silos concerning additional contributions to keep the line open.

The Rail Infrastructure Corporation (RIC) maintains a webpage with Operational Lines (vs Non Operational lines) <http://www.ric.nsw.gov.au/Default.aspx?query=/facts/> as of April 22, 2010  
The Rock – Boree Creek is an operational line.

In Victoria the Ouyen – Pinnaroo (SA) line & the short Dookie - Shepparton line are shown as “ Not currently being used”.

The other branch rail lines in Victoria are at present very busy transporting grain to market after a quite good harvest.

<http://www.esc.vic.gov.au/NR/rdonlyres/2CDBDCB7-0FE2-4D0C-A36E-E0CBCEFAFC9A/0/MAP1VictorianRegionalRailNetworkMap.pdf>

In Queensland it is nearly irrelevant whether the 2 small branches in the Darling Downs are open as QR is flat out carting coal down the range at Toowoomba.

### **Coal Rail Infrastructure Master Plan**

2nd Edition                      Issued: October 2008                      P110

“ The Western System is located in south and south-western Queensland and primarily services the Surat Basin coal mines at Macalister and Acland, as well as Ebenezer. This system conveys export coal through the Brisbane suburban area to the Port of Brisbane, as well as domestic coal to the Swanbank Power Station. ....

The system in its current configuration could reach a possible maximum capacity of 7.2 mtpa of export and approximately 0.5 mtpa of domestic coal, with an increase in the number of trains operating on the route, *a reduction in non-coal services down the Toowoomba Range, and infrastructure works.* “ (my italics)

<http://coalrail.qrnetwork.com.au/Master-Planning.aspx>

Since that time the *non-coal services* ie mainly grain, some cattle have had their paths severely curtailed. Indeed the 0.5 mtpa of domestic coal ie down the Toowoomba Range to Swanbank Power Station at Ipswich on Brisbane’s western outskirts is now carried down the Warrego Highway by truck to give greater capacity to cart more export coal.

This is reinforced by .....

NSW GRAIN FREIGHT REVIEW

Submission by GrainCorp Operations Limited

(ABN 52 003 875 401)                      17 March 2009      Page 13

“ Case study from South Queensland

Demonstrates the impact from the loss of grain paths

QR Network over the past 3 years has, in response to reduced grain production, allocated additional train paths to coal. Today there are only 9 train paths for grain per week. This has limited train capacity to around 16,500 tonnes per week and is preventing ARG to increase its train capacity to service the current 40,000 tonne per week shipping demand at Brisbane. ”

And, Page 17



“ Case study from South Queensland

Demonstrates the move to a road based grain supply chain model for export grain

The loss of train paths and record grain production in South QLD has forced export grain to use road transport from country silos direct to the port terminal at Brisbane at a rate of up to 6,000 tonnes per day. It is expected that around 50% of grain exported from Brisbane this year, over 600,000 tonnes, will be moved by road transport. Given quality and road scheduling issues only a small portion of grain can be accepted from on-farm storages. “

These Case Studies from GrainCorp reinforce the submission to WEMA 2010 from AgForce (Sub. 16)

Page 6 of 17

*“ In the absence of access regulation, what is the likelihood of ‘regional monopolies’ being formed? Is the ‘access test’ under the Wheat Export Marketing Act necessary?*

- The access test is necessary as there is only one company (in Queensland) who own port facilities. Therefore all exporters need fair access to the port/export facilities, and without regulation, there is no guarantee that the current owner would continue to grant fair access, even though we believe it is unlikely that they would do so. “

Page 10 of 17

*“ If upcountry facilities were subject to access regimes, what would be the impact on the efficiency of the transport and storage system as a whole? Would it distort the transport system in favour of road and container transport?*

- Road transport is fast becoming the only option in many situations and will create long term major problems. Transport of grain is turning out to be availability – not what is most efficient. As coal consumes track access and rail services are terminated to storage facilities in some areas, roads are being hammered severely. “

This issue was considered in the NSW Grain Freight Review Sept 2009 P49

“ Track capacity

Although track capacity is not a binding constraint at present, it could become one quickly in a better grain season. In Newcastle, grain faces increasing competition for access to the port terminal from coal traffic from the Gunnedah basin. In Brisbane, competition with other traffics combines with conflict with passenger services to severely limit rail access to the port terminal.

Trains carrying containerised grain to the port of Sydney face curfew limitations and path conflicts. “

The situation for Southern Queensland grain logistics – export wheat & summer grains, is much more constrained – there is only one port bound rail line. In NSW export wheat from Central West NSW can be directed to Port Kembla rather than Newcastle where it may have been directed in the past – it is obvious from GrainCorp’s submission to WEMA that there is excess ship outloading capacity available.

There is however a limit to this substitution as the rail distance increases, the Port Kembla facility is also the newer, faster turn round facility so this assists in maintaining efficiency.

As the Global Financial Crisis becomes a dull memory, particularly for the coal export industry these issues will continue to increase their effect on the wheat export industry.



This now updates the situation in regards to “potential branchline closures” – this is I believe the current status.

I have not commented on the situation in Western Australia as I do not have a detailed knowledge of this state’s rail system. Points of interest however are that the resources boom appears to have resurfaced as big, if not bigger than before the Global Financial Crisis. Large new iron ore & mineral projects are planned in the southern part of WA. The comments made above in relation to the coal industry & its affect on the export grain industry apply equally to WA’s mineral resources boom in competition for railway rolling stock & train paths.

QRN & its subsidiary ARG are to be floated on the ASX by the Queensland Government in late 2010 . In both Qld & WA , “the narrow gauge” states, there is no recognized second above rail operator equivalent to El Zorro in NSW & Victoria. There is very little second hand narrow gauge rolling stock available in Australia to allow a narrow gauge “El Zorro” above rail operator to develop compared to standard gauge rolling stock.

As has been elaborated above somebody changed the purpose of the NSW Grain Freight Review .....

“ purpose of the NSW Grain Freight Review is to examine the grain freight supply chains considering institutional, governance and accountability arrangements (both public and private); and competition, pricing and asset management aspects of the NSW grain freight task. “

One of the options which I considered at length in my submission to the NSW Grain Freight Review was the grain freight supply chain for containerised export grain.

It is very pleasing to see that the WEMA Draft Report 2010 has provided some much needed data about this trade P 23

“ The majority of Australia’s wheat exports are in bulk. Over the five year period to 2008-09, non-bulk exports accounted for about 35 per cent of Victoria’s exports, 20 per cent of Queensland’s and 20 per cent of New South Wales. In the same period, non-bulk exports accounted for only 6–7 per cent of exports from Western Australia and South Australia (figure 2.5).

The volume of non-bulk wheat exports has increased in recent years. Between 1999-00 and 2006-07, wheat exports in bags and containers grew from 1 per cent to 11 per cent of the total.

Following deregulation of non-bulk wheat exports in August 2007, non-bulk wheat exports more than doubled in volume from almost 1 million tonnes in 2006-07 to 2.3 million tonnes in 2007-08, or 32 per cent of the total.

In 2008-09, the volume of non-bulk exports increased marginally (2.4 million tonnes), but an increase in bulk exports on higher production volumes resulted in the non-bulk share of total wheat exports declining to 16 per cent (figure 2.7).”

To my mind there are several issues involved in this trade additional to those reflected by GrainCorp P24 & the AWB P25 responses in the WEMA Draft Report 2010.

For example GrainCorp P24

“ In GrainCorp’s experience the trend in share of wheat exported in containers vs. bulk has had more to do with the deregulation of wheat in containers since August 2007.

This coupled with excellent summer and winter crops in central and southern Queensland, and competitive container freight rates, grew the market rapidly to August 2008. After this time, bulk freight rates came down, making it more economical to ship in bulk. “

#### “ NSW GRAIN FREIGHT REVIEW

Submission by GrainCorp Operations Limited

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Case study from South Queensland

#### Demonstrates the move to a road based grain supply chain model for export grain

The loss of train paths and record grain production in South QLD has forced export grain to use road transport from country silos direct to the port terminal at Brisbane at a rate of up to 6,000 tonnes per day. It is expected that around 50% of grain exported from Brisbane this year, over 600,000 tonnes, will be moved by road transport. Given quality and road scheduling issues only a small portion of grain can be accepted from on-farm storages. “

The continual stream of trucks carrying containers with grain trading companies names on the door through Toowoomba to the Brisbane Port indicates that the containerised export grain supply chain is extremely important in Southern Queensland.

Indeed

“ GrainCorp Containers Brisbane is located at GrainCorp’s Port Terminal on Fisherman Islands, Brisbane. This **new** GrainCorp Containers facility is purpose built with a high level of automation and integration. The site is a Registered Export Premises, Compliance Directive approved by AQIS, packing a range of cereals and legumes.

Packing capacity is up to six containers per hour and stocks can be drawn from the main export terminal or **received directly by road**. Certified weighing and quality testing to AQIS export requirements enables the loading of containers direct for dispatch, without the need for subsequent weighing and handling. “ **my bold**

<http://www.graincorp.com.au/PRODSERV/GRAINCORPCONTAINERS/Pages/default.aspx>

(accessed April 22, 2010 )

Likewise it would seem that many of those current model Kenworth’s & Freightliner’s pulling big shiny B-Double tippers with tarps moving through Toowoomba are indeed full of grain heading to GrainCorp’s NEW containers facility at Fisherman’s Island Brisbane.

To me containers are a valid supply chain alternative for

a) “surges” ie large harvest years as identified in Southern Qld last year

b) structural problems in the bulk grain supply chain that there is not the political will/ ability to change ie. Insufficient train paths down the Toowoomba Range/ through the Brisbane Metro area combined with more lucrative returns to rail rolling stock carting in this case coal.

This is in addition to the benefits identified by GrainCorp P24 WEMA Draft Report 2010.

“ Container packing is still expected to play a role in grain exports more due to:

- customers requiring less working capital
- containers reducing price exposure and risk (the value of each consignment is less)
- infrastructure investment. (sub. 43, p. 39) “

A containerised grain supply chain also allows some of the most astute large farmers &/or grain traders to completely bypass the centralised grain handling companies.... It is unlikely that you will read that in a response from GrainCorp or AWB.

The above two examples of responses utilizing containers should indicate that the export grain supply chain “diagrammatic” flow chart is becoming much more complex but has the ability to solve more problems.

Returning to the WEMA Draft Report 2010 P23

“ Over the five year period to 2008-09, non-bulk exports accounted for about 35 per cent of Victoria’s exports....”

Why such a big proportion of Victoria’s production being exported in containers?

#### VICTORIAN RAIL FREIGHT NETWORK REVIEW

Switchpoint: The template for rail freight to revive and thrive!

##### “ 3.1 Access Pricing

Rail access pricing has a critical influence on rail operators’ viability because of the effect it has on their cost structure and competitiveness with road transport. ....

##### 3.1.1 Rail access pricing - background

For bulk grain, the charges are substantially higher than those charged by ARTC on the interstate lines and those charged for access to the southern NSW grain lines. An exception is the Maroona-Portland line for which the access charge was established at a level that enabled the Port of Portland to compete with Geelong for export grain freight.

The access charges for general freight are set at 25% of the bulk grain charges in recognition that general freight, in particular containerised freight, could not afford higher access charges given truck competition. “

When rail access rates for bulk grain were set at such rates by Pacific National GrainCorp developed alternate grain export supply chains.....

## **GrainCorp Containers**

GrainCorp Containers has three convenient locations in Brisbane, Melbourne and Geelong packing bulk grain and other commodities in containers for export markets worldwide.

All three locations specialise in packing 20ft containers and offer exporters the benefit of road and rail access, an integrated network of packing sites, centralised software and administration facilities and a dedicated Business Manager.

**GrainCorp Containers Brisbane .....as above – my comment**

**GrainCorp Containers Sunshine** is conveniently located in metropolitan Melbourne with access to Melbourne Port Container Terminal. The site has AQIS accreditation for QA export containers, empty box accreditation for export markets and the domestic Tasmanian market.

Top loading containers for export markets and dedicated storage bins are available for the TF1 Tasmanian market. The site has road and rail intake, supported by a dedicated 20-wagon, GrainCorp operated train delivering grain from broad gauge upcountry sites three times per week.

With 50,000 tonnes of vertical storage, GrainCorp Containers Sunshine is a dependable and experienced container packing facility reliably meeting container packing requirements.

**GrainCorp Containers Geelong** is located at GrainCorp's Geelong Port Terminal capable of packing a full range of grains.

Customers using GrainCorp Containers Geelong can draw stocks from bulk terminal storage or receive delivery of commodities by road or rail. Geelong has the added advantage of offering convenient outturn to the domestic market and direct delivery to two malt houses via conveyor belt.

## Contacts

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<http://www.graincorp.com.au/PRODSERV/GRAINCORPCONTAINERS/Pages/default.aspx>  
(Accessed April 23, 2010 )

As in Queensland in response to a restriction in one node of a bulk grain supply chain containerisation has been utilised by GrainCorp (& no doubt other firms) in Victoria to augment the prior grain supply chain with an alternative.

So what did the NSW Grain Freight Review 2009 say about containerised grain in NSW ? P26

“ Estimates of current and forecast containerised grain exports were provided by ACF. These estimates indicate that current containerised grain exports through Port Botany represent only a small proportion (approximately 6.8 per cent) of NSW bulk grain exports in a normal year and are not expected to rise substantially in the next 15 years. Consequently, the containerised sector is unlikely to have a significant impact on the bulk export sector, as a whole, in the medium to long term. “

“ The majority of Australia's wheat exports are in bulk. Over the five year period to 2008-09, non-bulk exports accounted for about 35 per cent of Victoria's exports, 20 per cent of Queensland's and 20 per cent of New South Wales. “ WEMA Draft Report 2010 Page 23

So which group of experts should I believe ?

### 2.1.1 NSW Grain Demand.....

An overview of average NSW grain demand by segment is summarised below:

**Estimated Average NSW Grain Supply & Demand**

Grain	10 Yr Avg Production	Human Domestic	Feed Domestic	Container Export	Bulk Export
Wheat	6,050,000	1,600,000	1,000,000	400,000	3,050,000
Barley/Sorghum	2,050,000	180,000	1,700,000	50,000	120,000
Canola	400,000	300,000			100,000
<b>Total</b>	<b>8,500,000</b>	<b>2,080,000</b>	<b>2,700,000</b>	<b>450,000</b>	<b>3,270,000</b>

Maybe believe GrainCorp, from their submission to the NSW GRAIN FREIGHT REVIEW P3  
ie. Wheat .... Container Export / Total Export = 11.6% Container Export Wheat 400/400 +3050

Somewhere in between: such a calculation would be very hard to make given the number of Victorian branchlines from Southern NSW which could carry containerised grain & terminate in the Port of Melbourne.

I quote from my own submission to the New South Wales Grain Freight Review ..Timothy Bush

#### “ 4.5 Flexible Contemporary Rail Operation involving Branchlines

A train often operates with a mixture of mainline & branchline locos. One crew brings the entire train up from the coast, it is then split into two trains at rail junctions like Stockingbingal. A second train crew based in country NSW takes the branchline locos/locos to another country loading point & picks up a load of filled containers (often grain)

Meanwhile the mainline loco picks up a load from elsewhere. Each segment of the train leaves empty containers to be filled for the next trip. In some locations the train sits on the line whilst a large rubber tired forklift lifts off the empty containers , then reloads the full containers (25t)of grain in a 20 foot container.

Large amounts of capital are not tied up in specialized grain wagons, the flat top container wagons may be back on intermodal general interstate freight next week. The big forklift is hired or owned by the rail operator together with a large truck which moves it around to various flat loading sites. The containers are leased by the ultimate overseas customer. The containers are loaded from a number of silos or even on farm storage & hauled relatively short distances to the flat loading area by trucks with container trailers. When the train arrives turnaround (dwell) time is a few hours, the full containers are all there ready to go. It is this type of NSW grain supply chain which is conceptualized in Figure 2 of the NSWGFR courtesy of the SAHA, Portland Group.

Given the right conditions there are no reasons why such joint main/branchline train operations then splitting in the country could not be carting grain from branchline silos in either bulk or containers or a combination of both. Then aggregating for the long haul section to the coast on the mainline with only one crew again, possibly even splitting when they reach the coastal market areas supplying both domestic & export grain supply chains.

The Branchline Train Operations Services EOI of November 2008 does not allow this type of flexibility or innovative thinking.

## 2.2 NSW Branchline Network

*The Branchline Operator will be expected to provide commercial grain haulage services on the NSW Branchline Network, using the mainline network only where necessary to reach the most convenient hub (**Hub**) for the deposit of grain or to reposition Assets.*

This is a restrictive clause which forces the double handling of grain based on a hub & spoke model which does always give the optimal outcome. Its implementation could be disastrous for grain growing areas like Cowra, Greenthorpe, Young with regards to export grain freight supply chains, particularly if the fact that it does not suit the model is used to justify shutting the Cowra/ Greenthorpe rail branch line system. It seems to have been written by the legal department not people versed in contemporary train operations. “

I am happy to field any queries on [timbush2009@hotmail.com](mailto:timbush2009@hotmail.com)