

## INTRODUCTION

The grains industry is Australia's largest agricultural sector and for the good of the Australia economy it must remain viable and strong.

The grains industry in WA is growing at a rate of 2% to 3% compounded per annum year in year out.

The farmers in the Corrigin/Lake Grace Zone of the Western Australian Farmers Federation are very dependent on the production of grain for our financial well-being. The Zone is one of the biggest grain growing areas in the State and all of the grain falls in the area of long haul transport to port. We are very dependent on the export of grain. There is a very limited local market for our grain.

DELOITTE October 2016 Headed the "Economic Impact of Improved Grain Supply Chain Efficiency". The report states that the grains industry relies heavily on rural road and rail network to deliver grain to the end users, in both domestic and export markets. In order for the industry to maintain its competitive advantage, the grains industry will need to continue to identify ways to improve the efficiency of its supply chains. Improving supply chain efficiency would not only impact grain growers, but have a positive impact on the wider economy.

It identified several scenarios across various grain growing states and in Western Australia's case identified the upgrading of all segments of the Western Australian rail network across the Fremantle, Albany and Geraldton port zones to at least a twenty one tonne axle load standard could save up to \$5 a tonne over approximately six million tonnes.

The report goes on to state that the gross state production would increase for each five mainland states with the largest increase being Western Australia. The combined impact would be an increase of \$ 39 million in annual GSP in 2020.

## WE ADVOCATE

The Corrigin/Lake Grace Zone advocate an integrated road and rail network where cargoes are consolidated at railheads and loaded onto an efficient rail network using rapid rail loaders where trains can be loaded under power and on the move (a system that the Edward Burkhardt from Wisconsin rail stated was a system designed in heaven, after he had witnessed this system in action in Western Australia.

We believe that central high quality storage systems for the efficient control of insects, quality assurance and allowing for better detection of any excessive chemical residues in the grain is the best way to go. Since the deregulation of the grain industry in Australia there has been a decline in the reputation of the quality of Australian grain overseas. Overseas buyers are becoming very conscious in food quality and also guarantee of supply.

Storage of grain on farms can lead to the growth insects in on farm storage and there is evidence of growing gas and chemical resistance in some poorly designed on farm facilities and bulk storage bags.

A lot of decisions have been driven by the National Competition Policy. We prefer a more pragmatic approach. We realise that rail needs volume to be at its most efficient. So much of rail operating costs are fixed so that the volume is important in reducing the overall cost.

Some of our calculations have indicated that a train carrying 2,500 tonnes net load that is about the size of the average train out of Hyden Western Australia travelling at 30 kilometres an hour at average speed at say a charge of 6.5cents per tonne kilometre earns the owner about \$4800 an hour on the forward trip. If we use the following figures of a 5000 tonne train at 60 kph that would return the owner an income of \$19500 an hour. That is where we need to be aiming in the first instance. The size of the trains in this area are limited by the turn around facilities at the rail heads and the length of bypass loop lines on the main lines. These constraints could easily be overcome with a bit of will and a small additional cost to extend the turn around rails and extend the bypass loops.

GRDC's Publication Ground Cover recently ran an article around grain trains in Canada carrying over 10,000 tonnes in one train load to port and loading directly onto ships reducing their double handling and their overall cost structure substantially. This is where we need to be aiming for in the longer term.

Remember the Deloitte's report stated we must continue to implement efficiencies into our transport and handling network if you are to remain competitive.

#### ROAD NETWORK

Not all of the state of Western Australia is serviced by rail. Esperance, East Albany, Bunbury and Geraldton are serviced by road or road and rail.

We believe there needs to be planning done, now to where ever possible segregate heavy freight traffic from light traffic and tourist traffic. To this end we advocate the upgrading of the Lake King Cascades Road dedicated to heavy traffic. This would allow for the use of three trailer road trains up from the current use of a rigid prime mover and two trailers. The improved efficiency of between 15% to 20% in freight costs which is significant over this longer distance.

We estimate that in an average year this would apply to 300,000 to 400,000 tonnes of grain, approximately 80,000 tonnes nickel ore, as well as lime and fertiliser transported out of Esperance and for other freight travelling from the metropolitan area to Esperance as well as the mining needs. We calculate that on grain alone there would be an annual freight saving of over \$1million a year.

The from Lake King to Esperance via Ravensthorpe is used by tourists and general public, if the heavy traffic uses Cascades Road it would make the Esperance/ Ravensthorpe area a safer road.

#### TIER 3 LINES

There has been much disappointment by grain growers, in this area, that were dependent on the Tier 3 rail network. Since the closure of these rail networks the freight on grain in dollar terms have increased.

The road network is rapidly declining under the pressure of the extra tonnes now transferred from rail to road. The State and Federal Government has allocated insufficient money for the proper upgrading and maintenance of these roads. Many of these were built 40 or 50 years ago.

Growers that were serviced by the Tier 3 lines are outraged that the current lessee's of the rail tracks can make a decision not to allow anyone to use these tracks and act like a dog in a manger. There is a strong belief among grain growers in the area that the current lessee's of the line should be required to hand them back to the Government if they are not going to use them. The Government should then re lease them out to other users that are prepared to operate trains to service these areas.

The initial lease between Brookfields and the State Government required Brookfields to maintain the rail lines in good order. The Government has since allowed Brookfields to alter the original agreement which we believe allowed Brookfields to close the lines as well as saving the maintenance on these disused lines.

While the focus has been on the Tier 3 lines being closures, our fear is that this will be some of the Tier 2 lines that will follow, like the Miling line.

#### PRIVATISATION OF THE FREIGHT RAIL NETWORK

When the Liberal National State Government signalled that it was going to privatise the freight network, a move that was opposed by the majority of grain growers. The Government gave us the assurance that they would require the new owners to grow the network and provide us with a lower cost and better service. This has not occurred. The system is now too fragmented with the Government still owning the track but leasing it out to an overseas owner much of the maintenance in the past being done by other contractors. The rolling stock being operated by yet another party. This is a most inefficient model which leads to lack of co-ordination. The rail network has been sold and onsold much like a commodity and the political promises that were made to us have not been met.

The track access process is not satisfactory with the dispute between CBH and Brookfields rail dragging on for years. While we know little about the detail of the dispute it is the users of the rail network that will ultimately have to stand the cost and they are the grain growers who are becoming less competitive. We have a major financial interest at stake here.

We urge the Committee to look at the current situation closely and to recommend a much better working model and a better way of arriving at track access fees.

As growers we sit on the sidelines hoping that the outcomes will be fair and equitable but having no input into what is going on.

#### GRAINS LOGISTICS COMMITTEE

Prior to the privatisation the Western Australian grains transport and storage and marketing was managed by a Grains Logistics Committee under the offices of the Minister for Transport. During this time the grains transport industry implemented a whole line of

improvement and efficiencies. The committee was chaired by a Farmer and had representatives from grain handlers and Westrail, Marketers and farm organisations.

The committee was responsible for deciding what needed to be done, who was going to do it, who paid for what and who the beneficiaries were to be. The GLC committee saw the introduction of Rapid Rail Loading facilities, the integration of activities between the stakeholders the introduction of block trains which enabled freight rates to come down, cargoes of grain to port quicker and much better forward planning.

Since the abolishment of the GLC committee all this improvement has come to an end. The various stakeholders now work independently with little communication between them.

We as grain growers are the biggest losers.

We would like to see more work done as to the value of a National Grains Logistic Committee under the Federal Minister to identify the needs and implement forward planning and innovation to streamline the handling and transport system and implement innovation.

#### FARMERS INVESTMENT

Farmers are continually investing in high capacity headers, chaser bins and transport equipment. Most new headers today are capable of harvesting 40 to 50 tonnes of grain an hour. Farmers are always keen and it is in the nation's best interest that once a crop is ready for harvest that we get it off and into storage as quickly as possible to reduce the risk of losses from weather damage as quite often happens.

It should be noted the vast majority of Australian grain is sun dried and does not require dryers as is the case in most European countries. Because of this much of the Australian grain is of good quality.

It must be recognised that farmers do not have the ability to calculate our costs and pass them on like most other industries.

While farmers invest heavily in our businesses to improve productivity and increase efficiencies other players in the grain game must do the same. There is no point in producing grain if we cannot store it properly or get it to the end users when they require it.

#### CBH

In WA we are fortunate to have a farmer owned and run co-operative. We believe their Grains Express system acts in our best interest by making the various segregations of grain available at port and other delivery points such as the Metro Grain Terminal for the traders to access.

This is a unique system and must be maintained.

The Harvest Mass Management Scheme (HMMS) is one of the best systems put in place to stop the overloading of grain trucks. CBH and growers have embraced this system and we would like to see it imbedded in legislation to keep it in place. It must be remembered that

before this system was in place most trucks were overloaded and were damaging the roads. Due to an influx of trucks using the roads through harvest period, heavy haulage police were unable to police the roads properly. HMMS has alleviated the problem.

While we understand that CBH need to rationalise their receival points to remain competitive with other competitors, either in or likely to come into the grain handling business, it does have the effect of adding transport costs to those growers who now have to cart their grain longer distances. As we said earlier farmers are gearing up their business to be able to harvest their crops more quickly and this sometimes conflicts with the rationalisation when trucks are away from the paddocks for a longer period of time during harvest delaying harvest operations.

There is a feeling amongst some grain traders that growers should not own the storage and handling facilities, or the transport network as CBH do. Their belief that this is better done by the grain traders.

Our belief is different, we believe as has been demonstrated by CBH that a farmer owned handling, storage and transport system focussed on farmers and industry requirements deliver by far the best outcomes for grain growers and the Nation's economy.

Farmers are renown for the introduction of innovation and improvements to our systems.

CBH were the first to introduce inert atmosphere for the storage of grain now widely taken up by other industry players. Farmers fund the Grain Research Develop Corporation renowned for improving grain production and introducing innovation into agriculture.

#### TRANSPORT COSTS

The cost of transporting grain from the farm to the receival point and from the receival point to port are among our highest when compared to other farm input costs such as fertiliser, fuel, labour. The cost of transporting grain by contract from farm to receival point is about \$8 to \$9 a tonne and for some farmers in longer haul it will be higher. When you add this to the rail freight or road freight of say \$24 a tonne as it is from Hyden the cost from farm to port for freight alone is \$33 a tonne. An average yield of 2 tonne to the hectare makes this a cost of \$66 a hectare which is a significant figure.

On many farms in this area the cost would exceed that figure.

The above figure does not include the cost of handling.

#### CONCLUSION

We believe that Government must do more to reduce our costs and reduce red-tape that inhibits our ability to be competitive on the world market.

The grains industry is worth annually \$4billion to the Western Australian economy. Most of the agricultural areas in Western Australia is dependent on a viable grains industry. It in turn is dependent on our ability to be able to compete on a very competitive international market. There is a strong and growing demand for Australian grain in the growing Asian region. We cannot become complacent. Asian grain users are very price conscious and

while they like Australian grain we are aware of much of the Asian market being taken from us by grain from both North America and the Black Sea region. They have lower costs structures than we do.

We urge the Government to look forward to what the Grains Industry needs are likely to be in 20 or 30 years time. Planning for that must be done now.

We ask the question "Will the current rail network be capable of transporting our grain requirements.?" "Will we be better serviced with a standard gauged central wheatbelt line from Southern Cross to Bunbury or a second line going into Kwinana or an inland standard gauge line connecting Avon to Geraldton port?"

Growers in this area require the choice of being able to rail our grain to either Albany or northward from Yillaminning to Kwinana (some segregations of grain bring a much better price at Kwinana than at Albany.)

We are told that the track access fee between Yillaminning and Avon is too high so it is not economically viable. We find this hard to believe.

We thank you for the opportunity to put forward this submission. We are happy to answer any questions on it.