Submission 15

SUBMISSION

Inquiry into rail freight use by the agriculture and livestock industries

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GrainCorp

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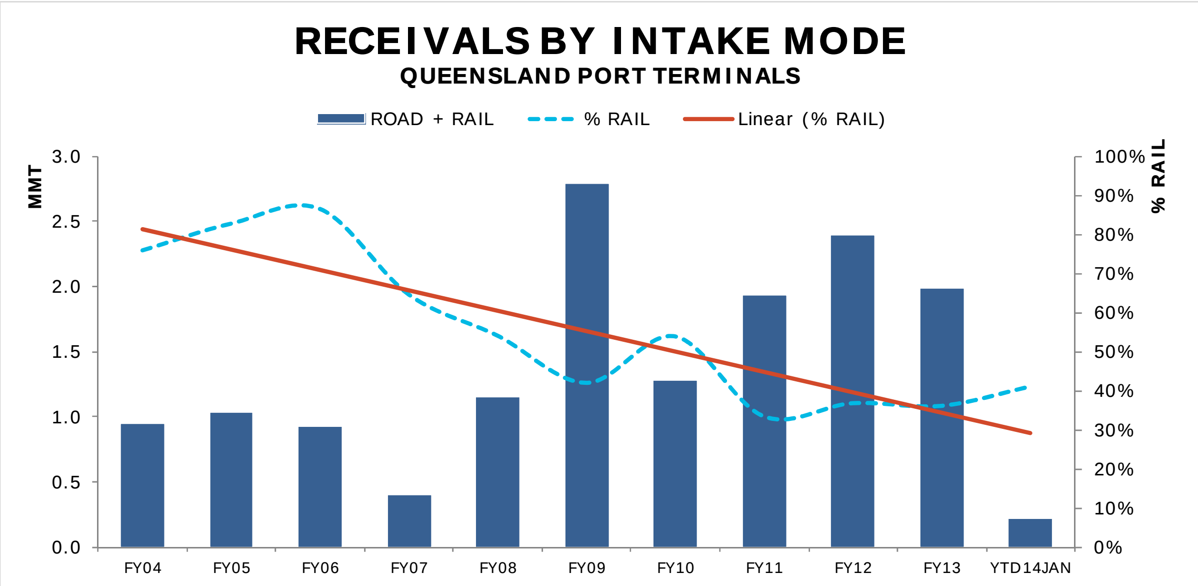
1. INTRODUCTION

GrainCorp is pleased to provide this submission to the Queensland Parliament's Inquiry into rail freight use by the agriculture and livestock industries.

Rail plays a central role in the efficiency and competitiveness of Australia's supply chain, and maximising the amount of grain transported by rail is critical to the long-term competitiveness of Queensland-grown grain in highly competitive international markets. To illustrate, the average 40,000 tonne export vessel can be loaded with approximately 20 trains; as opposed to 800 individual truckloads.

Unfortunately, the majority of the Queensland grain crop is now transported by road. The table below shows that the proportion of rail deliveries to GrainCorp's three ports in Queensland has been steadily eroding over the past 10 years.



This erosion of rail share is even more marked at our primary facility at Brisbane Port Terminal (Fisherman Islands), where rail intake has declined from approximately 90% to 30-50% over the past decade.

This steady trend is attributable to the combination of several factors:

- Rail network and rolling stock capacity constraints;
- Inflexibility in rail capacity allocation; and
- Priority being given to hard commodities over agricultural commodities.

In addition to the negative consequences for the competitiveness of Queensland grain, the growth in heavy vehicle movements also has substantial impacts on road safety, community amenity, the environment and road repair.

This submission highlights a number of issues and recommendations to increase the tonnages of grain hauled by rail. GrainCorp would welcome the opportunity to work with government to progress the issues raised.

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2. CO-ORDINATION OF GOVERNMENT & PRIVATE SECTOR INVESTMENT TO IMPROVE RAIL CYCLE TIMES

GrainCorp is currently developing plans to improve the operation of its up-country grain storage network. In particular, this program will be focused on maximising rail efficiency by investing to increase grain out-load speeds at key sites and increasing cycle time efficiencies.

Regrettably, the situation in Queensland makes it highly difficult for GrainCorp justify investing in sites up-country, because any return from the investment is made impossible by:

a) The inability to get access to additional rail paths on the Toowoomba range (this issue is explored further in section 2 below); and

b) Efficiency being lost by the requirement at many sites to break a train into several parts, due to short siding lengths.

While a detailed program of investment is still to be finalised and approved by our business, a preliminary analysis indicates that, there would be benefit in investing to improve rail out-loading capability at a number of key sites in Queensland.

In order to be economic, above-rail investment by GrainCorp to increase our out-loading capability will require associated below-rail investment from Government to:

- Increase load weights from 16.25t per axle in key sections of track – particularly Mt McLaren to Mackay;
- Install additional passing loops to shift from a standard 38-wagon rake to 44-wagons per train;
- Reinstate closed sidings;
- Reconfigure sidings or increase the length of sidings to allow a unit train to be loaded without the need to split, shunt or otherwise multiple handle.

A preliminary analysis indicates that co-investment in below rail infrastructure around the following sites is likely to deliver substantial efficiency benefits:

- **Malu** – GrainCorp investment to increase out-load capacity would be possible if additional track at the site were recommissioned to remove the need to run 19 wagons back and forth from Toowoomba. This would allow 38 wagons to arrive at the site, be stabled and swapped in a one-shunt operation. Currently, the main line runs on wrong side of the grain receival site. A low capital cost solution may include swapping the existing mainline and siding.
- **Moura** – potential investment in this site is difficult to justify given there is currently no rail access. Reinstatement of rail approx 9 kilometres between the Aurizon & QR network would allow this investment to proceed.
- **Warra** – GrainCorp could invest in more efficient out-loading equipment and additional bunker storage if the existing rail siding were to be reinstated and extended.

GrainCorp would welcome the opportunity to work closely with the Queensland government to ensure any rail siding infrastructure investment is mindful of

GrainCorp's business planning and priorities, as these plans are developed further.

3. GREATER FLEXIBILITY OF RETURN PATHS: MAXIMISING RETURN FROM INVESTMENT IN TOOWOOMBA RANGE

The number of rail slots available to grain and other agricultural commodities is extremely limited.

GrainCorp has been informed that there are 27 return paths per week available for agricultural commodities, although we have no visibility about who these are allocated to, or if they become available for reallocation in low periods.

GrainCorp currently has an average of 10 return paths down the range each week, effectively capping our rail capacity into the Fisherman Islands terminal at 600-700,000 tonnes.

We welcome the Queensland Government's decision to reinvest $50 million into additional rail passing loops on the Toowoomba range. We look forward to working with the Government to build on the number of return paths available to grain trains as a result, as each additional return path over the Toowoomba range provides GrainCorp (and the exporters accessing our ports with):

- Over 85,000 tonnes additional capacity per year based on the current 48 hour train turnaround time. This would equate to a reduction of approximately 940 grain truck movements.
- A further 85,000 tonnes additional capacity per year as GrainCorp and other market participants invest to improve train productivity and enhancements to enable 24-hour turnaround and higher tonnages to be hauled by trains (for example, investment in siding infrastructure could allow a 38 wagon rake to be increased to 42 wagons).

In the past, GrainCorp has raised with government the possibility of introducing greater flexibility to the return paths to recognise the seasonal variability of the grain transport task.

International grain market dynamics mean that the majority of the grain export (and rail freight) task is completed in the 3-4 months after harvest. Significantly more grain could travel by rail if it were possible for the grain industry to gain access to additional return paths down the range during this 'peak' period. This increase could be offset by a commensurate decrease in paths for the remainder of the year.

In addition, mandatory paths, whilst dedicated to grain, are a significant financial risk in low productivity years.

Such a system could work via the industry discussing with rail operators the paths it was likely to require when a clear view of likely crop size were available (in August/September).

Similarly, GrainCorp believes that the 'take or pay' arrangements in the Queensland rail industry are acting as a disincentive to investing in rail capacity, as the downside risk is too high.

Under our current arrangement, GrainCorp invests approximately $50 million over seven years. However the same arrangement disallows GrainCorp from leasing out any excess paths we have paid for that we are unable to use.

The inability to recoup the high costs of our take or pay arrangement, particularly during drought or years of low production substantially increases the risk taken by our business and constrains our ability to invest in other initiatives to improve rail performance.

4. GENERAL PLANNING & CONSENT ISSUES

GrainCorp has experienced a number of instances where administrative uncertainty and disconnections between arms of government are impeding our ability to invest in projects that will encourage more grain onto rail.

Due to increasing residential encroachment on our operations in the Emerald region, GrainCorp is being forced to consider alternative sites in the region. However, our alternatives are limited and have become quite cost prohibitive due to compliance reasons.

At present GrainCorp is attempting to move our Emerald receival site to Yamala at a cost of $7-10 million to our business. In order to effect this transition, we require planning consents for the rail sidings at the Yamala site. The Department of Transport owns the corridor required for the sidings; however the land is subleased to Aurizon as the rail manager. The process is currently held up by an uncertainty over accountability under the new arrangements. The lack of clarity over who can provide consent and subsequent delays are endangering our investment and consequential benefits to the network and surrounding community.

5. IMPROVING ROLLING STOCK PERFORMANCE

GrainCorp's fixed rail cost in Queensland is approximately $2.5 million per train.

The efficiency of moving grain by rail in Queensland is limited by a number of factors:

- Trains in Queensland haul approximately 20% less net tonnes compared with trains in New South Wales and Victoria (1767 tonnes in Queensland versus 2200 tonnes in the other states);
- The reliability of locomotives and standard of wagons is generally lower; and
- Fewer wagons are available.

6. MISCELLANEOUS MATTERS FOR DISCUSSION WITH GOVERNMENT

GrainCorp would welcome the opportunity to work with the Queensland Government in relation to the following matters:

- **Inland Rail**: GrainCorp is supportive of efforts to extend standard gauge rail from southern states into the Port of Brisbane inland rail. We believe this project would deliver substantial economic and community benefits in reducing heavy vehicle freight traffic on regional highways and encouraging further investment in rail capability.

- **Capella region**: Grain from the Capella grain receival site to Mackay port is forced to take a circuitous route via Rockhampton, due to closure of the rail route via Mt McLaren and removal of the points at Blair Athol. This substantially impacts on the cost of sending grain by rail from this part of central Queensland.

- **Mt McLaren to Mackay**: Grain trains also have poor access to rail paths from Mt McLaren to Mackay. Prioritisation of coal trains means they tend to receive allocation of paths and driver resources, at the expense of grain.

7. CONCLUSION AND CONTACT DETAILS

GrainCorp would be pleased to provide further information on the matters raised in this document. Please do not hesitate to contact the following for further information:

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