Wilmar Sugar

Wilmar Sugar Australia Limited
ABN 47 098 999 985

Level 1, 5-21 Denham Street
Townsville QLD 4810

PO Box 642, Townsville
QLD 4810 Australia

Tel +61 7 4722 1972
Fax +61 7 4724 5715
info@wilmar.com.au

www.wilmar-international.com

Submission 19

21 February 2014

The Research Director,
Transport, Housing and Local Government Committee,
Parliament House,
George St
BRISBANE, QLD 4000

Email: thlgc@parliament.qld.gov.au

Dear Sir/Madam

Inquiry into Rail Freight use by the Agriculture and Livestock Industries

Background:

Wilmar Cane Products is the largest sugar milling and renewable energy company in the Australian Sugar Industry. Owned by Wilmar International, which is listed on the Singapore Stock Exchange and is the largest agri-business in Asia, the company employs 1,300 permanent staff and 700 seasonal employees in Queensland alone. The Cane Products division has some farming interests but primarily processes sugar cane supplied by sixteen hundred growers to Willmar's two mills in the Herbert region, four mills in the Burdekin, and one each in Proserpine and Sarina.

Typically the business processes 15 million tonnes of sugar cane per annum and produces 2.25 million tonnes of raw sugar, most of which is exported through the Ports of Lucinda, Townsville and Mackay. Wilmar is actively increasing the amount of sugar produced through increasing cane plantings and improving agricultural yields.

In addition to this approximately 450 thousand tonnes of molasses is sold for local and export consumption.

Traditionally all raw sugar was moved by rail to port terminals for storage prior to shipping. Historically, molasses was mostly moved by rail. However in recent years the economics and the interest of rail service providers has caused a shift of some product movement to road. Most recently the economics of moving raw sugar from Sarina to Mackay Port by rail became unsustainable and forced the business to move this freight task onto the road network.

This submission will focus specifically on:

- Raw sugar from the 4 Burdekin mills to Townsville Port, with a freight task of 1.25 million tonnes per annum
- Raw sugar from Proserpine to the Mackay Port with a freight task of 260 thousand tonnes per annum.
- Rail movements of molasses through the network to the coast for bulk export and coastal shipping as well as south through the rail network to Queensland customers in the agricultural industry.

It should be noted that raw sugar and molasses are not regarded as human food grade products.

Raw Sugar:

Sugar cane is harvested typically between June and November, depending on the nature of the season. Harvested cane is transported to Wilmar mills via its privately owned cane railways. This is outside the scope of this current submission. The ports have large storage facilities to facilitate rapid ship loading and the mills have modest raw sugar storage capacity. The sugar is regularly railed to the port terminal storage facilities. These facilities are owned by the industry participants through Sugar Terminals Limited and operated by Queensland Sugar Limited. Transport can be disrupted during the harvest due to weather – harvesting ceases when the fields are rain affected. Occasionally there are interruptions for mill maintenance, although in recent years Wilmar has invested significant capital in improving mill reliability.

Issue Summary:

- Rolling stock for the Burdekin and Proserpine sugar freight task are owned by Aurizon
- Approximately 150 wagons are 35 years old with high and escalating maintenance costs.
- Economic service life of this fleet is estimated to be less than 5 years.
- Replacement cost of this fleet is estimated to be $24m.
- Rolling stock types in the Burdekin are of a different configuration to those in Mackay due to different loading and unloading facilities.
- Some track design only provides for 15.75 tonne axle loadings, limiting payload to 63 tonnes. This applies at most sugar mill sidings and some track at the bulk sugar terminals.
- Smaller than typical sized locomotives which can operate within the 15.75 tonne axle limit are old, unreliable and expensive to maintain and are becoming difficult for the operator to source.
- These smaller locomotives have limited use out of the sugarcane crushing season.
- Mill siding lengths can limit flexibility of train operational formats.
- These specific wagon and locomotive assets have limited re-deployment use out of season.
- Current rail solution provider's typical business model is to operate very large train sets running on a regular schedule between 2 points as typified by the coal industry.
- Switch to road in the Burdekin would involve about 40 B-Doubles around the clock to the Townsville port, creating traffic congestion. About 250 loads per day would be expected.
- The Proserpine community opposed a switch to rail some years ago before Wilmar purchased the mill.

Wilmar is seeking to retain a rail solution and sees that there may be some opportunities to assist in achieving a more efficient and hence sustainable rail solution. Such opportunities may include:

- Upgrade track and sidings to 20 tonne axle load to take 80 tonne payload allowing greater wagon capacity and larger locomotives.
- Lengthen passing loops to increase train set length.
- Review port access for rail and road to allow longer trains to park and unload.
- Standardise loading and unloading facilities at Proserpine and Mackay Harbour with the Burdekin to allow common rolling stock.
- Examine synergies for locomotive maintenance bases.

This may facilitate outcomes such as:

- Reduced number of train movements
- Train sets hauling more payload
- Reduced number of train services freeing up freight slots for other rail users
- Shared locomotives with other services for greater efficiencies
- Different ownership and haulage models could emerge with different service providers.
- Continuing social amenity benefits to the community
- Improved economics and sustainability of the rail freight task

Molasses:

Molasses is produced as a co-product of milling sugarcane. Two of the mills have larger storage capacity and the product can be moved over an annual cycle, however the majority of the mills have limited storage capacity and rely on regular transportation to the Port terminal.

The issues are similar to those for raw sugar:

- The 21 tank wagons, owned by Aurizon are old and nearing their economic retirement
- Locomotives are old, small sized and difficult to maintain
- Payloads are limited by 15.75 tonne axle loadings in some sidings.
- Sidings and passing loops, combined with low axle loadings reduce the pay load of a train set.
- Wagon maintenance makes delivery unreliable.

The opportunities are similar to raw sugar:

- Upgrade track, passing loops and sidings to allow greater options in train format.
- Creates the opportunity to use more mainstream locomotives.
- Improves delivery reliability with new wagons

Timing:

The molasses freight contract expires at the end of the 2015 sugar season. Bulk sugar freight contracts expire in 2015 and 2017.

In conjunction with Government and service providers, Wilmar would like to develop a joint asset plan to invest in asset replacement and improvement. This would provide for upgraded infrastructure, replacement rolling stock and more efficient locomotives. Our combined objective should be to keep sugar and molasses on rail and off the road to the maximum extent possible.

We look forward to discussing this in more detail with the Committee.

Yours sincerely,

[redacted]

John Pratt
Executive General Manager – North Queensland
Wilmar Sugar