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please ask for Ms Alanna Edwards

Our Ref: AE D14/1875

21 February 2014

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

Dear Research Director

**Re: Balonne Shire Council's submission to the agriculture rail freight inquiry**

Thank you for the opportunity to make a submission to the agriculture rail freight inquiry. The Balonne Shire Council congratulates and acknowledges the work and initiative already undertaken by the Queensland Government through other relevant plans and strategies such as the Moving Freight strategy, the State Planning Policy, Queensland Agriculture Strategy and regional plans including the Darling Downs Regional Plan.

Please see the Balonne Shire Council's comments and identified opportunities related to agriculture rail freight in Queensland.

**1. Intent of submission**

**The intent of the Balonne Shire Council's submission is to provide evidence of the need to support enhanced agricultural rail freight services to Thallon and Dirranbandi for haulage of bulk agricultural commodities - namely grain and cotton.**

By enhancing these services this will derive increased and new economic opportunities for both the State's and region's cotton and grain industry, and elevate the increasing burden placed on the road networks across Queensland.

It is acknowledged that the State has already identified the importance of agricultural rail freight through the *Moving Freight* strategy: "To support the intent of the Queensland Government's Agriculture Strategy to double the value of food production by 2040, it is important to work with the agricultural sector to identify potential rail haulage opportunities."

## 2. Background

Within Queensland, the Balonne Shire is one of the largest producers of both grain and cotton.

**In 2012/2013 the Thallon grain depot received the second highest volume of grain within Queensland, with Goondiwindi being the largest. (source: GHMS data). In 2008/2009 Thallon had the highest grain intake in Queensland of 600,000 tonnes.**

Over the last decade a decreasing percentage of the grain from Thallon has been transported on rail.

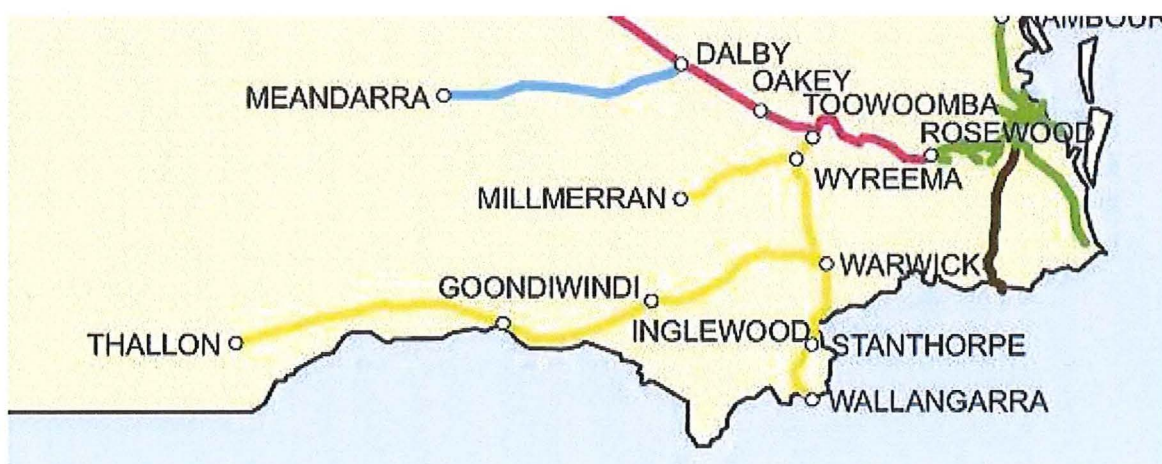
Queensland is a large producer of high quality cotton although only nominal amounts of cotton lint (5%), cotton seed (3%) and bulk inputs such as fertiliser are transported by rail, with the large majority of cotton inputs and outputs currently being transported by road.

**The Balonne Shire is a large scale producer of cotton, and integral to the Shire's cotton industry is Cubbie Station which is located at Dirranbandi, the largest irrigation property in the southern hemisphere.**

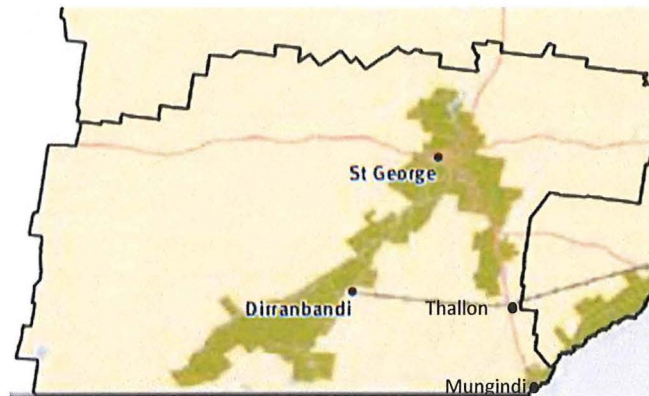
Due to the large and increasing scale of the Balonne Shire's grain and cotton industry there are substantial economic and productivity gain opportunities to be made by installing a rail freight system to Thallon for both cotton commodities and associated inputs, and increasing rail services to Thallon for bulk grain commodities. Dirranbandi also provides similar opportunities although it is acknowledged that the commercial viability of this scenario would need to be examined further, in light of the lines closure approximately five years ago due to the cost to maintain the line.

The Balonne Shire Council is located approximately 500km west of Brisbane and occupies a land area of 31,000sq km. The Balonne Shire's population is approximately 5,000, and 3,000 of these people live in St George. The other 2,000 people are located within the towns and villages of Dirranbandi, Mungindi (Qld), Thallon, Bollon, Nindigully and Hebel.

Thallon is located on the South – Western rail line which is outlined in the map below. Dirranbandi was formerly part of the South – Western rail line beyond Thallon although this part of the line was closed approximately five years ago.



The State has identified several areas within the Balonne Shire as 'Priority Agriculture Area' and these are identified in the map below.



**Thallon is centrally located within the identified 'Priority Agriculture Areas' of the Balonne Shire which includes the areas surrounding St George, Dirranbandi, Mungindi (Qld and NSW), and Thallon itself has significant areas of 'Priority Agriculture Areas' located to the north.**

Having been identified as a 'Priority Agriculture Area' this provides an indication from the State, which is supported by the Balonne Shire Council, of the productive and fertile nature of the agricultural land within the Balonne Shire and its ability to make significant contributions to the Queensland economy.

As identified in the 'Queensland Agriculture Land Audit', the agricultural sector has historically relied on rail as a key mode of transport across a range of commodities. Access to rail freight opportunities though have been greatly reduced in recent years due to increased demand and competition from the mining industry. To ensure the continued sustainability of the agricultural industry greater investment into the freight component of the supply chain is required.

### **3. Opportunities**

Thallon is located in the centre of, and within close proximity to four major cotton and grain growing localities; St George, Dirranbandi, Mungindi (Qld and NSW) and Thallon. This submission identifies opportunities to establish Thallon as a grain and cotton hub, by increasing rail freight services for grain and installing a rail freight services for cotton. These rail freight services to Thallon would subsequently present significant additional economic opportunities through value-adding and vertical integration infrastructure and these are explored further below. The Balonne Shire Council would also encourage the State to investigate the opportunity to reinstate the line to Dirranbandi as it was not previously operated to freight cotton commodities and inputs which may provide for greater financial viability.

#### **a. Increasing demand for agricultural freight in the Balonne Shire**

The State's vision to double agriculture production by 2040 is shared by the Balonne Shire and its primary producers. There are a number of factors which are already driving this trend in the Balonne Shire;

- The gross margins for cotton and grain are higher than that of other commodities produced in the Balonne Shire namely beef, lamb/mutton and wool and, as such, increasing areas of pastoral land are being converted to farming land within the Balonne Shire, where soil and weather conditions permit.
- Continued technology and efficiency gains across the cotton and grain industries are increasing the volume being produced.

**Approximately 30,000 trailers are used per annum to move grain and cotton inputs and commodities within the Balonne Shire, which is a significant quantity even at current production levels.**

Within the below summary table the volumes of cotton and grain inputs and outputs are extrapolated for the Balonne Shire encompassing Thallon, Dirranbandi, St George and Mungindi.

Commodity/input	Volume/annum	Truck trailers req to move vol
Cotton (lint)	900,000 bales	9,000
Cotton seed	225,000 tonnes	9,000
Inputs – fertiliser and starter	81,000 tonnes	3,240
Inputs – liquid chemical	990,000 litres	50
Diesel	17,500,000 litres	1,400
<b>TOTAL Cotton</b>		<b>22,690 trailers</b>
Grain	316,579 tonnes	6,526
Inputs – fertiliser	27,200 tonnes	1,088
Input - chemical	850,000 litres	43
Diesel		85
<b>TOTAL Grain</b>		<b>7,742 trailers</b>
<b>TOTAL trailers grain &amp; cotton</b>		<b>30,432 trailers</b>

(source: GHMS data, ginning data and industry gross margin rates)

The Balonne Shire's grain and cotton producers will require greater investment in rail freight to ensure there is the capacity to meet the already high and increasing volume of grain and cotton produced in the Balonne Shire. An efficient and cost effective rail system would also increase competitiveness on a regional, national and international level.

Within the last 12 months the Balonne Shire has seen both individual growers and corporations make investments in key infrastructure with their supply chains to derive greater efficiencies and secure vertical integrations. Investments have been made by Cubbie Station who acquired Queensland Cotton's Dirranbandi cotton gin and additionally Cubbie Station has development approval for an on-site cotton gin. Another investment is the establishment of Thallon Grains, a privately owned and operated grain receival point in Thallon which is owned by a syndicate of large-scale local growers. These investments are a clear indication of both the confidence that these major growers have in the expansion within their respective industries and enterprises, and an understanding of the need to make investment in infrastructure within their supply chains.

**The strategic and proactive nature of the cotton and grain growers within the Balonne Shire may provide opportunities for future collaboration and/or support for further investment into their supply chains including rail freight.**

The Balonne Shire Council encourages the State to explore these opportunities and we are very happy to help facilitate these discussions with the relevant local stakeholders.

#### **b. Cotton on rail – inputs and outputs**

Only 5% of cotton lint and 3% of cotton seed is currently transported by rail in Queensland. Investment needs to be made to establish a rail system which is capable of both back-loading inputs for the cotton and grain industry in addition to freighting the commodities. It is acknowledged that for a freight system to be commercially viable that there needs to be consistent demand, timely demand and sufficient volumes, and potentially the grain industry has struggled to consistently meet these requirements. Back-loading cotton and grain inputs on a rail network secures freight volumes which undoubtedly overcome the risk of running a commercially unviable bulk agricultural rail freight network.

**The Balonne Shire's cotton industry has approximately 300% (22,690 trailers/annum) higher freight demand than that of the grain industry (7,742 trailers/annum) and as such cotton presents a real opportunity to increase demand, usage and volumes for agricultural rail freight services within the Shire.**

As mentioned previously, Thallon is geographically central to the major grain and cotton growing areas including St George, Dirranbandi, Thallon, Mungindi and parts of border region of New South Wales. In total there are five cotton gins within proximity to Thallon; Mungindi has two cotton gins and there are three cotton gins between St George and Dirranbandi. The volume of cotton gins provides an indication of the size and amount of infrastructure required to support the local cotton industry.

#### **c. Flow-on economic and investment opportunities**

There are flow-on economic and investment opportunities which would be made possible by enhanced agricultural rail services to Thallon.

Thallon is a small town of just 382 people (Censis 2011) and is located within the Balonne Shire. Thallon's history has strong ties to the railway, so much so that when Thallon was gazetted in 1911 it was named after the then commissioner of Railways, Mr JF Thallon. Unfortunately a lack of agricultural and rural focus of the previous government resulted in the closure of several rail services to Thallon. Subsequently the Thallon railway depot was closed and with this came job losses from the town. Investment into rail for both cotton and grain would provide new employment opportunities for Thallon and provide a welcomed revival to the town and its population.

Annually, storage and warehousing of agricultural products and commodities becomes a problem in South-East Queensland and the Port of Brisbane. Additionally, the cost of storage and warehousing is hugely expensive due to the value of land and lack of availability of space. Storage and warehousing in regional areas is therefore a viable and attractive alternative for the agricultural industry.

**Through the support of enhanced rail service to Thallon which encompasses freight of cotton commodity and grain and cotton inputs (back-loading), Thallon provides an exceptional investment opportunity to establish an upland warehousing facility.**

An upland warehousing facility in Thallon presents a viable opportunity due to the following;

- There is substantial vacant land in and surrounding Thallon which can be used for industrial activity
- The cost of land is significantly less than that of land in larger regional centres and South-East Queensland
- An upland warehousing facility in Thallon would provide proximity to markets (grain and cotton growers) for chemical and fertiliser companies because of the substantial volume of grain and cotton grown in Thallon, Dirranbandi, St George, Mungindi and the border regions of New South Wales.
- One of the constraints of rail has been timeliness, although an upland warehousing facility overcomes this barrier
- Thallon is within close proximity to the Port of Brisbane facility making it a viable location to store commodity and product whilst awaiting receipt or dispatch of these goods to/from the Port of Brisbane

With an adequate rail network to Thallon, there are other value-adding economic opportunities which may present themselves within the region such as cotton seed oil processing plants.

The opportunities presented in Thallon for population growth and industrial investment opportunities would facilitate the Queensland Government's vision to have '50% of the State's population living outside the South-East' and 'capitalising on unique regional opportunities and assets' Queensland Plan.

#### **d. Reduce pressure on road network**

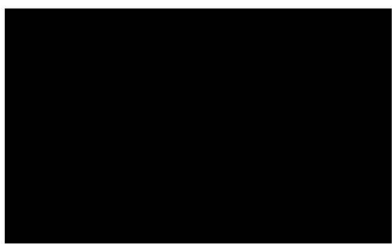
The Balonne Shire Council has calculated that without rail services for the Balonne Shire's cotton and grain industry there are approximately 30,000 trailers currently used to freight commodities and inputs (diesel, fertiliser, chemical etc) into and out of the Balonne Shire.

With 30,000 trailers being used to support the Balonne Shire's cotton and grain industry, this places local and extended road networks under extreme pressure which consequently increases the cost to maintain the road network.

The more efficient use of the rail network by agricultural products as explored above in section b, will also ensure there is greater price parity between rail and road freight.

Thank you once again for the opportunity to make a submission to the agricultural rail freight inquiry and please do not hesitate to contact Alanna Edwards, Manager of Community and Economic Development [REDACTED] [REDACTED] should you have any further enquiries.

Yours sincerely



Peter O'May

Chief Executive Officer