

**Submission to the
NSW Grain Freight Review**

March 2009

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1. Introduction

The NSW Farmers' Association (the 'Association') is Australia's largest state farming organisation representing the interests of the majority of commercial farm operations throughout the farming community in NSW. Through its commercial, policy and apolitical lobbying activities it provides a powerful and positive link between farmers, the Government and the general public.

The Association is the key state representative body for both intensive and extensive industries ranging from broad acre, meat, wool and grain producers, to more specialised producers in the horticulture, dairy, poultry meat, egg, pork, oyster and goat industries. The Association also represents the interests of rural and regional communities and the important issues associated with natural resource management.

Currently Australian agriculture produces \$39.58 billion in food and fibre. Agriculture is the foundation of a \$55.3 billion food processing industry and a \$74.6 billion food retail service. Combined with flow-on effects throughout the economy, Australian agriculture contributes, on average 12.1% of Gross Domestic Product or \$72 billion.¹ This differs markedly from the often cited 3-4% or \$30 billion,² which does not take into account the value of farm inputs, nor the flow-on activities that farming supports.

Australian agriculture supports the employment of approximately 1.6 million Australians or 17.2% of the labour force, with half of these jobs found in the six capital cities.¹

Considering the significant contribution of agriculture to the NSW and Australian economy in general, it is imperative that adequate investment into transport infrastructure is made by Government in rural and regional Australia. Such infrastructure is imperative not only to continue the generation of strong economic activity in these areas but to also make the freight infrastructure more efficient and the transport pricing more affordable. Organisations are reluctant to commit to new investments in the agricultural sector until such time as there is some certainty about freight infrastructure and transport pricing to enable them to efficiently and competitively undertake their businesses.

Almost all farm inputs are transported by road and most farm produce will travel by road at some point in the logistics chain. On an economy wide basis, agriculture and associated industries are responsible for an estimated \$913 million of transport and storage services, the majority of this is by road transport.

Adequate road and rail infrastructure is essential for rural and regional Australia's economic and social well being. The infrastructure must be efficient, reliable, safe and secure while working around the particular challenges Australia presents; namely its large distances, coastal population concentration and the changing end point orientation.

Recently a significant amount of attention has been placed on this important issue; however it is increasingly evident that major transport infrastructural funding is not well planned.

Agriculture contributes \$20 billion to the NSW economy and provides 10 per cent of the State's overall employment – more than 300 000 jobs. Agriculture is directly responsible for up to 40 per cent of the economic activity across regional and rural NSW.

¹ Australian Bureau of Statistics (2003/04) *Agricultural Commodities* (cat. no 7121.0)

² Australian Farm Institute (2005) *Australia's Farm Dependant Economy Report*

Given agriculture's reliance on road transport, the Association seeks to ensure that heavy vehicle road pricing is equitable and that it takes into account road funding, economic and social factors.

The Association believes that there would be a marked difference in heavy vehicle road use between local and arterial roads, especially amongst the heavier vehicle classes, which in some cases have restricted areas of operation. Unless heavy vehicle road use between local and arterial roads is differentiated, systematic over-estimation will occur.

The Association is of the view that current transport pricing mechanisms and the funding of the infrastructure is unsatisfactory and therefore leads to a number of distortions between road and rail and within the road sector.

Rural and regional communities have gone through varying difficulties over recent years, with persistent drought, increased costs of production, changes to wheat export marketing arrangements and the privatisation of the state rail.

Within rail freight there currently exists vast inefficiencies, where the efficiency of sites on the main line has compensated for the inefficiencies of the more remote out loading facilities at the end of the grain rail branch lines.

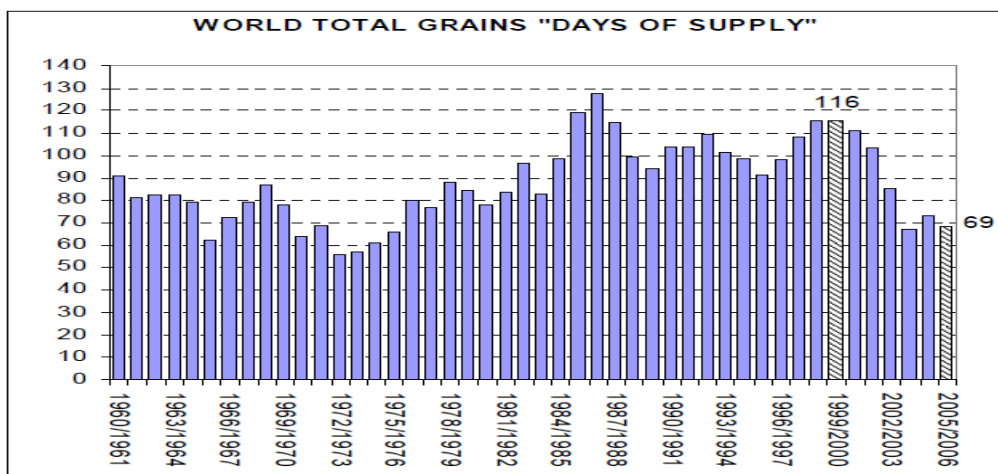
2. Future production consumption scenario

Australia is a relatively small producer of wheat, accounting for only 3% of annual world wheat production, although, as much as 80% of our wheat is exported. Therefore Australia contributes between 8 and 15% of the total world trade, making it the fourth largest exporter after the United States, Canada and the European Union.

The price paid for wheat sold in the domestic market, or in the international arena, is established on an international parity, and as Australia is a major international exporter of wheat, the domestic trade will always have to compete with the rest of the world to secure Australian grain.

2.1 International

Over the past seven years the world has consumed more grain than has been grown. Grain reserves have been at their lowest level in half a century, and have only begun to recover slightly. The combination of an increasing global population, resource scarcity, under investment and a changing climate, presents opportunities for the Australian grain industry.

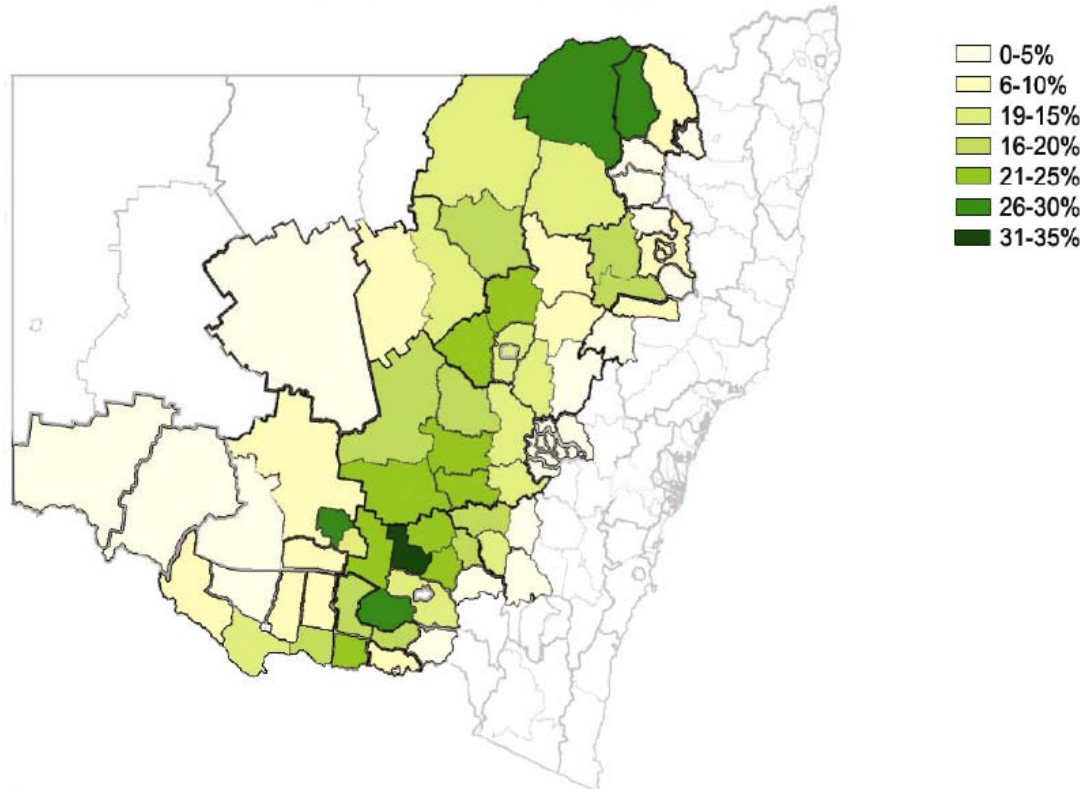


Data on global grain supplies An attachment to Stewart Wells' May 9, 2006 letter to Mr. Mr. Kofi Annan and Dr. Jacques Diouf of the United Nations

2.2 Domestic

The area sown to grain in NSW has progressively increased, generally expanding the western extremity of the grain production area in the State. Continuing development of new grain varieties and improvements to farming practices have increased yields. The types of grains grown have also diversified, resulting in demand for increased segregation in storage and handling. Figure 1 indicates the intensity of cropping in the State, as shown by the typical percentage of statistical areas under crop.

Figure 1: Cropping Density in NSW
(Percent of Statistical Area Cropped) (Source: ABS)



2.3 Production Trends

It is clear from a wide source of collected data over the past 30 to 40 years that the grains industry in Australia and NSW has continually increased at a steady rate. Total national crop production area has increased on average 1.6% per annum over the last 38 years with a 3% increase per annum in area growing winter crop in NSW over the last 10 years. Total crop production in dollar value has increased by 9% per annum, and the farm crop production index has increased at 5% per annum.

Despite the ever imposing adverse climatic and economic restraints facing the nation's farmers there is still an overwhelming ambition to continue to improve their farming systems to remain viable and to prosper in both the domestic and international market place.

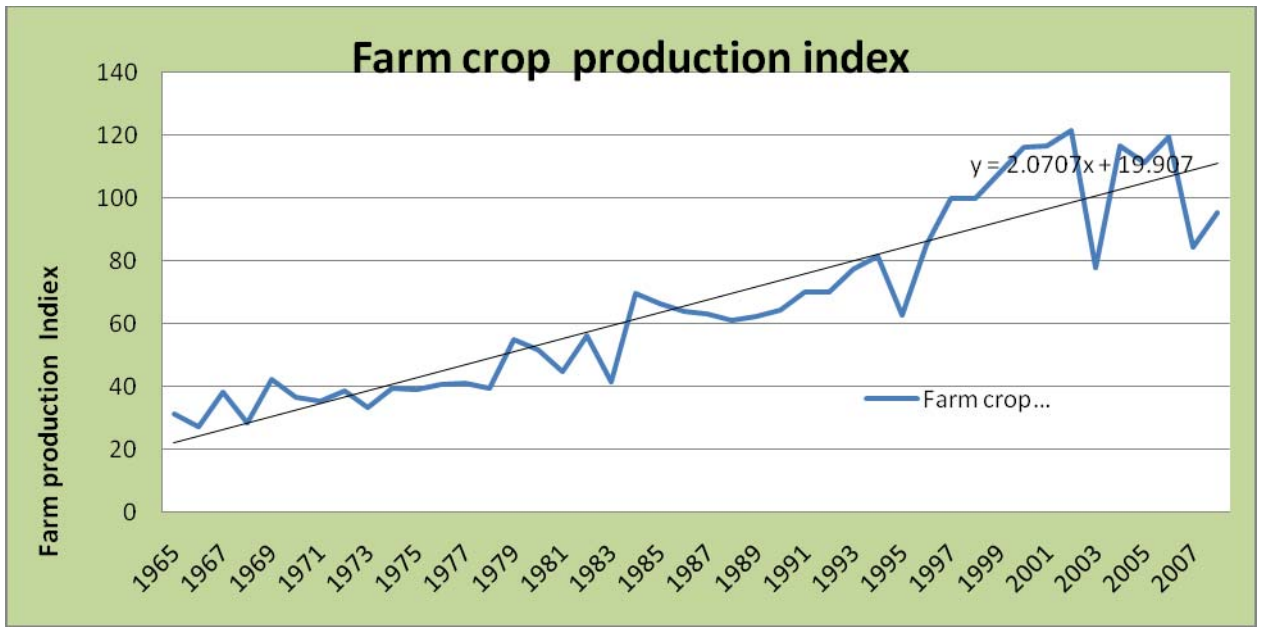
It would seem reasonable to assume that growers will respond to the supply and demand pressures by using improved varieties and farming systems. This should ensure that the current production pattern would at least be maintained and yields should continue to increase, while demand both domestically and internationally should continue to grow due to an increase in global population, increased demand for flour production for export, biofuel production and technological and biological advances.

Australia has access to some of the world's best agricultural science and technology and this should allow the trends that have been outline above to continue.

The traditional farming areas adversely affected by changing climatic conditions would adapt (as opposed to ceasing production) to new and improved appropriate farming

systems. These advances in farming systems will also lend themselves to the continued trend of an increasing land area being dedicated to grain production whenever, advantageous price scenarios prevail.

It must be understood the quantity and quality of NSW grain stocks are seasonal and therefore continuously attract new and diverse markets. This diversification may require the movement of grain within regions of the State over a period of time. In consideration of this movement the diversification must not be restricted to within the State boundaries. In a year with good seasonal conditions the industry would expect to continue the trend of marketing the surplus grain (after the domestic market has secured their orders) to the export market.



3. Structural changes to grain logistics

NSW's grain industry is an important contributor to Australia's export performance. Grain exports and returns from supply to domestic users play a major role in the economy of the State, especially in rural and regional areas. The efficiency of the grain logistics chain, from farm to port is a key factor in this economic prosperity, as the cost of moving grain through the supply chain directly impacts on grain growers' incomes.

Grain production has continued to expand in the State, although interrupted by droughts in recent seasons. The grain logistics chain is a complex combination of storage, rail and road transport and intermodal and port transfer facilities. The 'logistics chain' is in reality a complex network in which growers and service providers have a significant and growing number of choices for least-cost pathways and transport modes.

By innovative management and new investment in transport and storage infrastructure, growers and service providers are continuously achieving economic gains for their respective industry sectors and for the economy as a whole. However, industry efficiency gains have in some places been impacted upon by the quality of rail and road infrastructure. Competition is strong amongst logistics chain service providers, and the industry is characterised by continual innovation. Logistics chain synergies and economies of scale are powerful drivers of new investment. As a consequence, major players are investing in new infrastructure at key points in the network – particularly new intermodal facilities which are aimed at capturing increased share of the total freight task. Above-rail competition in the supply of train services, privatisation of rail carriers, and the privatisation and subsequent merger of some grain handling entities, has accelerated the pace of change.

This process of innovation and change has also placed pressure on the viability of some traditional parts of the chain, especially track infrastructure mainly on the western edge of the rail network. Much of the track infrastructure in this area was built to a minimal 'pioneer line' standard, which carries with it restricted maximum loads and speeds, and adversely affects the costs of train operation and the attractiveness of rail services to users. This in turn affects incentives for private investment in transport and storage for these lines.

This cost and service spiral, affecting all users and service providers in the chain, has resulted in a number of consequences:

- Diversion of some grain onto rural roads, with growers' and contractors' trucks travelling longer distances to access more efficient grain points at lower cost;
- Larger trucks have also contributed to lowering haulage costs, increasing their attractiveness compared with long-established rail services for given turn-around times.
- Increased costs for road construction and maintenance, and for the side-effects of road haulage – noise, exhaust emissions and accidents – which are not generally reflected in the 'prices' paid for road use.

The growing total tonnage of grain harvested has not materially affected the low rail traffic densities on 'restricted' rail infrastructure, in spite of increased yields, as the cropping area has also been growing. Low traffic density has continued to adversely affect the profitability of rail operations, with the consequence that maintenance effort has reduced and investment in rail infrastructure and equipment has lagged.

The movement of grain is being concentrated through fewer large receipt and transfer

points on the network, as major service suppliers seek to exploit the obvious and legitimate competitive opportunities presented by economies of scale and to increase their shares of the logistics market.

These and other emerging issues were examined in the NSW Farmers' Association Rail Road Taskforce *Green Paper* published in November 2002 which stated that:

NSW [grain] growers must have a robust, viable, sustainable and integrated transport, storage and shipping infrastructure to ensure the supply chain becomes more efficient and delivers lower costs to growers (and all participants).

Clearly this requires:

- Adequate strategic infrastructure in all parts of the supply chain;
- Operational management directed at fully utilising new and existing assets;
- Close cooperation between all operators to realise synergies along the supply chain from the farm gate to port; and
- Integrated transport infrastructure planning and underpinning investment budgets. (Rail Road Taskforce *Green Paper*, page ii)

Transport infrastructure needs to be addressed for grain logistics efficiencies to be further realized. The issue remains what is the most important infrastructure to provide. A key question for the Taskforce, is the future viability of the 'restricted' low capacity rail branch lines, and what strategy should be followed for providing future capacity.

3.1 Privatisation and deregulation

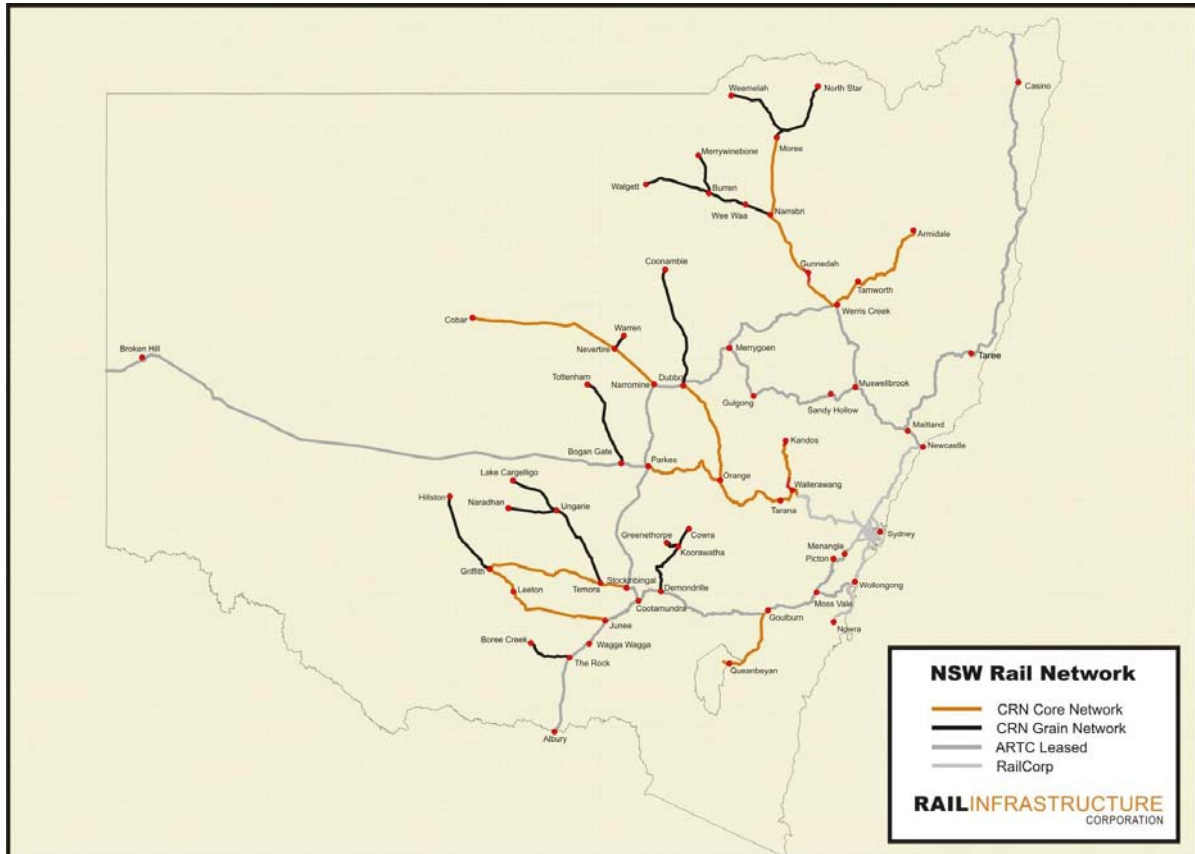
Privatisation, deregulation and competition in the grain supply chain are contributing to changes in historical patterns of grain transport in NSW. Supply chain competition and cost reductions that lead to reduced charges increase returns to growers. As a result, these changes are affecting the way road and rail networks are used in NSW. Historically the NSW grain industry supply chain was serviced by a number of Government owned monopolies separately responsible for marketing, storage and handling, rail transport and port facility operations. The State Rail Authority was solely responsible for both rail infrastructure and operations. Today the grain supply chain is operated by private sector organisations whose primary responsibility is to their shareholders. Substantial deregulation has accompanied privatisation, enabling private sector participants to pursue both horizontal and vertical integration strategies. As a result, where legislation permits, grain marketing, storage and handling organisations have moved aggressively into grain marketing, road and rail transport and port operations and operations outside NSW

3.2 Ports strategy

Alternative port facilities available for grain exports have also been vertically integrated into the grain logistics chain by competing grain handling and storage companies. With common ownership of interstate port facilities, state boundaries are becoming less relevant in determining the flow of grain to ports. 'Least cost pathways' have developed where more southern NSW grain is exported through Melbourne or Geelong and northern NSW grain through the port of Brisbane. Export grain facilities at Newcastle, Port Kembla and Brisbane are now owned by GrainCorp. An export terminal in Melbourne (Appleton Dock) is jointly owned by the Australian Bulk Alliance (ABA) and AWB(L) and operated by ABA.

3.3 Storage and handling infrastructure

New Storage and handling infrastructure is owned and operated by the Australian Wheat Board Ltd (AWB(L)), GrainCorp and the Australian Bulk Alliance (ABA), and includes approximately 218 up country silos, sub-terminals and ‘super sites’;



NSW country rail system including the location of restricted grain lines

Most of these competing receival sites (including Oaklands) are located on rail lines currently on broad gauge (recently the Victorian Government announced the standardisation of this line). The sites receive grain from trucks on the road network and out load it onto trains for transport to ports, and domestic silos. The efficiency and capacity of these sites varies considerably.

3.4 New storage facilities

GrainCorp, the AWB(L) and the ABA (Australian Bulk Alliance) have all invested in upgrading existing grain storage facilities and construction of new storage facilities – “super sites” - with much of this investment driven by competitive and cost reduction strategies. Investment in storage facilities includes construction of rapid rail outloading capability which attracts rail freight discounts. Fourteen super sites have been established by the bulk handling companies to accumulate grain at locations where it is economic to transfer it efficiently and quickly from trucks (generally high capacity Road trains or B-doubles) to high capacity trains for direct haulage to ports. The influence of these sites can extend for a radius of 30 km, up to 100 km.

The reduced grower costs associated with these facilities will encourage growers to transport their grain over longer distances by road before delivering to new or upgraded storage facilities on the rail network. There is an expectation that the number of silo facilities in regional NSW will consolidate over time due both to age of facilities and the

need for faster rail outloading. According to the Association (Green Paper, page 10), the shift to larger sites has also contributed to rationalisation of smaller silos.

Increased supply chain competition and integration have reduced transport and storage costs, benefiting grain producers. Growers have taken opportunities to reduce costs by choosing to deliver grain to least cost receival facilities, and grain storage and handling companies have obtained lower prices for rail transport by consolidating loading to gain from economies of scale.

3.5 Rail infrastructure

Government-owned Rail Infrastructure Corporation (RIC) owns all rail tracks in the State. Responsibility for 'below rail' rail infrastructure was 'vertically separated' from 'above rail' train operations in 1996. RIC has designated five classes of rail track according to locomotive and wagon axle mass and speeds permitted to operate. Lines in classes 1-2 (heavy haul, mainlines and secondary mainlines) are able to accommodate main line locomotives and comparable rolling stock at speeds up to 100 km. Class 3 tracks (branchlines) are generally adequate for light axle loads at up to 80 km/h or heavier locomotives at lesser speeds. Lines in classes 1-3 comprise approximately 6,000 route-km of track and carry grain and other freight.

There are major grain receival facilities on these lines including sub-terminals, 'super sites'. In 2001/02, they carried 21.1 billion GTK (gross tonne-kilometres) of which grain was 23% (4.9 billion GTK). RIC charges train operators for the use of rail infrastructure. These 'access charges' are based on prices for each tonne-kilometre of usage. Income from these charges is insufficient to meet its total expenditure on maintenance, operations and capital charges, and is substantially supplemented by the State Government to cover the cost of operating portions of the rail network as a 'Community Service Obligation.'

3.6 Restricted lines

Long term neglect though a lack of maintenance and upgrade expenditure has led to significant portions of the network being down graded to class 4 or class 5 track. Tracks in classes 4-5 are 'restricted lines' able to carry only partly loaded trains and light axle load locomotives at low speeds. This reflects the design and the age of the track.

Restricted lines compete with road hauls to the mainline network, not to the ports. As junctions between restricted lines and mainlines are generally several hundred kilometres from the ports, it is usual for trucks competing with rail to deliver grain to silos on mainlines. Grain is virtually the only traffic on most of these lines, but they accounted for only 4% of all grain carried in that year. None of these lines carried more than 170,000 tonnes p.a. (around 85 full trainloads or 4,400 truckloads), and the average was 88,000 tonnes (around 44 full trainloads or 2,300 truckloads).

According to information supplied to the Grains Industry Advisory Committee ('GIAC') in 2004, by RIC, the average cost of maintaining restricted lines in the five years prior was approximately \$13,600 per route-km p.a., and equivalent to \$1.10 per tonne carried. These costs reflect a routine 'fix-when-fail' maintenance policy rather than major periodic maintenance or renewals works. This continual 'patch-up' strategy is relatively costly in financial terms compared with the results achieved, because the assets are at or near life expiry.

The condition of restricted lines has been gradually deteriorating, and investment is required for these lines to remain operational. The current fix-when-fail maintenance strategy cannot sustain these lines in a fit-for-purpose condition. To remain in service they must be restored by more intensive works, and adoption of a periodic preventive

maintenance regime going forward. While this would substantially reduce future maintenance costs to around \$5,000 per km per year on class 5 track, according to RIC in 2004, the return on required expenditure would fall far short of a commercial justification for the upgrading works required.

Cost recovery from these lines by the Rail Infrastructure Corporation is very low – approximately 3% of total maintenance costs. Most track in country NSW, other than the Hunter coal system, is directly or indirectly subsidised. The level of cost recovery from ‘restricted’ lines is much lower than the average, and is unlikely to change even if there were substantial percentage increases in tonnages. This reflects the very low traffic density on these lines as well as their poor condition and restricted operations. An increase in access charges to assist with funding restoration costs or to cover a significantly greater part of current infrastructure costs would make train operations uneconomic. On the other hand, for lines where profit margins from train operations are negative or marginal, it is unlikely reductions in access charges would affect rail freight rates and therefore it is unlikely they would attract more tonnes to rail.

Access charges paid by train operators for use of these restricted lines reported to GIAC in 2004 averaged approximately \$0.4 million p.a. over the previous 5 years, compared with a cost of \$14.7 million to maintain them. Cost recovery ranges from less than one percent of annualised costs to a maximum of only 6.3%. The ‘dollar’ level of losses from maintenance of these tracks averages \$10.80 per tonne carried and is more than \$20 per tonne on several lines. The rate of cost recovery would improve somewhat if the lines were upgraded (excluding recovery of any upgrading costs) but would still remain very low (around 9% on average).

3.7 Road infrastructure

Road infrastructure is used by trucks to collect grain and bring it to receival sites. Competition among the sites may affect truck movement patterns and consequently the use and costs of specific roads. All roads are ‘open access’, with some route-specific vehicle restrictions. Road transport operators are all private firms, and there is strong competition within the trucking industry.

The type and quality of roads used by grain trucks vary from sealed highway standards to dirt roads. Grain trucks are major traffic on some local roads but only minor traffic on highways where there are many other trucks. Local, State and Commonwealth Governments are responsible for funding the construction and/or maintenance of roads. Commonwealth grants for Local Government roads are the most important source of funding, including for many roads used in the grain logistics chain.

Funding for each class of road (eg: local road) – is determined by ‘needs’ formulas and is independent of the quantum of revenue generated by fuel taxes and other charges on the use of specific roads. In contrast, rail access charges are levied on train operators directly for each journey on each railway line (measured as mass and distance carried, i.e. tonne-km).

The charges paid by truck operators for the use of road infrastructure are determined by the National Road Transport Commission (‘NRTC’). The NRTC determines levels of registration fees for major vehicle classes, which when added to revenue from State-based driver registration fees and a proportion of Commonwealth levied fuel taxes, most closely match road system costs attributed to each vehicle class.

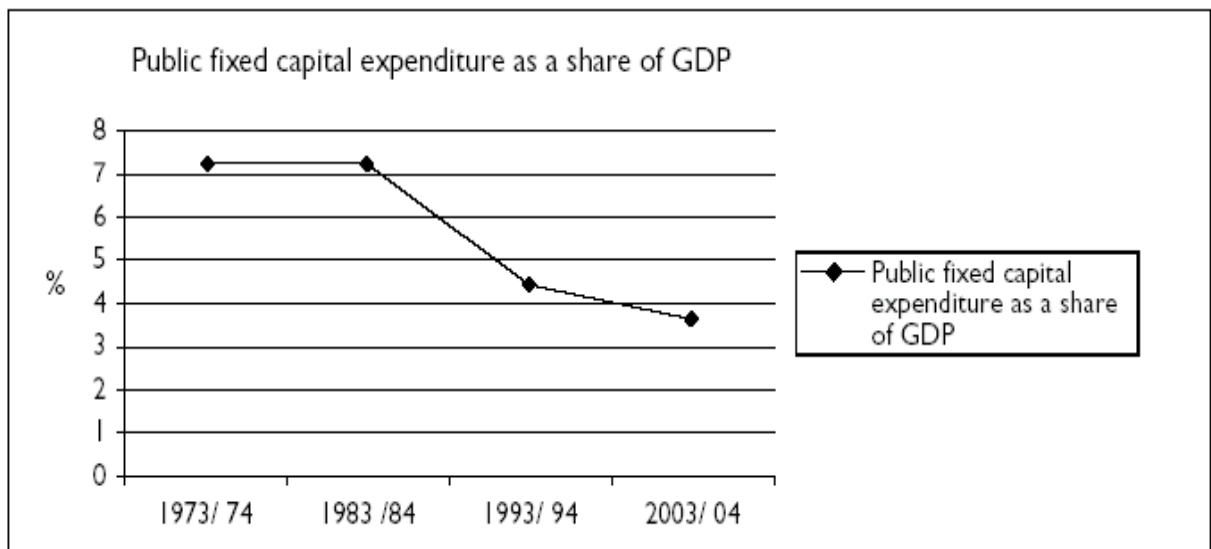
4. Costs of providing and maintaining road and freight rail infrastructure

Since the 1970s, investment in transport infrastructure has declined from about 7% to about 3.6% of GDP in 2003/4. Roads investment has fallen from 22% of GDP in the 1960s to 10% now.

In 2001, Engineers Australia provided national roads a grade of 'C' and railways a grade of 'D minus'. Also in 2001, the Australian Rail Track Corporation estimated that \$3 billion was required to bring the interstate rail network up to the Australian Transport Councils targets for speed, axle, load and train length. Overall it is estimated that Australia has underinvested in key areas of infrastructure by \$24.8 billion, with \$18 billion in road and rail.

Estimates of Australian public infrastructure and under-investment

Road	\$10 billion
Rail	\$8.06 billion



5. Improving trucking technology

Development of Road trains, B-double and B-triple trucks have lowered the cost of road transport for grain. Roads on which Road trains, B-double and B-triple trucks are permitted to operate now cover a significant part of NSW's grain producing areas. Lower road transport costs have provided the opportunity for growers to by-pass delivery to their local silo and capture significantly lower rail freight rates by delivering to mainline, sub-terminal or 'super site' silo facilities. It has been reported that producers at Coonamble, for example, can road haul to Narrabri and achieve net transport savings of \$7/tonne. The potential to truck grain to Narrabri sub terminal from outlying areas currently serviced by branchlines should be considered. The current storage capacity of sites on branchlines leading to Narrabri and Coonamble is in excess of 1 million tonnes or 40 000 single trailer trucks. This represents a truck unloading every 2 minutes, 24 hours per day for the 2 months of the usual northern harvest.

6. Evolving grain logistics strategies

Growers are free to direct the delivery of their grain to any receival facility, so receival facilities compete with each other to attract deliveries. Competition occurs by way of price, freight rates offered from the facility, and non-price factors such as opening hours and truck turn-around times. Faster outloading rates and lower cost – and freight rates – for mainline rail operations result in lower total costs for users of newer large receival sites. This also depends on factors that affect the speed of delivery faced by the grower, including:

- Harvest times and header speeds
- Segregations available at receival sites
- Information about queues at receival sites
- Daily capacity of sites.

Large bulk transfer and storage facilities have started to attract grain away from the traditional road/rail chain which collects grain from branchlines and delivers directly by way of mainline railways to ports.

The higher load-out rates, larger trucks and larger faster trains are reducing costs to grain handlers and to growers for grain haulage, transfer and storage along the chain.

Growers can benefit if the cost of a more lengthy delivery by road to a receival point with lower total 'chain costs' is less than the rail freight charge from the old to the new receival point. Each 'super' facility will compete with established older silos, using long-distance low-cost road deliveries.

As part of their competitive strategies, grain handlers are offering on-farm pick-up by truck. Rates offered include an initial 'flag fall' charge (for loading, unloading and the first 20 km) plus a variable rate per kilometre. This variable pick-up rate competes with the 'differences' between rail-based charges faced by growers at different receival sites. The result is that every silo or receival facility has an 'area of influence'.

The current 'area of influence' is said anecdotally to be 30 km to 100 km. The development of lower cost B-double trucks and road trains has lowered the cost of road transport for grain, potentially strengthening competition among the receival facilities. B-double and road train access is restricted however, from a large proportion of the grain producing areas of the State due to the inadequacy of bridges or higher operating costs due to deteriorated road conditions, due in part to overuse.

6.1 Structural changes to grain logistics

The major structural change experienced by the industry in the last 25 years would have to be the abolition of the regulated wheat export marketing arrangement and the sale of the State's 'above rail' network by FreightCorp to Pacific National. The industry has seen a large amount of on farm storage to maintain a moderate degree of control in a new and uncertain market of limited grain stores, due to unfavorable climatic conditions.

The synergies between GrainCorp and Pacific National have proved exceptional with the reasonably high demand for port access comfortably matched with half the existing rail fleet thereby achieving twice the efficiency. The Association and the industry await the outcome of the NSW State Government's Expression of Interest ('EOI') for the operation of the 4 to 6 branch line train sets to operate within NSW after 30 June 2009.

If GNC obtain this contract then they can continue to operate the rolling stock at the current optimal levels although with no immediate threat of competition for the already badly deteriorated below rail infrastructure and no guarantee from the NSW Government that the lines will be adequately maintained or indeed remain open. It would seem that the industry is being asked to accept a strategy to address the situation by offloading to private enterprise, who are unlikely to support a logistics network that, as it continues to deteriorate, will become less attractive without major capital outlays, and inevitably become redundant.

This indeed may lead to less competition in the movement of grain and in turn lessen Australia's competitiveness on the international grain marketing arena.

Open and unobstructed access to a renovated branch line system will be essential if we are not to be left with another State sponsored monopoly controlling logistics from the western edges of the grains belt for the remaining expected life of a very dilapidated infrastructure.

7. Future infrastructure options

The Association believes that reforms are necessary to achieve the most efficient, least cost and competitive handling, transport and shipping system possible, thereby making Australian agriculture a more effective and profitable competitor on the world market. The Association has been calling for the upgrade of regional grain freight network for over seven years and the Association urges the State and Commonwealth Government to take a long term view of the rail road network in undertaking this review.

The Association believes there should be no other option other than to focus investment on line improvement. The Association understands that at least for some of the lines, the cost differential between restoring and maintaining the line at Category 5 and improving the lines to standards approaching those of the mainline may not be great. The State has already seen a large reduction in the number of remaining operational branch lines to below that recommended in the Ministry of Transports, GIAC.

The Association urges the NSW Grain Freight Review Committee to consider the announcement made by the Federal Government to spend \$42 billion to stimulate the economy. An inland rail network would stimulate the economy and it would encourage the development of industry in regional and rural Australia.

None of the existing inland rail network will realize its full potential or efficiency until the port zones are linked with an inland rail link along the western freight corridor.

The Association strongly supports the development of the inland rail link from Toowoomba in Southern Queensland and Geelong in Victoria as it would improve the freight efficiencies throughout the east coast of Australia and help develop and establish a much needed network of inland intermodal transport hubs. Such a rail link would allow for the cost effective movement of grain and other freight to major facilities throughout the east coast of Australia, to be further shuttled by both road and rail. The Association believes the added efficiencies to freight logistics created by the development of the North South inland rail link would stimulate development of industry closer to the source of available raw materials and further stimulate the need for improving the standard of the restricted branch lines to feed both in and out of the North South inland rail hubs. The introduction of the road and rail hubs will create a clear understanding of the potential development of roads to accommodate larger more efficient trucks such as B-double and road train access throughout NSW.

Consideration may also be given to the idea of sharing the cost of redeveloping the restricted branch line by introducing an industry levy for grain dedicated to the road and rail network equally matched by both the State Government and Federal Government who are already funding Local Governments regional road repairs and maintenance.

The idea of network reduction has been flagged as a potential option since before the study of the network by GIAC in 2004. Since then there has been a continued closure of over 6 restricted branch lines from 15 to only 9 left in operation. This is in no way in the interest of stimulating the state's economy, nor the competitiveness of rural and regional NSW. The Association therefore could not support any further reduction to the existing network.

The idea of running a shuttle service, as recently adopted by GrainCorp In conjunction with Pacific National, is working well. GrainCorp has organised the 8 Pacific National main line trains to operate a 24 hour shuttle service from upcountry super site facilities, ensuring a placement of one train per access allocation every 24 hours. Meanwhile the 4 lighter branch line trains are operating continuously in conjunction with road transport to maintain a constant grain supply to the super site for the main line trains. The Association feels that continuing to use the lighter branch lines in their current state is an inefficient practice. If the restricted lines were improved to accommodate high speed heavy axial loads, competition amongst different rail operators would be increased. It is unreasonable to expect potential new participants on the rail network to have to invest in redundant rolling stock technology, and/or only partially load modern heavy load-carrying high speed wagons. Further investment would be required in special small locos to hook and pull these wagons as the high speed modern 81 class locos are too heavy for the restricted grain rail branch lines.

Acknowledgement

Australian Bureau of Statistics (2003/04) Agricultural Commodities (cat. no 7121.0)
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Committee for Economic Development of Australia, Infrastructure report April 2005
Grain Infrastructure Advisory Committee -Report on Rail/Road Options for Grain Logistics January 2004
"Australian Primary Industries-wheat" <http://rochedalss.eq.edu.au/wheat.htm>
Tackling the global food crisis-Professor Julian Cribb et al

Appendices

NSW Farmers' Association Transport Infrastructure Policy Statements

Rail infrastructure

AC 96 That the Association encourage the development of inland-based transport systems to enable Australia to competitively market goods internationally.

4 Mar EC That the Association lobby the Federal Government to:

- a) Fund the construction of the Inland Rail Route,
- b) Conduct a comprehensive review into road and rail freight movements in NSW to identify future infrastructure investment strategies; and
- c) In co-operation with State and Local Governments establish inland intermodal transport hubs.

B-double access

AC 99 The Association seek that:

- (a) "B" doubles and Road Trains be given access to all suitable roads in all shires in NSW;
- (b) funding to upgrade necessary roads that are not suitable.

AC 06 That the Association lobby the state government to bring roads up to B-Double standard in areas where silos have been closed.

Other

AC08 That the State Government assist private operators by any means necessary to provide essential infrastructure including loco motors and rolling stock to move grain on branch lines and from there to port.

AC 97 The Association believes that reforms are necessary to achieve the most efficient, least cost and competitive handling, transport and shipping system possible. For Australian agriculture to be a more effective and profitable competitor on world markets, reforms should be pursued.