

Issue

The NSW Farmers' Association (the 'Association') is seeking a commitment from the NSW Government to ensure the existence of an effective grain rail network as part of an overall integrated transport strategy for the movement of grain.

Furthermore the recent decision by Pacific National to withdraw their rail services for the transportation of export grain in NSW as from 31 March 2008 is of significant concern.

The Association is also seeking clarification about the status and future of the contractual obligations of the "Broadacre funds" which is the discount given to Pacific National Limited (PNL) when it bought the NSW grain rail network from the NSW Government.

Background

- Rail is used to transport a significant portion of the State's annual grain production.
- The use of rail for the transport of grain reduces the damage to rural roads and it improves community safety.
- Rail requires 25% less fuel to move a tonne of grain compared to trucks thereby reducing total fuel consumption and greenhouse gas emissions.
- The Association has worked together with other industry stakeholders for several years in order to address concerns regarding the NSW Grain Rail Network, particularly restricted branch lines and the broadacre project.
- Under an agreement with the NSW Government, Pacific National (formerly FreightCorp) has been required to provide a rail service for the transportation of grain in NSW.
- Last year Pacific National announced that they would reduce their export grain haulage operations to a 'bare minimum' due to financial reasons and they have recently stated that they will withdraw their rail services for the transportation of export grain in NSW as from 31 March 2008, therefore only maintaining some flour mill grain haulage contracts.
- In November 2007 the Australian Labor Party announced they would establish a high level Taskforce in order to identify a solution to involving public and private sector investment and open and fair access arrangements for the movement of grain by rail. The solutions developed by the Taskforce will be part of the AusLink 2 national transport funding package from 2009 to 2014.

Restricted Branch Lines

- The NSW rail network which services the grain industry is comprised of the following lines:
 - a) 'Main rail lines' (including the ARTC lines) which carry a range of products;
 - b) 'Class 3' branchlines, where grain is the dominant product moved;
 - c) 'Class 5' restricted branchlines with light gauge and pre-federation track. They are limited by low axle loads (19 tonnes maximum) and speeds (20km speed restrictions), and are predominately grain only lines;
 - d) 'Closed' branch lines where a small tonnage of grain is moved by road to a rail serviced silo (so called 'option 3' movements)
- Over the past 25 years the NSW rail network has been rationalised with the closure of 17 restricted lines. The closure of these lines has displaced more than 600,000 tonnes of grain from rail to road transport, equivalent to 24,000 truck movements per annum.
- In terms of the Class 5 restricted lines, there are currently 9 lines that could potentially be upgraded however they are in very poor condition. The closure of these lines would force 750,000 tonnes of grain onto road which is equivalent to 30,000 truck movements per annum.

- In 2005 GHD was commissioned by the Ministry of Transport and they found that it would cost \$140 million to upgrade the remaining 9 branch lines *without* replacing the light gauge track.
- In 2006 ARTC was commissioned by GrainCorp and they found that it would cost \$165 million to upgrade the 9 branchlines (if cascaded track and sleeper plates were provided at no cost) and this included the replacement of the light gauge track.
- Stakeholders in the NSW grains industry lodged a proposal with the NSW Government in 2007 for a joint funding model that would allow a sustainable rail network for the haulage of grain. However the Association has been advised that proposal has been rejected by the NSW Government due to the funding required to implement the proposal.

Broadacre Project

- The Broadacre Project was a strategy of Pacific National Limited to secure long term contracts for the haulage of export grain and to improve the efficiency of the grain supply chain.
- In 2001, FreightCorp signed community service obligation contracts with the Department of Transport (now Ministry of Transport) to confirm the Broadacre Project. There were two components to these contracts, as outlined below.
- The Works Deed imposed the following obligations on Pacific National Limited ('PNL'):
 - a) funding the design, construction and commissioning of two Grain Consolidation Facilities;
 - b) purchasing and commissioning 315 new grain wagons; and
 - c) upgrading 800 existing grain wagons.
- The Grain Haulage Services Deed imposed the following obligations on PNL:
 - a) Service every silo on the NSW network;
 - b) Provide capacity up to an agreed level for export and domestic grain movements; and
 - c) Hold prices within capped levels.
- The Auditor-General's Report to Parliament 2007 – Volume Five states that '*obligations relating to the construction of grain consolidation facilities (GCF) and the acquisition of a further 210 high capacity wagons has been deferred.*'

Actions Undertaken by the Association

- Written to the NSW Minister for Transport, Hon John Watkins
- Written to the NSW Minister for Primary Industries, Hon Ian Macdonald
- Meeting arranged with NSW Country Labor Caucus
- Meeting arranged with NSW Parliamentary Upper House Cross Benches
- Meeting arranged with NSW Shadow Minister for Primary Industries
- Meeting arranged with Ministry of Transport
- Discussions with Local Government and Shires Association as well as Country Womens Association
- Discussions with grains industry stakeholders
- Media releases and interviews

What the Association is Seeking

- A commitment from the NSW Government to ensure the existence of an effective grain rail network as part of an overall integrated transport strategy for the movement of grain.
- Clarification about the status and future of the contractual obligations of the "Broadacre funds" which is the discount given to Pacific National Limited (PNL) when it bought the NSW grain rail network from the NSW Government.