

Submission on behalf of:

Wheatbelt Railway Retention Alliance

Representing 100,000 people in 26 member Local Governments of:

Beverley; Bruce Rock; Corrigin; Cuballing; Cunderdin; City of Fremantle; Dumbleyung; East Fremantle; Kondinin; Koorda; Kulin; Lake Grace; Merredin; Moora; Mount Marshall; Mukinbudin; Mundaring; Narembeen; Narrogin Shire; Nungarin, Quairading; Town of Narrogin; Trayning; Wickepin; Yilgarn; York.

With support from 14 groups and individuals:

**Australian Association for the Study of Peak Oil and Gas
Curtin University Road Accident Research Centre
Farm Power Pty. Ltd.
Fremantle Road to Rail Group
Helena Valley Estate Resident Association
Mount Helena Residents & Ratepayers Assoc. (Inc.)
Narrogin Environmental Action Team Inc.
Professor Peter Newman
Professor Stephen Powles
RACWA
Roadside Conservation Committee
WA Farmers Federation - 17 Affiliated Zones state-wide
Wheatbelt South WALGA RoadWise Programme
Wildflower Society of WA**

The Wheatbelt Railway Retention Alliance was formed in December 2010 bringing together Local Government, WA Farmers and many groups with the overwhelming agreement that the grain freight task must remain on rail, for a safe, efficient path to port for an important export commodity. Rail is vital for the safety of our communities and for the viability of the grains industry, which is the back bone of Wheatbelt towns and the economy.

The Western Australian Rail Freight Lease Agreement is a flawed document, it CANNOT be allowed to continue in its present form.

IT IS VITAL THAT THE PRESENT SITUATION IS NOT ALLOWED TO CONTINUE

Financial cost to WA:

An Independent Economic Impact Study is needed:

- The Economic and Industry Standing Committee (EISC) Report Ian Blayney October 2014. Showed a Brookfield profit of \$187 million. Since then Tier 3 has closed; access fees have increased. Brookfield profits taken out of WA could be in excess of \$200 million per year, for an initial one off investment of \$320 million.
- An estimate of the potential cost to WA's Grain's Industry was done for a submission for the EISC report showed around \$500 million cost per year to WA. This was just the wheatbelt grains industry. The cost to mining and other industries is unknown. What is the real cost to WA's economy?
- Brookfield relinquished eastern states rail in the Asciano deal in order to retain its control over WA rail. This indicates the value of WA rail profits to Brookfield.
- The Rail Freight Lease Agreement has seen:
 - Increased Rail freight costs;
 - increased road maintenance;
 - increased city congestion;
 - increased local government rates;
 - reduced grain prices (Albany) due to delivery problems to port. This was estimated at \$250 million cost to grain producers in one year.
- Mothballed mines could be more viable and re-opened if freight costs could be reduced – freight to port is an end cost for export industries.
- The WA Rail Freight Lease Agreement has resulted in an inability to plan ahead for any of the export industries – rail freight is a vital transport artery for the large State of WA.

The WA Grain Freight Lease Agreement is stifling progress and the WA economy – doing nothing is not an option. Tier 3 is just the tip of the iceberg and an example of the future for the entire WA Rail network.

The Agreement protects & guarantees corporate profits, at the expense of WA tax payers, export industries, community safety. A vital state asset is deteriorating.

Roads:

- How much has the State Govt spent on Wheatbelt roads since the Strategic Grain Network Report? – it will without doubt be well over the budgeted amount.
- Shackleton - Bruce Rock Road for example was in need of repair just 3 weeks after initial "liquorice" widening strip, it is now an annual repair job. This is replicated all over the Tier 3 area and is also impacting road in the Tier 2 Miling Line area.
- **Road maintenance and upgrade costs will be ongoing and heavily impacts State and Local Government budgets. The present situation is NOT sustainable.**

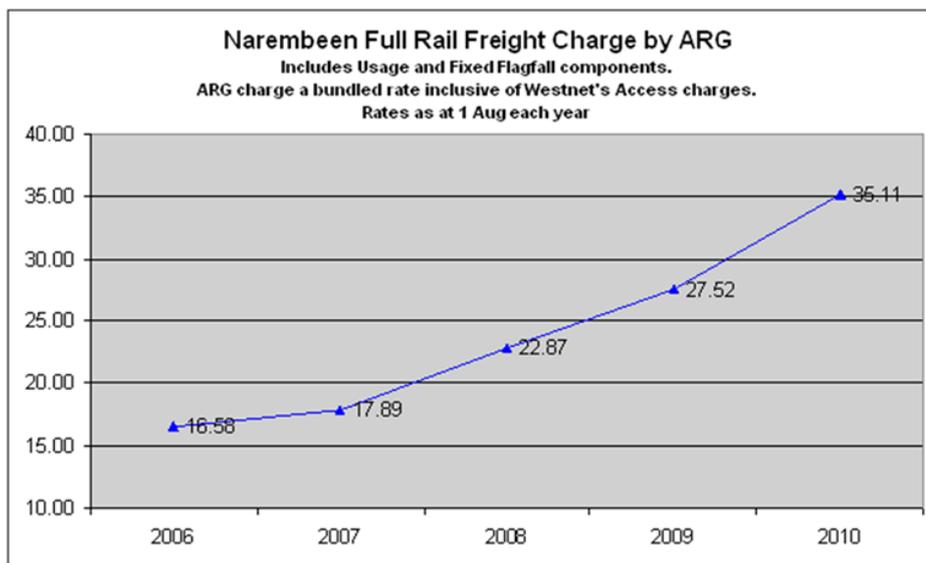
- The wheatbelt roads have the highest road toll in the nation. This road toll/road safety issue cannot improve while the grain freight task continues to damage wheatbelt roads. Governments must address the Rail Freight Lease Agreement in order to tackle the issue of road trauma.

Brookfield: Rail Management:

- **Steel sleepers** – Brookfield has the sole distribution in WA. On the Tier 2 Miling line every second sleeper is steel. Brookfield has now earmarked this line for closure. Steel sleepers sink into the gravel ballast whilst wooden ones remain on top of the ballast, causing rail to eventually break, this was also Brookfield’s maintenance plan for Tier 3. The CEO of Brookfield Rail, Paul Larsen, stated that it is not possible to use wood and concrete sleepers together so steel should be used with wooden sleepers, however, we now know that there are other lines where concrete and timber sleepers are used together successfully. Why did Paul Larsen say it was not possible to use concrete and wooden sleepers together, this is obviously not the case? Is this vested interest, steel sleepers being more profitable for Brookfield? Where are the checks to ensure tax payer’s money spent on maintenance is sensibly spent?
- **No transparency in repairs to rail.** The Blaney report identified the PTA’s “light touch” management approach. Following the strategic grain report the Federal Government provided \$135 million for rail upgrades and maintenance – **Brookfield took 20% of this money as a management fee** and contracted the work to John Holland. How much of the taxpayer funds are actually spent on rail maintenance? How much leaves WA in “management fees” increasing shareholder dividends? Is the money which is spent on maintenance being spent wisely?
- **Brookfield graph shown to the WRRRA in January 2013** illustrated Brookfield’s business model for the rail network: They require an injection of funds (Taxpayer funds), run down of track until more funds requested from Government – every 7 - 10 years. Access fees are increasing and performance levels are declining.
- **Access costs too high** – WA Salt Company now send all salt (approximately 130,000 tonnes each year) to port by truck alongside standard gauge rail, due to 56% increase in rail freight charge. (See Blayney Report Karara Mines).
- **Splitting trains – York Bridge** – prior to closing the Quairading line Brookfield mandated that all trains must be split in half to cross the York bridge. With the present situation the PTA does not require Brookfield to provide evidence justify these decisions, which impact significantly on the cost and efficiencies for rail access users.
- Were costs increased (eg. Train splitting, speed restrictions and heat restrictions) to push for closure? The ongoing delays and drawn out negotiations could make it increasingly difficult to reopen the lines – the matter is becoming urgent. Delays enable Brookfield to maintain their monopoly.
- **Stranded assets for growers/CBH – wheat bins and rapid rail out loading facilities paid for by growers’ have become stranded assets due to closures of Tier 3 rail.**
- **Brookfield have imposed 15 speed restrictions on Standard Gauge between Merredin and Kalgoorlie, making the journey an hour longer; increasing fuel usage.** Increased cost to users, reduces maintenance for Brookfield. Trains that can do over 100 kph are reduced to 20 kph in places, usually at the bottom of a hill, thus losing momentum to get up the hill.

Monopoly Power: Abusing Monopoly Power: ACCC?

- **With the current lack of transparency, is there an opportunity for Aurizon and Brookfield to act in cartel manner?**
- Strategic Grain Network Report – Brookfield and Queensland Rail (QR now Aurizon) travelled together to meetings. There was no transparency or breakdown of the rail usage access fees. Tier 3 prices spiked up by up to 118% over 4 years on lines they wanted to close (Tier 3).



- QR (now Aurizon) told a WA Farmers Conference they wanted fewer grain receival points to service, thus transferring costs to growers by requiring them to transport grain further and to governments to maintain roads. Thereby privatising the profits and socialising the costs.
- Merredin Transfer Fee. Prior to the lease of the rail there was a 60 year agreement for government to cover the cost of transferring grain from narrow gauge to standard gauge in lieu of the construction of narrow gauge lines from Northam to Merredin.
- Following the Rail Freight Lease Agreement growers were charged the transfer fee, it has never been refunded. \$20 – \$30 million is owed to growers delivering on T3 transferred at Merredin (researched by Philip Gardiner former MLC).
- **Aurizon Monopoly:**
 - **freehold ownership of marshalling yards.** Aurizon are able to have complete control of their freehold owned areas, preventing competition or increasing costs to competitors.
 - **Free hold ownership of WA Salt Loading facilities.** No one else is allowed to use them, not even WA Salt to load their own trucks.
 - **Freehold ownership of turntable Merredin** – cheaper to take train to Kalgoorlie and back than to use the turntable in Merredin.
 - **Freehold owner ship of unloading at port at Fremantle.**
- **It appears that Aurizon and Brookfield want to maintain Monopoly and ability to price gouge.**
- **Brookfield required CBH to remove all trains from the WA rail freight network** on April 30th 2015, during negotiations over access fees. CBH was required to agree to increased access fees of \$6 million before they could return their trains to the network. Any cost to CBH is a direct cost to the growers as CBH is a grower owned cooperative. **Brookfield's monopoly gave them the power to close an entire rail network** to a single customer in order to drive up prices and at enormous cost to the grains industry.

- There should be penalties and costs to the rail lessee for not meeting the needs of a rail access customer **There were no consequences for Brookfield for closing the rail network, instead an increase in income of \$6 million.**
- Brookfield will not consider CBH offers to sub lease or purchase Tier 3 rail which has been closed by Brookfield. CBH made offers 2014 and 2015.
- **ALL COSTS INCURRED BY CBH ARE COSTS PAID BY WA GROWERS. CBH is a grower owned cooperative NOT a foreign corporate.**

Summary

- While the present lease agreement is in place the outlook is grim – what will be situation in 2049 when the agreement ends? Problems had already arisen by 2007, seven years after the lease agreement commenced. Tier 3 Rail is now closed, the Tier 2 Miling line is threatened with closure; The performance of rail deteriorating; cost of rail access increases; road network deteriorating; road trauma increases; road repair costs blow out.
- There have been problems since 2007 and 10 years later minimal progress has been made. Arbitration is set to end Sept 2017 but could take a further 6 – 12 months. The whole problem is too slow.
- The agreement does not facilitate any efficient mechanism to resolve disputes or problems. ERA does not have any real power to bring about a long-term solution.
- **Huge mess at huge expense.** CBH/growers could have fixed the rail with the money being spent on arbitration and the negotiations over the last decade. The industry has been in limbo and unable to plan ahead during this period.
- Grower Assets are stranded; roads are deteriorating; road toll statistics are the highest in the nation; road repair and maintenance budgets are impossible to sustain. Roads in the Wheatbelt were engineered 50 – 60 years ago and are not fit for purpose.
- The Rail Freight Network Lease Agreement is at a **cost to all export industries.**

Possible solutions:

- Problematic changes to the lease agreement were made confidentially in July 2010. Can these changes be reversed?
- Speak to people who have experience in repairing and operating rail networks. Advice should be sought from organisations other than Brookfield and Aurizon.
- Repair washouts at Shackleton & Traying to provide an alternative rail route if there are problems on the standard gauge. This would also provide an opportunity for tourism similar to the Hotham Valley train.
- Increase rail usage, back loading, fuel, fertilizer; lime, tourism particularly in the winter.
- **Hand the matter to ACCC**
- **Act on recommendations from the October 2014 EISC report.**
- **Use Royalties for Regions funds for rail to improve Rural development.**
- **Can the Minister for Transport team up with the Minister for Agriculture and Rural Development to sort this mess out?**

More Key Points

- The Rail Freight Lease Agreement and its' management in the present form is stifling the WA economy.

- For 10 years the Central Wheatbelt has been unable to plan ahead for a safe, efficient, path to port for its vital export grains industry. Grain storage bins, future strategy has been on hold – (Miling bin is an example).
- There are stranded assets; damaged and dangerous roads, increased freight rates; increased road damage and associated costs; the worst road toll in the whole of Australia.
- The mining industry is also severely affected.
- How much more employment would there be, how much more investment in to our export Industries, if the rail freight access fees were reduced making WA more internationally competitive.

IT IS VITAL THAT THE PRESENT SITUATION IS NOT ALLOWED TO CONTINUE & TO IMPACT ON:

- **THE ENTIRE STATE;**
- **ITS ECONOMY;**
- **ITS EXPORT INDUSTRIES;**
- **ROAD SAFETY;**
- **CITY CONGESTION;**
- **STATE GOVERNMENT BUDGET;**
- **LOCAL GOVERNMENT BUDGETS;**
- **EXPORT INDUSTRY ABILITY TO COMPETE INTERNATIONALLY.**

Could investment and competition in rail freight help get the budget back on track??

LATEST NEWS

Numbers point to tough year ahead for WA

Deloitte Access Economics has foreshadowed a bleaker outlook for the state's economy in the coming year than that predicted by the WA Department of Treasury in December.