

Petition No. 166 - Closure of Tier 3 rail lines

Submission to the Standing Committee on Environment and Public Affairs regarding the issues raised in petition No 166. 23rd September 2020.

The petitioners are opposed to the closure of Tier 3 rail lines. This issue has crossed all social and political boundaries, bringing together people from all walks of life, crossing city/rural divides, all united in the pursuit of reopening Tier 3 rail lines.

Grain growers in Western Australia produce, depending upon seasonal conditions, an average of 12 – 16 million tonnes of grain. **The grain freight task is increasing**, with increased hectares planted, a reduced sheep flock, improved research, breeding and technology, it is anticipated that a 20 million tonne grain production will soon be achieved. Approximately 90-95% of WA's grain production is exported and must be transported to port at either Geraldton, Kwinana, Albany or Esperance.

Tier 3 lines are predominately in the Kwinana Zone, with less kilometres of closed lines in Geraldton and Albany port zones. The Kwinana port zone produces close to 50% of the State's grain.

To fully understand the impact of closure it will assist to understand the history behind the positioning of CBH grain receival and storage sites. CBH a grower owned co-operative began in the Kwinana port zone in the 1930's. Receival sites and storage bins were built on rail lines for ease of loading and for the most efficient path to port, acting like a river flowing to port, for the grains export industry. In the Kwinana Zone the roads have been built for smaller trucks, in the main Rav 4 standard roads, not adequate for the grain freight task.

1. Closure of Tier 3 rail lines has transferred costs to WA export industry, taxpayers and ratepayers and impacting upon road safety and the environment.

The closure of Tier 3 rail lines has forced in the region of 2 million tonnes of grain, depending upon the seasonal conditions, to be transported by road to alternative destinations, in order to reach port for export. Depending upon the annual production, this is an increase of between 65,000 and 88,000 extra truck movements on an inadequate road network.

For every action there is a reaction. Closure of Tier 3 rail lines has resulted in:

- Increased freight costs for grain growers.
- Increased cost to growers with stranded assets and build of duplicate storage (e.g. Brookton)
- Increased truck movements on city and rural roads.
- Increased damage to roads, crumbling edges, foundation collapse etc.
- Increased costs for road upgrades.
- Increased costs for continual and ongoing road maintenance.
- Increase environmental impact.
- Increased carbon footprint.
- Increased amount of truck tyres to be disposed of.
- Increased danger on rural roads for all other road users.
- Reduced efficiency for the freight path, impacting on shipping slots.
- Reduced ability for the grains industry to be internationally competitive.

Rail is proven to be a more efficient, safer, cleaner, form of transport for large freight tasks over long distances. Whilst the rest of the world invests in rail and moves forwards into the 21st century, Wheatbelt rail lines have deteriorated and closed, taking the grains export industry freight task efficiency backwards, as a result of the actions of the rail network lessee and poor management of the Rail Freight Lease Agreement.

We acknowledge and congratulate the WA Minister for Transport Hon Rita Saffioti for commissioning the engineering report on Tier 3 rail lines and ask that a pre-election commitment is made to upgrade and re-open Tier 3 rail lines.

- 2. We ask that the State Government ensures transparency in all future contracts relating to rail line access so that less powerful users are not disadvantaged.**

There is a consistent lack of transparency in issues relating to the lessee's management of the rail lines within the lease agreement. The lack of transparency was highlighted in the Economics & Industry Standing Committee Ian Blayney Report tabled in October 2014.

The ongoing issues with confidentiality clauses are further highlighted by the lengthy arbitration process, between CBH and Arc/Brookfield, 5 years from 2014 to November 2019. CBH is a grower owned cooperative, all costs incurred by CBH are paid by growers. The Arbitration process was prolonged and expensive, yet the outcomes of this costly exercise are confidential, growers who foot the bill are not allowed knowledge of the outcomes. Growers continue to pay for access to Tier 1 & Tier 2 rail lines covered by arbitration, CBH are not able to give information to their grower owner shareholders, which goes against the cooperative principles. This is unacceptable.

Tier 3 lines were not included in the Arbitration outcome. It is considered imperative that any future agreements concerning Tier 3 rail lines be open and transparent. The rail lines are a state-owned asset, taxpayer funds built the rail, taxpayer funds have gone into repair and upgrades of lines. A foreign owned company leasing the state-owned asset must not be allowed to hold WA export industries to confidentiality clauses relating to access of a state owned, taxpayer funded asset.

- 3. We ask that the State Government explores options to return the control of Tier 3 lines to the State when the lessee declares them to be uneconomical.**

The Corridor Land and Leased Railway Infrastructure is owned by the State. The original Lease Agreement stated that rail lines not in use by the lessee should be handed back to the state government in the initial condition.

The lessee has made it clear for over a decade that they did not wish to maintain and operate the leased infrastructure.

Finding 12: Strategic Grain Network Committee Report 16/12/2009 "Tier 3 lines in the Kwinana South Zone are not competitive with road transport and during 2010 rail services will cease to operate on them regardless of actions taken by governments"

Freight rates on Tier 3 lines increased by up to 118% over 4 years 2006-2010 making them "appear" uneconomical. Introduction of CBH/grower owned trains in 2012/13 reduced freight rates by 32% at Narembeen. This, along with unsustainable increasing road maintenance costs, indicate that the decision to close Tier 3 lines was based on flawed information.

Tier 3 Rail is a vital artery for the health of the WA grains export industry, WA communities, the WA economy. Control of the closed Tier 3 rail lines should be returned to the State. The closure of Tier 3 lines has transferred costs to other sectors without regard to the far-reaching consequences.

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21st October 2020.