

**ECONOMICS AND INDUSTRY
STANDING COMMITTEE**

**INQUIRY INTO THE MANAGEMENT OF
WESTERN AUSTRALIA'S FREIGHT RAIL NETWORK**

**TRANSCRIPT OF EVIDENCE
TAKEN AT BRUCE ROCK
TUESDAY, 27 MAY 2014**

SESSION ONE

Members

**Mr I.C. Blayney(Chair)
Mr F.M. Logan (Deputy Chair)
Mr P.C. Tinley
Mr J. Norberger
Mr R.S. Love**

Hearing commenced at 1.02 pm**Mr STEPHEN STRANGE****President, Shire of Bruce Rock, examined:****Mr DARREN MOLLENOYUX****Chief Executive Officer, Shire of Bruce Rock, examined:****Mr NATHAN BUEGGE****Councillor, Shire of Bruce Rock, examined:****Mr DONALD HEASMAN****Councillor, Shire of Bruce Rock, examined:****Mrs MARGARET FOSS****Councillor, Shire of Bruce Rock, examined:**

The CHAIR: On behalf of the Economics and Industry Standing Committee, I would like to thank you for your appearance before us here today. The purpose of this hearing is to assist the committee in gathering evidence for its inquiry into the management of Western Australia's rail freight network. You have been provided with a copy of the committee's specific terms of reference. At this stage I would like to introduce myself and the other members of the committee present today. I am the chair, Ian Blayney, the member for Geraldton, and next to me is the deputy chair, Hon Francis Logan, who is the member for Cockburn. I have my fellow members, Jan Norberger, the member for Joondalup; Shane Love, the member for Moore; and Peter Tinley, the member for Willagee.

The Economics and Industry Standing Committee is a committee of the Legislative Assembly of the Parliament of Western Australia. This hearing is a formal procedure of the Parliament and therefore commands the same respect given to proceedings in the house itself. The committee welcomes those members of the public who have come to listen to the hearings, and I ask you to also respect these proceedings and the witnesses who have come to provide evidence today. To allow the evidence to be heard and to assist Hansard, I ask that you refrain from making comments throughout the hearings. Those who choose to disrupt the proceedings will be asked to leave, although I suspect that might not be necessary.

Even though the committee is not asking witnesses to provide evidence on oath or affirmation, it is important that you understand that any deliberate misleading of the committee may be regarded as a contempt of Parliament. This is a public hearing and Hansard is making a transcript of the proceedings for the public record. If you refer to any documents during your evidence, it would assist Hansard if you would provide the full title for the record. Before we proceed to the inquiry's specific questions we have for you today, I need to ask you the following. Have you completed the "Details of Witness" form?

The Witnesses: Yes.

The CHAIR: Thank you. Do you understand the notes at the bottom of the form about giving evidence to a parliamentary committee?

The Witnesses: Yes.

The CHAIR: Did you receive and read the information for witnesses sheet provided with the "Details of Witness" form today?

The Witnesses: Yes.

The CHAIR: Do you have any questions in relation to being a witness at today's hearing?

The Witnesses: No.

Mr S. Strange: Actually, Chairman, I did have one question. With regards to the other members on the panel here and their involvement with the hearing, they have a lot of very good evidence to give to this committee: What is the process? Is it directed through me? I did ask the question a little earlier, but I just wanted to get an understanding. Is it through me and I delegate, if they have a comment to make?

The CHAIR: Actually funnily enough, it is not really something that has ever arisen before because what tends to happen is that we will ask a general sort of question, and whichever of you feels that that is your question to answer, generally people step in. But given that most of our witnesses tend to have a hierarchy or a pecking order amongst them—this is person is an expert on this and that person is an expert on that—they sort it out for themselves.

Mr S. Strange: We will work that out; thank you.

The CHAIR: The structure is not that you are there to delegate as to who answers questions. It is pretty much whoever feels comfortable answering a question is the one who answers it.

Mr S. Strange: Okay.

The CHAIR: If someone else chooses to follow on and add a bit more evidence that they think has been missed out, that is fine. It is not one person's question; basically, anyone can chip in, but just be aware of the fact that you are using up your own time. I would also draw your attention to the fact that if there is—and I will say it at the end—a case that you feel that we have missed something, you want to provide supplementary evidence afterwards; or we can send you extra questions, if we feel we have not got around to asking you all the things we want to ask. It is quite an open sort of process. We want as much information from you as we can get. Do you have an opening statement to make to us?

Mr S. Strange: Yes, I do.

The CHAIR: Yes, please go ahead with that.

Mr S. Strange: First of all, welcome to Bruce Rock and thank you very much for choosing Bruce Rock. I think it is extremely relevant, considering the situation at this point. Our submission is oral. It is giving you some history on Bruce Rock and then perhaps moving into the grain movement—part of it. But also we are hoping through the questions and perhaps the evidence that can be given by my colleagues, that that will fill in a few blanks on how we see things panning out in the future as well, and perhaps some solutions through this.

Bruce Rock itself has a very proud 100-year history. A very sound production area; very consistent, but, having said that, we also have been affected quite harshly in the last 10 years. It is a grain and livestock area. Certainly over the last 20 years, it has tended towards grain production. In this area, we have a storage capacity and it does vary considerably, depending on grain weight and who is filling the facilities, but there is around about 340 000-tonne capacity either in the shire or neighbouring the shire. Of course, that is a fair bit of grain to move. Last year was the record year by far, and we actually saw a culmination of science and technology that has evolved, probably over the last 15 years, come to the fore, where we really have had up and down seasons and we have not seen that come out in production since. So I think last year, we did see what is possible in areas such as Bruce Rock, and many in the wheatbelt are very, very similar to us. When I talk about that, I am talking about water usage rates and kilos of grain per millimetre of rain. Full credit to the new generation of farmers coming through; they have grasped the technology and science and they are seeing the benefits of this. So what we can see now is with less than average rain, we can grow at least an average crop. So I would not like any of the committee members to think if it is a dry year,

the wheatbelt or Bruce Rock is not able to perform; it is quite the opposite. With the low rain and the way we manage our water—our soil moisture—certainly, we are able to produce an average crop.

[1.10 pm]

Of course, most people probably are not aware on this panel, this year is shaping up to be better than last year. We have had a better start than last year. If we have a dry spell during the winter, we are able to get through it a lot more comfortably, and the end part of the season is the most important to grain growing areas—the finish. So we believe that we are sitting in the box seat for a very, very good season this year and, of course, that amounts to tonnes of grain and the movement of that grain. With that and, we believe, over the next probably five to 10 years, with the rainfall even below average, we are on the cusp of something pretty special in grain growing, and with the evolution of the new techniques and the science and technology I have mentioned, I believe we could lift our grain production probably in the realms of 15 per cent or so very quickly. I think on the evidence from our dry years, we can prove that.

Moving on to the transport side of that, certainly from a local government perspective, we have always had a very good relationship with CBH—the grain storage group. A lot of our planning and infrastructure, our costs, if you like, are put towards the grain freight networks from paddock to bin. It has been our priority to look at that, and we believe in the shire we have done that pretty well. CBH have changed their model a little bit over the last, probably, five to 10 years with strategic points, what commodities they take. In the last two years, we have got a grain optimisation area where it allows farmers to optimise their average loads into a higher grade. Now, from a logistics point of view, it can be quite difficult if a particular bin does not take that higher grade. You can only optimise to whatever the grade that receival point takes. That has probably given us a challenge again in that you may have a receival point only a few kilometres from your farm, but have to drive past that site for an extra 15, 20, 30 or 40 kilometres to deliver that grain. But, again, the local government has taken that challenge up, and we are working with CBH for a positive outcome.

Certainly the biggest issue is from receival point to port. What we have seen, particularly through the tier 3 debate, if you like—not only tier 3; tier 2 as well—is confusion and some chaos, and, at the end of it, local government is picking up the tab. Even though there has been investment from the state government into grain freight routes, there are certainly a lot of holes in it, nowhere near the amount of money that is needed, and some pretty shoddy work in some areas. I believe you drove on the road between Shackleton and Bruce Rock, where we have seen the opinion by the state government that there should be a widening of that road with what we call a licorice strip of a metre or so either side. I can confidently say that in at least 20 places between Bruce Rock and Shackleton, that road is failing now. That is without any grain being moved out of these receival sites. So it has not been used for what it was put towards—it is just getting the grain there, and the workmanship or the standard of work not being up to scratch. We also have a small amount of grain going from paddock to port. We believe that with a sound rail transport system, that level will not increase a lot from this area. I have mentioned 340 000 tonne capacity in this shire and the neighbouring bins close to the shire on tier 3, which equates to 6 800 truckloads, which is over 13 000 truck movements. The investment, as I have mentioned before, is low in the road network. Although local government tries to police where the trucks go, we are also seeing trucks move out of that grain freight route and cause damage to local roads. So, in anyone's language, 13 500 truck movements is massive. Most of you know—perhaps you will see it on your trip back—that the road system is far from good.

Currently, I am very glad to say that CBH are using the line from Bruce Rock to Merredin. They are currently outloading two trainloads a day. The figure I got from CBH yesterday is that a total of 2 068 tonne per day is moved out of Bruce Rock six days a week. That equates to 40 road trains, or

40 road train—loads per day, which is 80 truck movements. It is very, very difficult to move 80 trucks, for a start. So you can see the efficiencies that you have with rail, but also from a logistics and safety point of view, and the road network itself, the savings that we do have from moving grain by rail.

At this point, chairman, if I could, I would like to hand over to our CEO to explain the money that was allocated to the Bruce Rock shire and the grain freight routes.

Mr D. Mollenoyux: Thank you. As the president stated, Bruce Rock has a committed approach to its maintenance and construction of adequate local road networks which support local traffic and also the cartage of grain from paddock to CBH sites. Under the implemented grain freight network funding, the Shire of Bruce Rock was allocated \$10 million to be spent over three to four years, which was for works entailing up to 50 kilometres of road network. Some of this was widening, and some was construction, culvert works, and the liquorice strips that they have put on. Disappointingly, we probably will not meet that deadline, and there have been numerous reasons for that. Trying to meet Main Roads' specifications and requirements and getting their specifications done up and drawn up has taken some time. But most of the delays have been caused by manpower and subcontractors' availability to carry out those works, because as you can imagine across the wheatbelt all of these roadworks are being carried out, but there is only X amount of contractors that are available to do those works. Other major disruptions or holdups have been through our approvals through the Department of Environment, and also Western Power approvals to get overhead powerlines relocated or placed underground. So that will not allow us to complete these works in the specified time frame.

Bruce Rock shire is committed to improving our road networks. But ideally, rail will limit the impact on our road networks. I think that the other issue that we are finding now is that CBH are not utilising on all occasions the designated grain freight routes. An example of this during the 2013–14 harvest period is that 23 000 tonne of grain was carted from the Bruce Rock site to either Korbelka or Merredin, which equated to 91 truck movements on that road, and those road networks are actually council owned and not funded under the grain freight network. So as you can see, that impacts our council's budget and required maintenance grading to a dry road, which should not occur at that time of the year.

Mr S. Strange: Just to finish what we have to say in our opening statement, we see a huge future in grain production in the Bruce Rock area, and I am sure the surrounds, with what I have mentioned before. Our markets depend on solid transport corridors—reliable transport corridors—and even with a reasonably sound road network upgrade, as well as putting grain on rail, this cannot be done; it will not be as consistent. Of course with the CBH shipping priorities and the way they operate these days, they need grain there when they need grain there, and that is not always the case with road.

The other part of it—it is the most important part, and we have not touched on it—is road safety. It is a massive issue out here. Our statistics in the wheatbelt are horrific. There have been a lot of near misses around the place, and in statistical terms they do not count for much, but of course it only takes a split second and that can be a fatality. Currently we have trucks moving around the place going past our local school, and we are obviously not very happy with that. We have several school buses operating in the shire, as other shires do, and we are not very happy with the truck movements on those school bus routes as well. I am sure other speakers will speak about safety as well, but it is paramount.

[1.20 pm]

The CHAIR: Thank you. Can I just ask you a quick question? For the grain that you are growing in the shire now, do you have a rough idea of what percentage is going by rail and what percentage is going by road currently?

Mr S. Strange: It would be an estimate, and bearing in mind the restrictions that are put on CBH by Brookfield during the summer months, where they cannot operate the tier 3 here, and they also have speed restrictions and heat restrictions on the lines, but I believe it is still in the high 90 per cent. It is quite high.

The CHAIR: Okay. Thanks. Do members have any questions?

Mr R.S. LOVE: We travelled on the road from Quairading across to here. Which of these roads that are being impacted are your roads and which are the Main Roads roads? The \$10 million is obviously for your own road network.

Mr D. Mollenoyux: A combination.

Mr R.S. LOVE: A combination?

Mr D. Mollenoyux: Yes.

Mr R.S. LOVE: Okay. So is the issue from the shire's point of view one of the continual maintenance that you have to undertake on your own roads, or is it something else? If all of the lines were replaced by Main Roads-owned and controlled roads, would that be of assistance?

Mr D. Mollenoyux: If we talk about the Quairading to Bruce Rock Road, that is a Main Roads road. The intersection just as you came into town that is brand-new—you would have seen it as you came in—was part of our \$10 million project. We were involved with that because it was a town site, so I can only speak about that. The impact is obviously our ongoing maintenance, because whilst we have funding to upgrade our roads, the licorice strips do not last, as we have seen; they fall apart. So it is all good and well to put a strip down each side, but in one to two years' time, councils are going to have to foot that bill and we have an increasing pressure on roads. Then the state government has reduced our funding again for local roads, so that obviously is going to impact our ability to carry out those maintenance works. The other issue for us is they are carting from Bruce Rock to Merredin on the Bruce Rock–Merredin Road, which is also a Main Roads road. We would not have a problem with it other than the road is inadequate for trucks. It is not wide enough. The shoulders got graded probably two weeks into harvest and then they carted 5 000 tonnes of grain on that road, which within the first 24 to 48 hours blew those shoulders out and subsequently made it dangerous for all traffic. If you have two trucks coming either way, there is just not enough room, and there is actually footage of incidents that have occurred on that road.

Mr R.S. LOVE: I have a couple of quick follow-ons from that. Through your recent planning on asset management, have you included the costs of maintenance of roads that are likely to be impacted, and have you figures of what the actual cost is expected to be to the community to keep those roads up to scratch?

Mr D. Mollenoyux: Ours is very fresh actually; we are just going through that process at the moment, so we do not have those figures available, sorry. But we will have those figures once we have implemented it fully.

The CHAIR: When might you have those figures?

Mr D. Mollenoyux: I would say probably in the next four to eight weeks.

The CHAIR: If we could have those figures, we would appreciate them as soon as you could give them to us.

Mr D. Mollenoyux: Yes.

Mr S. Strange: Chairman, was there a part of that question about whether we would be happy if Main Roads took over responsibility of all of the grain freight routes including our roads?

Mr R.S. LOVE: No, it was not a matter of happiness; it was that if that is one of the concerns around the continual maintenance of these as shire responsibilities, would it be of assistance to the shire if Main Roads were to take that on? The other one, though, just quickly, is that you mentioned

that CBH were using the roads for outloading of bins which were not designated routes. Is there not a way the shire can impose restrictions on the use of those roads such that that type of traffic is not allowed?

Mr S. Strange: Certainly there has been and we do have that power. During harvest we were quite flexible because of the big harvest we had and we did not want to penalise any grower; but the other part of it is that the road being used between Bruce Rock and Merredin is a state road, so we do not have any power at all there.

Mr F.M. LOGAN: Stephen, you sort of answered the question, but can you just tell me: not all those roads on the grain freight network are Main Roads, are they?

Mr S. Strange: No; local and Main Roads.

Mr F.M. LOGAN: Do you know what the percentage is? Which are Main Roads and which are local roads? For which of those designated grain freight routes would the local shires have to pick up the cost?

Mr S. Strange: From our point of view, perhaps Darren could make an estimate.

Mr D. Mollenoyux: The only one that is on our route that is a Main Roads road is the Shackleton to Bruce Rock section.

Mr S. Strange: Probably 80 per cent would be local.

Mr D. Mollenoyux: Local, yes.

Mr S. Strange: And 20 per cent Main Roads in our shire.

Mr F.M. LOGAN: Hence the \$10 million. We have driven up that Quairading road, as you know. We just spoke to you about it earlier on. I must admit I was sitting in the back of the van shaking around all over the place and I was thinking that this is not exactly the best road you can go on. If the grain traffic on that was to increase significantly, obviously, it would have a huge impact on that road. What is the estimated cost of bringing that road up to standard for the amount of grain freight that will be moved across it by road?

Mr S. Strange: It is very hard for us to give some accuracy on figures like that.

Mr F.M. LOGAN: No, no.

Mr S. Strange: You could spend another \$10 million on that road but the ongoing maintenance would be one of the biggest issues, particularly at the time of the year that grain is moved. If we get into a wet winter and we are emptying receival sites, roads can collapse very quickly.

Mr F.M. LOGAN: Does the shire have regular meetings with Main Roads about these issues?

Mr D. Mollenoyux: Yes, our manager of works and I meet with Main Roads. We have probably met monthly over the last 12 to 18 months as the grain freight roadworks have been carried out. But I would imagine our works manager is probably in contact with them fortnightly, especially with the major intersection works that they have had.

Mr F.M. LOGAN: What would be the estimated amount of money that has been spent over the last five years on those roads by Main Roads, approximately, on the Quairading road, for example?

Mr D. Mollenoyux: I would not have those figures of what Main Roads has spent.

Mr F.M. LOGAN: Do they tell you?

Mr D. Mollenoyux: No.

Mr S. Strange: From a capital point of view, pretty well nil.

Mr D. Mollenoyux: Yes.

Mr S. Strange: And the maintenance has been very, very limited.

Mr F.M. LOGAN: Right, but they never give you any estimation of figures?

Mr D. Mollenoyux: No.

Mr D. Heasman: If I may, there are sections of that road actually that really do need to be completely reconstructed.

Mr F.M. LOGAN: I can see that.

Mr D. Heasman: You can do an overlay over them and get the heavy traffic, and if they are carting during a wet summer, those roads collapse quite quickly.

Mr F.M. LOGAN: The base.

Mr S. Strange: So, you are talking about a huge amount of money to bring that road right up to standard.

Mr F.M. LOGAN: Yes.

Mr P.C. TINLEY: Stephen, the figures you quoted, 13 000 truck movements—I am sorry; I might have misheard you—is that in a season, annually?

Mr S. Strange: Depending on the season, it can be. Certainly last year if all the grain went on road, that would be the figure or around about the figure. And we are backing up to a very good season this year with some luck, and it could be quite consistent, that figure.

Mr P.C. TINLEY: How does that equate to previous years?

Mr S. Strange: If 90 per cent of the grain previously has been moved on rail, it is pretty well all of it.

Mr P.C. TINLEY: How are you measuring it? Who does the measurements for you?

Mr S. Strange: We do our own road counts at this point, but probably it is early days as far as emptying the bins or road transport are concerned. So we are virtually going by the tonnes held in the receival site, and around these areas they are using pocket road trains with 50 to 55-tonne payloads.

Mr J. NORBERGER: I know that CBH is talking to Brookfield at the moment in regard to the maintenance works that would be required to keep the tier 3 viable. I suppose a hypothetical question would be: If there was money that was available for investment in either road or rail infrastructure, be it for upgrade or maintenance, according to the shire where would you rather see it? Would you rather see funds going to your road network or the rail, or is that even too simplistic? Does it have to be an either/or, or would you like to see both?

[1.30 pm]

Mr S. Strange: We would like to see it in rail. There would always be some road movement of grain with the domestic or on-farm storage or whatever it may be, and we understand certain seasons require that. But we have a very strong preference to rail. We believe that there is an opportunity for the state government to be talking to Brookfield and CBH. We have been of the opinion that if it is left to Brookfield and CBH to resolve this, it will not happen; the rail will close. It is up to the state government to show that leadership and facilitate some sort of an outcome.

Mr J. NORBERGER: Yes. One of the comments that have been made is that even with tier 3 you are not going to see a reduction in truck movements insofar as you are always going to have trucks bringing inputs into the farms, be it lime or other bits and pieces. I mean, you have mentioned at the moment that, roughly speaking, 90 per cent of your wheat is already currently moving on rail anyway. So, obviously, the truck movements that are causing this damage that we are discussing, because there is already damage occurring, is representative of the 10 per cent. But you almost have to question, I mean, if 90 per cent of the grain is being railed out, how many of those trucks are going back to Perth empty, which in another scenario they would be going back with grain,

admittedly heavier? But for the actual movements of trucks, would you see that there is capacity at the moment in backloading?

Mr S. Strange: Yes. I believe there is some confusion with that question. I did hear the minister on the *Country Hour* talking that way, and it does show a lack of understanding. The volume of our inputs is quite low compared with what we grow, and the fact of the matter is that there are a lot of empty trucks coming this way. When we have an average-to-good season, a fair amount of lime comes this way; and certainly for inputs through fertiliser and herbicides and other general freight it is reasonable, but it is a low percentage of what we export out. Perhaps Nathan, being a town supplier, may like to add comment.

Mr N. Buegge: My personal requirements would probably be—at this time of year I would be getting a B-train every fortnight coming into my store, but we are generally sending it back, admittedly lighter, but it is loaded with empty containers of chemicals and all that kind of stuff. Also, when people are bringing up lime, they are backloading with their grain, you would probably find at least 60 per cent of trucks coming into farm will go back to Perth loaded, so it is not as though they come in here specially empty. They are filling up going down or vice versa. There is generally normally a load on the truck. And the same with my truck; when he is coming with chemical, he will go to a farm, pick up wool, and take that down to Perth with him, so he is generally loaded both ways.

Mr J. NORBERGER: Okay.

The CHAIR: One of the interesting issues about the lease is that there is concern that—this is many years down the track—when the lease is coming to an end, obviously, there is an incentive there for the lessee to become a bit more relaxed about maintenance, because if they have only got a few more years to run, they will obviously try to hold money if they can. So, how have you observed the system of maintenance on your existing railway line? Have you felt that you could sort of feel that you were slated for closure by the attitude towards maintenance?

Mr S. Strange: Yes. The short answer is yes, without a doubt, the lack of maintenance. I can only speculate, or we can only speculate, perhaps on the thoughts of Brookfield and the way they are handling it, but it just becomes very much a coincidence when some of the work that is done on the line is done during harvest when CBH want to out-load barley. They have a train set ready to go to take barley out of Bruce Rock and they cannot because Brookfield or their contractors are doing work on that line, very close to that receipt point, and it cannot be used. Then the request will come to the shire whether CBH or their contractors can use our roads, and, of course, during that time we will say yes to allow the grain to be moved. But we are very sceptical of the whole situation.

Mr F.M. LOGAN: What is the relationship between the shire and Brookfield? What discussions have you had with Brookfield about maintenance?

Mr S. Strange: I believe we are having a briefing very shortly —

Mr D. Mollenoyux: On the nineteenth.

Mr S. Strange: — on the nineteenth from Brookfield, as we have regular briefings from CBH, but we are obviously not privy to any of their thoughts or direction on which way they want to handle the tier 3. We bring it down to a practical level on how we would like to see the grain moved and how the road network is handling it.

Mr F.M. LOGAN: Is this the first briefing you have had?

Mr D. Mollenoyux: Yes.

Mr F.M. LOGAN: So, prior to this, what was the relationship?

Mr D. Mollenoyux: Brookfield contacted us and asked to make a presentation to council on the nineteenth, which is our next council meeting.

Mr P.C. TINLEY: Yes, but prior to that?

Mr F.M. LOGAN: Prior to that, has there been —

Mr S. Strange: We have had with other shires general meetings, but, you know, it really does not drill down to perhaps some of the answers that we need.

Mr P.C. TINLEY: Can I just follow on from that because I want to be really clear. The level of consultation between the operator—in this case, Brookfield—and the local government authority is characterised as hit and miss. Without putting words in your mouth, how would you characterise the relationship?

Mr S. Strange: It is very average. We are dealing with CBH, the grain movement people, so we have a good relationship with CBH, but with Brookfield it is very distant.

Mr P.C. TINLEY: Can you hazard a guess as to why that is the case? Do they not need much contact?

Mr S. Strange: Again, you would have to ask Brookfield, I think. We are certainly very keen to know what their thinkings are. But, of course, as it has been reported, they are quite happy for the tier 3 to be put into care and maintenance, so we have taken their stance as that.

Mr P.C. TINLEY: Sure. I am sorry to tease this out, but it is really important for us to understand the relationship between the representatives of the users and the actual operator of the line.

Mrs M. Foss: We term it as evasive, because we had them presenting to us at a regional meeting, and I felt that nobody learned a thing about their operations really and what their intentions were.

Mr P.C. TINLEY: To drill right in, have you requested, over the history, meetings with them?

Mr S. Strange: That is probably a good question for the rail retention group, because there have been briefings —

Mr P.C. TINLEY: So you have channelled it through them.

Mr S. Strange: — and we are members of that group, but as individual shires, no.

Mr D. Mollenoyux: I think probably as an example of the consultation process, CBH have met with us three times in the last four months to present where they are at and how they are going to handle the process and how they are going to cart the grain within our shire. We have met with them, and with ourselves and Narembeen, on many occasions, and yet we have not had any consultation from Brookfield.

Mr F.M. LOGAN: Just following on from that, the ultimate owner of the property, the PTA—have you ever had any briefings, overviews or involvement with the PTA?

Mr D. Mollenoyux: Not in regards to this specifically, but certainly in regards to other areas. We have met with them on several occasions in regards to getting a road across the railway line.

Mr F.M. LOGAN: Right; but not with respect to tier 3.

Mr D. Mollenoyux: Tier 3, no.

Mr R.S. LOVE: If you would not mind, because we will hear from other players like CBH: as producers, and many of you are, in the area, how do you see the future of grain storage, marketing, and the changes that are taking place in the industry? How do you see that affecting the traditional method of delivery and how would you, in an ideal world, think that the system may actually be made better and might evolve to be more efficient?

[1.40 pm]

Mr S. Strange: Certainly, from a grower's perspective, we have been very strong supporters of CBH. From a local government perspective, we have had a good relationship, and we have been in partnership, if you like, for different works in the area. As to the future, it is a crystal-ball question really, Shane. With Bunge coming on stream, you have got Albany. What will happen with Louis Dreyfus down that end and how grain will be stored and then moved is a tough one. As a shareholder of CBH, I am very keen for them to get on the front foot and certainly, even from a financial point of view, get involved more heavily with transport, and if that means getting involved with a part of the lease or a lessee style with tier 3, 2 or 1, I would be very much supportive of that. I see a big future for CBH in transport as well as their next step; otherwise, it may become a little fragmented with the other players in there, but I do believe that the government, with Brookfield and CBH, could facilitate that outcome. The other members may have a —

Mr D. Heasman: I would just like to say that we are all small business and not in the trucking business. I think CBH proved this year that they can get temporary storage up quite quickly over a weekend, so we were not really forced into a situation where we had to travel long distances. If CBH can continue in that vein on the big years that we can get storage up without having to try to shift grain to other bins so that we are not having a halt during our harvest, I see that, and I certainly see it on rail, not on road. Most of my neighbours—a lot of them do have road trains now—pocket road trains—but they still do not want to be carting long distances, because if you have got to cart an hour each way and then may be at one of those bigger sites for an hour waiting to unload, you are not getting much grain carted in a day. So when you hear people suggesting that, you know, farmers are going past a bin to another bin because of cheaper freight rates and all that, it is really a furphy because we have got to get our harvest off; we have got to get the grain to the bin. It is not worth anything out in the paddock, so —

Mr R.S. LOVE: As the capacity of the harvesting operation has increased dramatically in the last few years —

Mr D. Heasman: There are massive machines out there.

Mr R.S. LOVE: — it is hard to keep up with it with the trucks. Whereas once upon a time you would work all day to fill a truck, now you are filling it in an hour or so.

Mr D. Heasman: Exactly.

Mr J. NORBERGER: You mentioned cost. What is the cost differential between transporting grain by truck versus rail?

Mr S. Strange: That is a very good question. The road transport side of things is heavily subsidised, if the true cost of road transport was ever looked at, and we are asking for that to happen—the true cost of moving grain by road. We do not have the capacity in-house, if you like. We have got the information, but we cannot drill down and get an accurate figure. But we would love to see, whether it be Main Roads or someone take that on. The average freight rate by rail in Bruce Rock might be \$20 a tonne. You may find that road transport might come out at \$30-plus if the true cost of road was taken into account.

Mr J. NORBERGER: Where is it currently, would you know, roughly?

Mr S. Strange: Road transport?

Mr J. NORBERGER: Yes.

Mr S. Strange: No. It is being subsidised, if you like. I would not like to hazard a guess.

Mr R.S. LOVE: That is an interesting point, though. You guys would know the cost of freighting direct to port from here. How does that compare with the charges to use the rail network at the moment?

Mr S. Strange: You are talking about road transport?

Mr R.S. LOVE: Yes.

Mr S. Strange: Again, it is probably around \$27; \$22 by rail. But, Shane, we cannot get a true costing of that road transport.

Mr R.S. LOVE: I understand, but for the producer, it is still more expensive to use road freight from here than rail; is that what you are saying?

Mr S. Strange: Yes.

Mr P.C. TINLEY: Did I miss something, Shane? Stephen, why can you not get an accurate cost per tonne? I am talking about road.

Mr S. Strange: If you are looking at road damage —

Mr P.C. TINLEY: The global cost of it, not just fuel and wages.

Mr S. Strange: The true cost of road, no.

The CHAIR: I would just like to ask you a few questions about the actual lease and your attitude, if you like, to it. You may choose or not to say, “This is my opinion, not the official shire position”, but do you think that broadly throughout the wheatbelt there is a view that there should be more transparency in the lease arrangement and more accountability on maintenance?

Mr S. Strange: Yes, without a doubt.

The CHAIR: I thought there would be.

Mr P.C. TINLEY: Hit them with the tough question now!

The CHAIR: Why and how? We say that is a good thing. How would you see it operating?

Mr S. Strange: The lease itself or the way it was put out to the public?

The CHAIR: The transparency. As it is now, there is no point, I suppose, going back digging over the history of how we arrived at this situation; it is where we go forward from this point.

Mr S. Strange: No. Chairman, I believe that it should be made public. Yes, there will be red faces, mainly for previous governments involved in setting up the lease, but we have got to get over that for the benefit of this industry. Having industry players, having a second look at ag because of this one transport issue, it has become that vital. How I see the lease going forward—again, I know I am repeating myself—is I see a government playing the biggest role in getting the stakeholders together. It is not about throwing \$100 million at tier 3; it is about partnerships between industry and government. But the tier 3, or the rail network, is a government-owned asset and they have a responsibility to work through that and develop that outcome. That is the way we see it. I do not just talk about CBH in this; there may be other players perhaps interested in that lease as well or being involved.

Mr F.M. LOGAN: So, just being specific, Stephen, what benefit would you see from publication of that lease to both the shire and the broader industry?

Mr S. Strange: We can perhaps see—we are only speculating, most of us, what is in the lease—what a poor document it is, where perhaps Brookfield hold all the aces and may be quite happy to wind down the rail network into care and maintenance and just use the main lines. From their business point of view, that probably makes sense. So, I think with everybody getting a good look at the lease, from an industry point of view and then industry groups and stakeholders working together to negotiate with Brookfield—how negotiable they will be, I do not know—that would be the outcome.

Mr P.C. TINLEY: Can I just drill into what you just said? Do you think—I am asking you probably to project into Brookfield’s shoes here—Brookfield would want to see the tier 3s closed because they are not making enough money out of it, or do you think they would want to see the

tier 3 open so they can potentially add to their revenue stream? Do you think it is that debilitating for their revenue stream?

Mr S. Strange: I believe—again, it is just an opinion—they are looking at the lines that are making the least, and tier 3 being that, they would be quite happy for them to be put into care and maintenance in the belief that they will receive that grain onto tier 2 or, in our case, tier 1, the standard gauge. We are of the belief that that will not necessarily be the case and we will see mayhem with regards to grain movements. Most of our traffic actually moves from Bruce Rock to the west, so everything moves towards the coast. They will not necessarily get the grain on the standard gauge, but I am sure, in my mind, that is behind their decision. The lines that are making the least money, they will put into care and maintenance.

Mr F.M. LOGAN: Just coming back to transparency, the report that has been done into the derailment on the Quairading line—I am not exactly sure where it took place—has not been released, and will not be released, by the parties. Have you got any opinion on that?

Mr S. Strange: No, not on that incident specifically, but we have had one here just about 12 months ago—a minor one. A new locomotive was derailed and it really was just poor maintenance. Sleepers had collapsed; they had rotted. It is probably worth the committee knowing that we have a rail corridor from Bruce Rock right through Quairading to York —

Mr F.M. LOGAN: That was my next question actually!

Mr S. Strange: It becomes dual gauge at Avon. We could get grain from Bruce Rock to port in one movement. The railway lines that have been closed over the last 30 years have been the ones that head from Bruce Rock west, and I cannot understand that for a second.

Mr F.M. LOGAN: The question I was going to ask you is that there obviously was a rail line from here to Quairading.

Mrs M. Foss: Yes, there was.

Mr F.M. LOGAN: When did it close and what was the impact, if people remember that closure, following the closure?

Mrs M. Foss: It was Eric Charlton's time.

[1.50 pm]

Mr S. Strange: Eric Charlton was the minister and we were looking about 18 years ago at the link between here and Shackleton. Previous to that, the link between Shackleton and Quairading was closed. So at that point the grain used to move west. The link between Shackleton and Quairading was closed, so the Shackleton grain had to come back and then go up to Merredin. Minister Charlton, at the point 18 years ago, closed that line, so the Shackleton grain had to go to Kellerberrin by road.

The CHAIR: That is when they brought in that radial distance charging, was it not?

Mr S. Strange: It was still there at the time. No, you are quite right; I stand corrected there. At that time—this is one of the things we fear, because we have been there before, Fran—a small railway line was closed between here and Shackleton. The minister promised the money to do up the road and no money came forward—none. So the local government has had to carry that cost. Now it is on the grain freight route down that way and we have received funds to do up that road, but for 18 years we had not.

Mr F.M. LOGAN: Nothing.

Mr J. NORBERGER: Without it being lost in the detail—it may be a bit of a holistic question—obviously some of the damage to the roads is being caused by truck movements. Truck movements exist because of farmers or otherwise using them. Has there ever been any thought or capability of seeking to back-charge some of the costs of maintaining those roads? If a farmer chooses to use the

roads instead of rail because it is cheaper, and you mentioned that it is not subsidised, what options are available to a shire, if any, to bring it back to the origin of the reason why you have got that traffic?

Mr S. Strange: This is the biggest question local government has. The only revenue-raising stream we really have is through rates. We would be looking at perhaps between four and six per cent annual rate increases just for our grain freight routes. We got an email from a shire just to the north of us stating that they would have to increase their rates by 30 per cent because of the grain freight impact, so the locals would be paying through their rates, and I would suggest that would not be enough.

Mr R.S. LOVE: That brings me nicely to my last question. You spoke about the fact that \$10 million had been mooted to repair the roads and bring them up to some sort of a standard, and that obviously, in your view, was not actually going to do the amount of work. We have also asked to get some figures from you about what you believe those costs will be in the future. Just to enlighten us a little bit about the capacity of the shire, what is your road spend now and what is your total budget, to give us an idea of what that might mean for the ratepayers in terms of an increase?

Mr D. Mollenoyux: I have not got the exact figures, but obviously the \$10 million over the three years was just the grain freight component. Our rates that we raise each year are just over \$1 million, and our road funding would be easily above that from grant funding from FAGs and so on. I could see, if we were going to start wearing more and more costs from the grain freight network and the reduction in funding for local roads, which has now occurred, that we could be looking at increases of 10 to 15 per cent each year to try to keep up with the ongoing costs or the increasing costs.

The CHAIR: Thanks very much. I would like to thank you for your evidence before the committee today. A transcript of this hearing will be forwarded to you for correction of minor errors. Any such corrections must be made and the transcript returned within 10 days from the date of the letter attached to the transcript. If the transcript is not returned within this period, it will be deemed to be correct. New material cannot be added via these corrections and the sense of your evidence cannot be altered. Should you wish to provide additional information or elaborate on particular points, please include a supplementary submission for the committee's consideration when you return your corrected transcript of evidence. It is possible that we have not got through all our questions, so is it all right if we write to you later and ask you further questions?

Mr S. Strange: By all means, yes.

The CHAIR: On the question of parliamentary privilege, parliamentary privilege covers what you have said here, but outside you are not covered by parliamentary privilege. So if you agree with something that you have said in here out there, you are not covered, but if you want that checked, just see us after. With that, I would like to thank you very much for your evidence today.

Mr S. Strange: Thank you very much, Chairman and committee, and all the very best. Thanks for coming to Bruce Rock.

Hearing concluded at 1.54 pm
