



THIRTY-EIGHTH PARLIAMENT

REPORT 26

**STANDING COMMITTEE ON ENVIRONMENT AND
PUBLIC AFFAIRS**

**PETITION NO. 145 – CLOSURE OF TIER 3 RAIL
LINES IN THE CENTRAL WHEATBELT**

Presented by Hon Brian Ellis MLC (Chair)

June 2012

STANDING COMMITTEE ON ENVIRONMENT AND PUBLIC AFFAIRS

Date first appointed:

17 August 2005

Terms of Reference:

The following is an extract from Schedule 1 of the Legislative Council Standing Orders:

“1. Environment and Public Affairs Committee

- 1.1 An *Environment and Public Affairs Committee* is established.
- 1.2 The Committee consists of 5 members.
- 1.3 The functions of the Committee are to inquire into and report on –
 - (a) any public or private policy, practice, scheme, arrangement, or project whose implementation, or intended implementation, within the limits of the State is affecting, or may affect, the environment;
 - (b) any bill referred by the House; and
 - (c) petitions.
- 1.4 The Committee, where relevant and appropriate, is to assess the merit of matters or issues arising from an inquiry in accordance with the principles of ecologically sustainable development and the minimisation of harm to the environment.
- 1.5 The Committee may refer a petition to another committee where the subject matter of the petition is within the competence of that committee.
- 1.6 In this order **“environment”** has the meaning assigned to it under section 3(1), (2) of the *Environmental Protection Act 1986*.”

Members as at the time of this inquiry:

Hon Brian Ellis (Chair)

Hon Kate Doust (Deputy Chair)

Hon Phil Edman

Hon Colin Holt

Hon Lynn MacLaren

Staff as at the time of this inquiry:

Susan O'Brien (Advisory Officer (Legal))

Amanda Gillingham (Research Officer)

Mark Warner (Committee Clerk)

Address:

Parliament House, Perth WA 6000, Telephone (08) 9222 7222

lcco@parliament.wa.gov.au

Website: <http://www.parliament.wa.gov.au>

ISBN 978-1-921634-98-7

Government Response

This Report is subject to Standing Order 191(1):

Where a report recommends action by, or seeks a response from, the Government, the responsible Minister or Leader of the House shall provide its response to the Council within not more than 2 months or at the earliest opportunity after that time if the Council is adjourned or in recess.

The two-month period commences on the date of tabling.

CONTENTS

GOVERNMENT RESPONSE.....	
REPORT.....	1
1 CONTEXT	1
2 NEW CIRCUMSTANCES	1
3 CONCLUSIONS.....	2

REPORT OF THE STANDING COMMITTEE ON ENVIRONMENT AND PUBLIC AFFAIRS

IN RELATION TO

PETITION NO. 145 – CLOSURE OF TIER 3 RAIL LINES IN THE WHEATBELT

1 CONTEXT

- 1.1 A number of petitions have been tabled in the House questioning the proposed closure of certain grain freight rail lines in the Central Wheatbelt. The map at the conclusion of this report identifies the relevant lines as Tier 3 lines.
- 1.2 The proposed closure results from a 2009 economic review of grain transport from bin to port, which concluded that the Tier 3 lines were not commercially viable due to competition from road transport – the stakeholder committee’s consensus view being that in the circumstances then applicable, this situation was likely to continue.¹ Relying on this conclusion, the government decided to invest in the road infrastructure necessary to transport grain to viable Tier 1 and 2 rail lines rather than in keeping the Tier 3 lines open.²
- 1.3 Initially, the staged closure of the Tier 3 lines was to commence in 2011. However, the need to cope with a bumper harvest while suitable road infrastructure is in development means the lines will remain open until 31 October 2012.

2 NEW CIRCUMSTANCES

- 2.1 The Committee held a series of briefing sessions with the Wheatbelt Railway Retention Alliance, CBH Group and Department of Transport.³ (CBH Group, a farmer co-operative, is the entity that determines – infrastructure being available – the mode by which most wheatbelt grain is freighted from bin to port.)
- 2.2 In essence, the petitioners’ ask the House to consider whether the 2009 decision to close the Tier 3 lines should be revisited in light of new circumstances. With respect to rail, these include new financial arrangements for rail freightage, such as CBH Group’s:
- appointment of a new rail operator (which CBH Group says has resulted in efficiencies in operation); and

¹ Strategic design+Development, *Report prepared for Freight and Logistics Council of WA on behalf of the Network Review Committee*, December 2009, pp11 and 24 (SGNC Report)

² Letter from Hon Troy Buswell MLA, Minister for Transport, 17 February 21012, p1.

³ The transcripts of these sessions are available on the Committee webpage at: www.parliament.wa.gov.au > Legislative Council>Committees>Environment and Public Affairs Committee>petitions.

- new access arrangements with the rail network provider,

as well as its purchase of new rolling stock (CBH Group says the lighter wagons can carry more grain per load and new locomotives also produce efficiencies) in the context of increased grain yields. With respect to road, the extent of the impact of increased truck movements on road infrastructure, and its maintenance, as stated in the 2009 review is questioned.

- 2.3 While there is agreement that relevant circumstances have changed, there is disagreement whether this renders the Tier 3 lines commercially viable. A consideration for the government is money expended to date on road infrastructure upgrade.

3 CONCLUSIONS

- 3.1 The grain industry is a significant contributor to the Western Australian economy. While they may seem fine twigs when viewed on the railway map, the decision whether or not to proceed with closure of the Tier 3 lines directs significant investment and has ramifications for development and use of related infrastructure. Some 50% of Western Australian grain is produced in the Kwinana Port zone. Determining the appropriate grain transport infrastructure for this region is of considerable importance not only to the nearly 2,000 farmers who access the Tier 3 lines, the local governments who plan around grain movements and wheatbelt communities generally but to the wider Western Australian community.⁴

- 3.2 The current commercial viability of the Tier 3 lines is untested:

- CBH Group has not yet been in a position to demonstrate the impact of the new freightage arrangements in practice. (Over the last harvest it has been in transition from one rail operator to another and its new rolling stock was only just arriving as CBH Group appeared before the Committee.) The Committee accepts that the period to 31 October is insufficient for this to occur;⁵ and
- the new freight arrangements have not been subject to an economic review.⁶

The Committee considers the commercial viability of the Tier 3 lines needs to be tested prior to any decision whether to proceed with their closure.

⁴ SGNC Report, p29 and Mr Kevin Jones, Vice Chairman, Wheatbelt Railway Retention Alliance, *Transcript of Evidence*, 26 April 2012, p5.

⁵ Assessment is particularly difficult as the 2011/2 harvest has been an atypical bumper harvest, leaving a backlog of grain to be transported.

⁶ The government considered a 2011 CBH Group business case based on the circumstances at that time but did not find it sufficiently persuasive to warrant a comprehensive economic review. CBH Group does not take particular issue with this decision but considers further changes in circumstances result in its modelling now showing a more robust case.

3.3 The Committee concludes that:

- CBH Group should be provided with a reasonable opportunity to demonstrate the business case for continuation of the Tier 3 lines; and
- in conjunction with this opportunity, an independent economic review of the appropriate grain transport infrastructure for the areas serviced by the Tier 3 lines should occur.

Recommendation 1: The Committee recommends that the government keep the central wheatbelt Tier 3 rail lines open until the end of 2014 to enable CBH Group to demonstrate the business case for retention of these lines.

Recommendation 2: The Committee recommends that in conjunction with the Recommendation 1 demonstration period, the government commission the Wheatbelt Development Commission to undertake an economic review of the appropriate grain transport infrastructure for the areas serviced by the central wheatbelt Tier 3 lines.



Hon Brian Ellis MLC
Chairman

21 June 2012

Figure E1 - Rail network showing Tier 1, 2 and 3 lines



Source: Strategic design+Development, *Report prepared for Freight and Logistics Council of WA on behalf of the Network Review Committee*, December 2009, p8.