

20 February 2014

The Research Director
Transport, Housing and Local Government Committee
Parliament House
George St
Brisbane Qld 4000

Dear Sir / Madam

Parliamentary Inquiry into rail freight use by the agriculture and livestock industries

The Australian Sugar Industry Alliance (ASA) was formed in 2007 with founding members CANEGROWERS and Australian Sugar Milling Council, and board members also include representatives from the industry export marketing company Queensland Sugar Limited, and the industry research company, Sugar Research Limited. The organisations' core objective is to enhance whole of supply chain collaboration and promote a single industry approach to matters of common interest. Promoting rail freight options for agriculture is an issue of common interest to the industry.

The sugar industry considers rail to be the most efficient transport method and is the most commonly used means of transport in the industry. Many sugar mills have made significant investments in dedicated cane railway networks to haul freshly cut sugarcane from rail nodes in sugarcane growing areas to mills within 6 to 14 hours. These privately owned cane railway networks undertake one of Queensland's largest freight tasks each year – up to 30 million tonnes of sugarcane is hauled over a five to six month period through corridors other than public roads. This private investment from the industry improves road safety and avoids millions of dollars in road maintenance each year. The sugar industry understands the long term nature of rail infrastructure investment, including ongoing maintenance.

Raw sugar from the mills is increasingly being transported to port by road – currently more than 50 per cent of raw sugar is transported from mills to port by road transport, despite rail being considered the most efficient method of transport. The shift away from rail to road freight of sugar to ports is due to the increasing cost of rail freight services by Aurizon/Queensland Rail.

Attracting agricultural freight back onto rail requires a holistic approach that is long-term, cost-effective and practical for agriculture. For example, the seasonal nature of agriculture means commodity-specific rolling stock is unused for part of the year. This may be overcome by changing to multi-purpose bins that can improve return on investment for rolling stock used for agriculture. The change would require alteration to loading and unloading facilities, a cost borne by industry. However, this cost would be a worth-while investment if rail transport is cost-effective in the short- and long-term.

Below are ASA considerations of the issues raised in the Inquiry terms of reference.

- *Opportunities to enhance coordination and collaboration across government and industry*

It is important that all levels of government and various government departments (both state and federal) share a common goal and understanding for rail infrastructure and use, and that it is consistent with other policy developments. It is equally important that industry

is meaningfully consulted to ensure industry needs are met and emerging issues are dealt with efficiently. Issues such as price, access, infrastructure requirements and industry development plans can all influence whether or not agriculture freight returns to rail.

The sugar industry operates in a globally competitive market. 100 per cent of Australia's sugar is priced on the world market and 80 per cent of Australia's raw sugar is exported. Cost-effective transport is an important part of remaining globally competitive. The cost of rail (and how to keep the costs competitive) needs to be considered when policies are developed to improve access to rail for agriculture.

The ASA supports the development of the Agricultural Transport Industry Council (ATIC) which will work in parallel with the Road Freight Industry Council (RFIC) and the Queensland Transport Logistics Council (QTLC). The development of the ATIC will provide an avenue for regular consultation with industry on a range of freight and heavy vehicle related issues in agriculture, including rail freight use by agriculture.

- *Future direction for enhancing the utilisation of the rail system for agriculture*

Consultation with industry will be an important component of determining the future freight requirements of agriculture. The long term payback period of rail infrastructure means it is important to match market requirements into the future, including assessing a range of options that maximise flexibility of rail infrastructure (for example multi-purpose containers for rolling stock and adequate storage capacity to manage seasonality issues or subsidising rail freight costs for the public good benefits.)

The rolling stock for transporting raw sugar from mill to port is nearing the end of its economic life and there is an opportunity to examine alternative options such as multi-purpose containers. Changing the design of the rolling stock may necessitate changes to loading and unloading facilities. Again, consultation with industry would be important to facilitate this process.

- *Characteristics of the future transport system for primary producer freight needs*

Agricultural industries require a freight transport system that is cost-effective, suitable for just-in-time delivery of fresh produce and enable flexible and efficient export opportunities. The sugar milling industry's privately owned cane railway network is an example of an efficient just-in-time system for delivering freshly cut sugarcane to mills for processing as quickly as possible, usually within 6 to 14 hours. It is owned and maintained by sugar mill companies, and provides a substantial level of public good through keeping the equivalent of 15 000 truck movements per day off the coastal road network during the crushing season.

Planning for the future freight transport system needs to consider the supply chain of agricultural production and transport, particularly for potential greenfield sites. Examples of supply chain inefficiencies include the first and last mile access to ports and sections of the North Coast Railway line which regularly flood. For potential greenfield sites, lack of transport infrastructure such as suitable port facilities or lack of railways where they are needed (particularly in the Cape and Gulf areas), can affect the viability of the development. Ensuring transport supply chains meet the requirements of agricultural clients requires consultation with industry and coordination across government.

- *Options and risk sharing amongst supply chain participants for delivering freight solutions*

The 'public good' needs to be balanced with private benefit when considering cost sharing of transport infrastructure and freight price. Direct public benefits and avoided costs needs to be considered in the price of rail freight, such as easing pressure on road transport and associated maintenance costs and improved public safety, as well as indirect benefits, such

as improved opportunities and efficiencies for industry with flow-on economic and social impacts.

The sugar milling industry makes a significant contribution to reducing road traffic through the use of private transport infrastructure, such as the cane railways. The cane railway network has an estimated replacement value of between \$1.5 billion and \$2 billion. There are in excess of 4000 kilometres of track, approximately 250 diesel hydraulic locomotives and around 52 000 cane 'bins' in use to transport harvested cane to mills during the crushing season. There are opportunities to expand the cane rail network in specific locations, but large scale expansion is currently cost-prohibitive for the sugar industry. Given the public good aspects of cane railways, the industry would welcome opportunities to discuss public-private investment opportunities in expanding these rail networks.

Public good also needs to be considered in transporting raw sugar and other commodities by rail, including in price-setting and timetabling to encourage the desired level of agricultural produce back to rail and off roads. Cost of rail freight and payback periods needs to be considered when investing and co-investing in railways and consultation is a critical component to getting the balance right.

- *Optimising the capacity and performance of the rail system for freight*

There are opportunities for investment in key transport bottlenecks to improve the productivity, community benefit and safety of the affected freight corridors including rail. Prioritising the upgrade of the North Coast Rail Line railway would reduce a significant bottleneck for the movement of refined sugar between Mackay and Brisbane that occurs annually due to flooding. Approximately 100 000 tonnes of refined sugar is currently transported each year from Mackay to Brisbane and on to major industrial customers. The route is disrupted in most years for about a week due to flooding.

First and last mile issues need to be resolved for efficient rail freight access to some ports. Road access has been improved to some ports (for example the ring road in Townsville), but the need to move freight from rail to road for last mile access to ports is inefficient. Careful planning in consultation with industry is needed to develop efficient systems and avoid negative impacts on current or future industry operations.

Sugar and molasses currently transported by Aurizon on rail has rolling stock which is reaching the end of its economic service life (as mentioned above). It is imperative that upgraded replacement infrastructure and rolling stock can be delivered in an economic and efficient manner to retain rail transport of these products. These could have a multi-purpose use for other agricultural commodities if cost-effective for industry.

There are opportunities to improve the cane railway networks, particularly while other infrastructure improvements are occurring. For example, in the Burdekin region there is an opportunity to construct an underpass of the Bruce Highway for the cane railway as part of a possible new Houghton River Bridge proposed by State and Federal Governments. These types of synergies have worked well in the past and demonstrate the benefits of good communication and collaboration between government and industry. Other opportunities have been identified and the ASA continues to discuss these options with the Queensland Department of Transport and Main Roads.

- *A rail system positioned to exploit future freight opportunities, particularly export*

Planning for expanding agricultural production and maximising future export opportunities requires consideration, in consultation with industry, of the supply chain needs for transporting agricultural produce. Greenfield investments are significant financial

commitments with long payback periods and they require access to cost-effective freight transport and export facilities. In north Queensland, there are opportunities for greater leveraging of existing infrastructure to be upgraded and linked with other potential new transport infrastructure, such as sections of railway and coastal ports.

- *Sustainable long term solutions for rail freight for agriculture*

Effective long term solutions require coordination across government and need to be designed and built in collaboration with industry. They require consideration of supply chain needs, from paddock to processor to port (or plate), and a recognition of the contribution made by industry, such as through the privately owned cane railway network. There also needs to be a recognition of the public good resulting directly from an improved rail freight system and from the flow-on impacts of vibrant agricultural industries that provide regional economic and social benefits. These benefits need to be monetised to determine an appropriate subsidy for agriculture if required to make rail freight cost-effective for the industry.

There are opportunities to reduce bottlenecks and improve existing systems as well as to build new and efficient rail and port export systems. The systems should improve the efficiency of existing operations and enable greenfield agricultural developments. These outcomes would be in line with State and Federal Government policies for agriculture in Queensland.

We look forward to continuing to work with the Queensland Government on improving opportunities for agriculture to access rail freight.

Yours sincerely



Dominic Nolan
Joint Secretary



Brendan Stewart
Joint Secretary