



# PGA sparks legitimacy claim on grain

By **BOBBIE HINKLEY**

ISSUES raised at the Pastoralists and Graziers Association's (PGA) competition-on-rail launch have sparked a wider discussion on the future of WA's grain on rail system.

Concerns about the PGA's contradictory stance on rail transport has CBH supporters and Wheatbelt Railway Retention Alliance (WRRRA) members scratching their heads.

The PGA has publicly opposed the retention of Tier 3 lines because it believes they are unviable and road transport would be more cost-effective.

But citing the need for competition-on-rail for cost reasons last week, PGA Western Grains Committee chairman Rick Wilson also said competition on WA's grain rail network would help to take trucks off roads, reduce road maintenance costs and increase road safety.

"Competition will lower transport costs, increase grower profitability, provide a least cost pathway to port for grain growers and increase the competitive reputation of WA grain," Mr Wilson said.

"It will also take trucks off roads reducing road maintenance costs and increasing road safety."

The WRRRA had been fighting to keep Wheatbelt Tier 3 lines open for months on end much to the dismay of the PGA.

"It's good to see the PGA saying something sensible for a change," WRRRA chairman Bill Cowan said.

"It's a cheaper, greener and much safer option to keep grain on rail."

He said he looked forward to working with the PGA to keep as much grain on rail in WA as physically possible.

"It looks like Tier 3s are more competitive than road transport so the WRRRA looks forward to seeing how this will pan out," Mr Cowan said.

Members of the WRRRA and concerned growers throughout the State questioned whether or not the collapse of Grain Express would see WA's grain freight network crumble like those in the Eastern States due to lowered tonnage, separated loads and inefficient half empty trains.

But Mr Wilson assured growers there was almost no similarity between the WA and Eastern States situation.

"Growers who ask those kind of questions are not comparing apples with apples when talking about WA's potential freight set-up with the Eastern States' network," Mr Wilson said.

"In the Eastern States grain has a lot less distance to travel to port and if they have a poor year grain ends up being sold on the domestic market.

"Then there's no ongoing critical mass on the rail network for any number of rail operators to invest in with confidence.

"Now in WA, even in a very poor year like the one we've just experienced, there are still some four million tonnes that need to go on the rail network."

He said WA's rail network was quite competitive with the exclusion of some very specific areas and the PGA continued to support the position that with more competition the situation would only improve.

The same could be said for the information CBH distributed about lower handling charges than the Eastern States.

"It's easy to say CBH's handling charges haven't moved when it has just booked a \$28 million loss and is looking down the barrel of a bigger loss this year," he said.

He said the PGA's competition-on-rail campaign was set to combat some of the misinformation put into the grower community by CBH.

The campaign would put pressure on politicians and government to allow Australian Railroad Group (ARG) or any rail operator that wanted to compete on rail to do so.

He said keeping grain on rail was obviously safer than having grain on roads but it would become a matter of cost at the end of the day.

"If government makes a political decision to subsidise those Tier 3 lines then that's up to government but for CBH to have a monopoly on the freight network and to use that monopoly to basically subsidise those lines is not right," Mr Wilson said.

"Whatever CBH says about grain freight being transparent, the political pressure will come on CBH to use its monopoly to cross-subsidise those lines and that's one of the campaign's main drivers.

"We want as much grain on rail as we possibly can but at the end of the day if road is more efficient and cost effective then that's the way it'll go."

CBH general manager of operations Colin Tutt welcomed competition in the best interest of Australian grain growers.

CBH was confident in its ability to compete against other transport arrangements should it lose its Australian Competition and Consumer Commission authorisation for Grain Express.

But it still stood behind its position that Grain Express provided growers and the WA grains industry with the most efficient and cost-effective way of getting high volumes of grain to port and maximising rail's ability to compete with road transport.

Despite Mr Wilson's comments, Mr Tutt said WA growers should benchmark CBH against eastern Australia where there were more competitors in grain freight, costs were higher and performance had been found wanting.

Mr Tutt said CBH respected the long and close relationship it had with the ARG and ARG had the opportunity to be competitive when CBH went to tender for the grain rail freight last year, a decision made because CBH could no longer accept rising charges and declining performance.

"WA growers have already paid for ARG's aging rail fleet several times over and with the new arrangement with Watco and CBH's investment in up to \$175 million in rolling stock, we intend to get more tonnes to port at lower cost using less resources with more capacity," Mr Tutt said.

"That's competition and that's creating more value for WA growers."

At CBH grower meetings in the Wheatbelt last week, Mr Tutt openly acknowledged CBH's move to select a new above-rail provider was a huge task



and would subsequently bring a challenging transition program.

He said CBH was fully aware of what was required in the lead-up to handing over the above-rail contract to Watco in May 2012 and it had plans in place to include working with the WA Department of Transport and WestNet on a rail implementation team to ensure the transition would be as smooth as possible.

Watco would secure the labour component of the operations and Mr Tutt said it was worth noting Watco had been involved in around 40 start-ups on rail lines and had close to 30 years experience in the industry, making it a

business which was well versed to assist CBH with the transition.

"I think the real question here is not about how smooth the transition would be," Mr Tutt said.

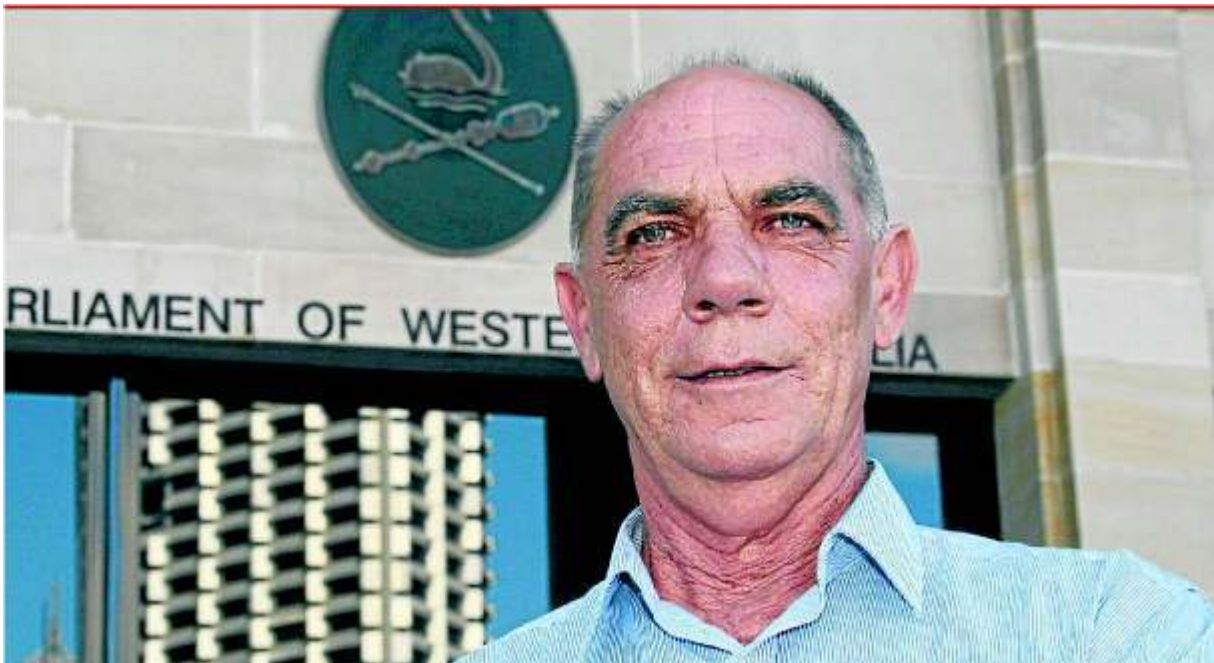
"It's asking what if CBH did not go to tender for rail last year, what would the WA grain rail network look like in the next 10 years and at what cost would it be to WA growers?"

While Mr Tutt said it wasn't CBH's place to comment on the PGA's expectations of their own campaign, he said it was worth noting the PGA's campaign had the support of ARG, CBH's outgoing above-rail service provider and a former advocate of Grain

Express.

Mr Tutt said while the funding for its new trains excluded further continued operations of the Tier 3 lines, CBH had identified cost savings and operational improvements through the use of new rail operator Watco and the investment in new and efficient locomotives and wagons which might enable government to reconsider the planned closure of Tier 3 lines.

"Nothing is more reflective of our commitment to keeping grain on rail than the work we are doing in this space," Mr Tutt said.



**LIBERAL Agricultural MP Jim Chown said he was concerned about the short time frame in which CBH wants to have its trains operational.**

"ARG are out on May 1, 2012 and the window is closing considerably," he said.

"If CBH can get their trains up and running, how is it going to get

enough people to operate those trains?"

"The Office of Rail Safety states operators must know the lines, bridges, corners and speeds, which takes time.

"If ARG is taken out of the scenario it has a number of employees in towns like Wagin, Northam and Geraldton who form a significant

part of the local economy.

"I would hate to see those towns struggle to keep people in their population because when people go schools and services decline and we don't want to see any more of that happening in the Wheatbelt.

"But the bottom line is if true competition takes place growers will be the beneficiaries."



## Farm Weekly

Thursday 7/4/2011

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Section: Supplements

Region: Perth Circulation: 13,447

Type: Rural

Size: 903.78 sq.cms.

Frequency: ---T---

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**LIBERAL** Agricultural MP Brian Ellis said he supported the Pastoralists and Graziers Association's new initiative.

"My philosophy has always revolved around competition because the best result for farmers can be achieved that way," he said.

"I think we only have to look back to the end of the single desk when competition was allowed to affect grain exports.

"I don't think there could be a farmer to argue things haven't improved, grain prices went up immediately that year and have stayed at a reasonable price because of that competition.

"I know there's a campaign at the moment around Tier 3 rail lines.

"It's just a fact of life the competition for those lines is the movement of grain by trucks.

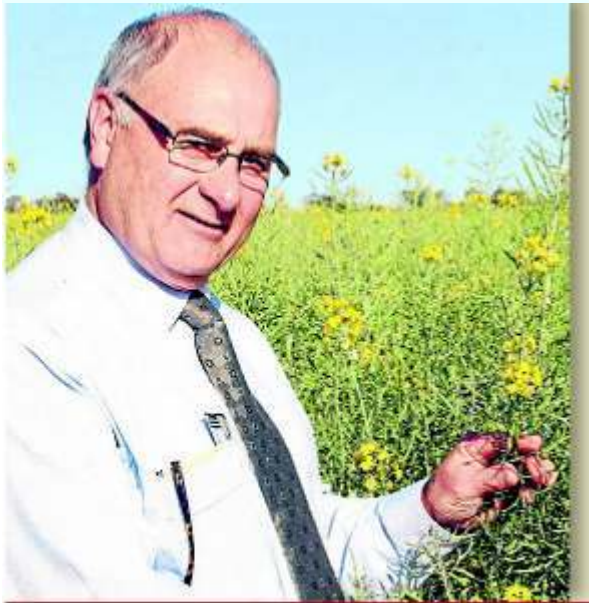
"I think it would be best for those people campaigning to have money spent on those lines, to fight for a viable option and lobby to have money invested in roads because trucks are going to cart that grain whether there is money invested in them or not.

"I have to answer to those farmers in the agricultural region who would be disadvantaged if government spent money on Tier 3 rail services.

"I can see certain areas subsidising unproductive rail movements.

"Not having competition means those farmers in other areas are actually subsidising farmers who are getting support from taxpayers' money.

"I know there are a number of private companies that are interested in moving grain in different ways and I can only see that as keeping costs down for farmers."





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LABOR Agricultural MP Matt Benson also said competition was of paramount importance but had a different view on Tier 3 lines in the Wheatbelt.

"There's no doubt about the significance of competition in terms of affecting some kind of genuine reform in any industry capacity," Mr Benson said.

"And the strategy outlined by the PGA thus far is an excellent one.

"But the issue of Tier 3s is something that, representing people in areas like Narembeen, Bruce Rock, Quairading and places like that, is of paramount importance.

"While I don't want to get into an economical and political barney with my colleagues I have got to disagree with them because here we have a unique opportunity to perhaps allay the fears of people in the Wheatbelt and particularly in towns like Narembeen.

"Narembeen doesn't have a major main road going through its town.

"It's a major grain-producing area and we're saying somehow that government is going to be able to focus on those sorts of towns by pouring lots of money into improving its road infrastructure.

"I think if anybody suggested that to the people of Narembeen they would say you're dreaming.

"It's just not going to happen.

"So somehow or other if we're going to have competition it has to acknowledge that in certain places there has got to be the capacity to look after a significant percentage of the State's grain producers and currently that doesn't seem to be on the agenda of the government and I would defy anybody to tell me to the contrary.

"But overall the notion of competition is terrific because it will drive down prices and it will give gains to farmers.

"At the end of the day the social outcome of that sort of thing is going to be the most important thing as far as I'm concerned."

