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## Minister for Transport; Finance

Our ref: 53-01682  
Your ref: A452043

Mr Ian Blayney MLA  
Chairman  
Economics and Industry Standing Committee  
Parliament House  
PERTH WA 6000

Dear Mr Blayney

### **INQUIRY INTO MANAGEMENT OF WA'S FREIGHT RAIL NETWORK**

Thank you for your letter dated 16 June 2014, requesting a submission to the Economics and Industry Standing Committee's Inquiry into the Management of Western Australia's Freight Rail Network.

The Government considers that investment in the freight railway network is fundamentally the responsibility of Brookfield Rail, which has a 49 year lease over the network, and the operation of the network is a commercial matter between Brookfield Rail and its clients. However, to ensure a smooth transition to safe and sustainable grain freight arrangements, the Government established the Strategic Grain Network Committee (SGNC) in July 2009.

The Strategic Grain Network Review (SGNR) recommended WA's rail lines be segregated into three tiers, based on their economic viability:

- **Tier 1** lines the core network, were viable long-term, provided re-sleeping cycles were sustained;
- **Tier 2** lines were viable for the foreseeable future; and
- **Tier 3** lines were not commercially or economically viable because of low mass limits, slow speeds and indirect routing which would be cost prohibitive to overcome.

Following the SGNR, the State and Commonwealth Governments made an unprecedented \$352m investment in Western Australia's grain freight network through the Grain Freight Improvement Program (GFIP). The GFIP is investing \$188m in re-sleeping and track works on commercially viable (Tier 1 and 2) lines and \$118m on 431km of state and local government road upgrades in Tier 3 areas that will help to funnel grain to viable rail lines and provide additional road transport benefits to local communities.

The GFIP rail works were completed in December 2013 and testing occurred through the first half of 2014. No funding was allocated to the unviable Tier 3 lines. Immediate investment to keep these lines open was estimated at the time to cost approximately \$94m. Substantial additional undetermined investment would be required subsequently for re-railing and signaling upgrades in the medium term for the lines to continue to operate. Government investment could not be justified on Tier 3 lines, as the costs would be greater than upgrading alternative roads in Tier 3 areas that would encourage grain to be funnelled to grain receival facilities on viable rail lines, from where it would be transferred by rail to the ports. At the same time the benefits of additional rail funding would be less than investing in roads which would provide additional benefits to other road users.

All Tier 3 lines were scheduled to be placed into care and maintenance from 2011. However, operations on Tier 3 grain lines were extended on a temporary basis a number of times until 30 June 2014, with initial financial assistance from the Government and later from Brookfield Rail. Lines placed into care and maintenance can be bought back into service if demand justifies the investments required to make the lines operational.

The State Government continues to support operations on, and the funnelling of grain to, commercially viable rail lines, which by definition are not reliant on ongoing Government funding. The State Government has not received a comprehensive business case to suggest the Tier 3 lines are commercially viable. Provided proper procedure is followed and sufficient information is provided for the Government to make an informed decision, the State is willing to review and comment on industry proposals as part of Cabinet and Budget processes.

The Government, based on the SGNR analysis, considers all Tier 2 lines to be commercially viable. It has not been provided a business case to suggest otherwise.

To put the grain road task into context, the average traffic on State roads affected by the Tier 3 rail lines is approximately 800 vehicles per day, of which 90 are heavy vehicles. On relevant local roads it is approximately 170 vehicles per day, of which 40 are heavy vehicles. Main Road WA's (MRWA) modelling suggests that the increase in daily grain vehicles, as a result of Tier 3 rail lines becoming non-operational, is approximately 40 heavy vehicles per day across all roads in the Tier 3 area, assuming the transport task is evenly distributed across the year.

MRWA is responsible for managing the delivery of the \$118.37m of road upgrades. The road upgrades originally consisted of \$43.77m for State roads, \$60.60m for local roads and \$14.0m for road maintenance. Road maintenance was to be allocated at \$3.5m per year over 4 years from 2011-12 to 2014-15.

However, after detailed planning and funding requirements for each road project were developed it became necessary to allocate the \$14m road maintenance funds to road investments. This resulted in an allocation of \$51.25m for State roads,

\$67.12m for local roads, with no reserve from the original allocation for road maintenance

At the end of May 2014, Main Roads reported that total expenditure was \$102.59m, or 87 per cent of the budget of \$118.37m. State road works have been completed, except for one intersection upgrade on the Goomalling - Merredin Road, which will be completed in 2014-15. Expenditure on State roads was \$50.83m, or 99 per cent of the \$51.25m budget.

Local government road works are scheduled for completion in 2015. At the end of May 2014, MRWA reported that 220 km of a total 305 km of works had been completed. Expenditure totalled \$51.76m, or 77 per cent of the \$67.12m budget.

There is no specific GFIP funding allocated for road maintenance in 2014-15 or beyond. However, Main Roads has a maintenance budget of \$49.5m for State roads in the Wheatbelt Region in 2014-15. If unexpected maintenance issues arise on State roads, existing funds can be reallocated to address the problems.

The primary sources of State funds to local governments for assistance with road maintenance and improvements are Direct Grants and Road Project Grants. The total value of Direct Grants to local governments in Wheatbelt was \$4.6m in 2013-14, increasing to \$5m in 2014-15. The total value of Road Project Grants to local governments in Wheatbelt was \$14.1m in 2013-14, increasing to \$14.3m in 2014-15.

MRWA undertakes regular inspections of State and Local roads in the Wheatbelt to monitor the condition of the roads and the performance of heavy vehicles. In addition, if a local government considers funding inadequate given the freight task it is able to contact MRWA's Regional Manager for Wheatbelt Region. If a specific case for additional maintenance funding is justified, MRWA can prepare a Business Case for consideration by the Government.

The SGNC was composed of representative of all major stakeholder groups (including CBH, the Pastoralists and Graziers Association, WA Farmers Federation and the WA Local Government Association) and chaired by leading transport expert, Professor Fred Affleck. The SGNR was based on the best long-term information available at the time and no members of the SGNC objected to the final report.

The roads selected for improvements were chosen on the basis of comprehensive modelling, which identified the roads which were likely to become the preferred routes for grain to be transported by truck from grain storage bins on non-operational Tier 3 lines to bins on operational lines.

The 2009 SGNR remains relevant as a long term, ten year view of the grain transport network. The SGNR assessment was based on long-term averages, so significant short term digression from its assumptions can be expected during lean harvests, bumper harvests, when the location of grain volumes fluctuate or when the commercial decisions of transport operators, grain traders or farmers fluctuate. Two

of the last three grain harvests have been unusually large for Western Australia and this is likely to skew recent data.

Since 2009, changes have occurred in the system which have not yet stabilised. The Government consider all stakeholders should remain vigilant to provide the best possible transport solutions. However, it is important to appreciate that changes over the short term will not necessarily persist over time and it is prudent to await greater stability in the wider system before new long-term solutions, which will take significant time to implement, are agreed.

The Government will wait until the GFIP investments have been completed, the ERA process concludes, negotiations between CBH and Brookfield Rail have finalised to provide further clarity about the future access arrangements and system requirements.

There are a suite of regulatory arrangements that complement the commercial arrangements of the rail network. The most relevant are the economic regulations. The Economic Regulation Authority is best placed to advise on the regulatory requirements of the Rail (Access) Code 2000 and the *Economic Regulation Authority Act 2003*.

I trust that the Public Transport Authority (the PTA) submission provided comprehensive advice on the recent strategic direction and policy decisions relating to the network lease and the PTA management of the network.

Yours sincerely



**DEAN NALDER MLA**  
**MINISTER FOR TRANSPORT**

8 AUG 2014



## ***ECONOMICS AND INDUSTRY STANDING COMMITTEE***

16 June 2014

Ref: A452043

Hon Dean Naider, MLA  
Minister for Transport  
7th Floor, Dumas House  
2 Havelock Street  
WEST PERTH WA 6005

Dear Minister

### **Inquiry into the Management of Western Australia's Freight Rail Network: Request for a Submission**

As you are aware, the Economics and Industry Standing Committee has commenced an Inquiry into whether the current lease arrangements and management of the Western Australian freight rail network comprising Tier 1, Tier 2 and Tier 3 lines facilitate or hamper state development.

In particular, the Committee is investigating

- the recent strategic directions and policy decisions relating to the current network lease, particularly in relation to the low-traffic lines,
- the regulatory arrangements in place for the network; and
- the management of the network by the Public Transport Authority

To assist the Committee, we ask that your submission include an outline of the government's current policy position on the freight rail network, particularly given the imminent closure of Tier 3 lines and the possibility that some Tier 2 lines will also become non-operational.

The Committee has heard evidence that the 2009 report on the Strategic Grain Network Review (the SGNR) was based on assumptions that are no longer valid. Given this, the Committee also asks that your submission provide an assessment of the continuing relevance or otherwise of the SGNR to the State's freight transport planning.

Evidence has also been provided in relation to road conditions and funding to upgrade and maintain roads to a sufficient condition to allow them to accommodate increase heavy vehicle traffic. The Committee would be pleased to receive an indication of the budget out years for roads that will carry an increased freight task if rail lines become non-operational. This budget information should include amounts for Main Roads Western Australia and allocations to assist local governments with their road works.

Address all correspondence to the Chairman  
Parliament House, Perth, Western Australia 6000

Phone: (+61 8) 9222 7222

Enquiries to Dr Loraine Abernethie - Tel. (+61 8) 9222 7492 Email: laeisc@parliament.wa.gov.au

The Committee is due to table its report on 14 August 2014. Given this timeframe, we ask that you provide a submission by 12 noon on Monday 30 June 2014.

If you have any questions in relation to this request, please contact the Committee's Principal Research Officer, Dr Loraine Abernethie, on 9222 87492

Yours sincerely,

IAN BLAYNEY, MLA  
CHAIRMAN

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