

**WESTERN AUSTRALIA
GRAIN FREIGHT REVIEW**

TERMS OF REFERENCE

Introduction

Western Australia's grain production is sourced from more than 7,500 growers spanning a grain belt of 320,000 square kilometres. WA's harvest is typically around 10 million tonnes annually with a peak season around 15 million tonnes. The Western Australia grain market is predominantly export focussed with around 80 per cent of the harvest exported.

The grain supply chain in WA utilises an extensive network of branch and main rail lines, a network of local feeder roads and state arterial roads as well as a network of privately owned and operated grain storage and handling facilities.

The grain supply chain can be characterised by:

- short haul farm to silo freight flows, where grain is being moved by road; and
- longer haul silo to port freight flows, where grain is moved by either road or rail.

It is dominated by three key companies:

- Westnet Rail – manages the WA intrastate freight rail network (that is, the below-rail components), which comprises of both standard and narrow gauge;
- Australian Railroad Group (ARG) – ARG is the sole above rail operator; and
- Cooperative Bulk Handling (CBH) – controls most storage and handling facilities, including the facilities at the export ports: Kwinana, Geraldton, Esperance and Albany.

For the 2008-09 harvest, CBH started a new supply chain coordination service, Grain Express, in response to reforms provided by the *Wheat Export Marketing Act 2008*. The concept is primarily concerned with CBH's ability to manage multiple customers' stocks and demands in an operating environment designed around a virtual single customer relationship.

In 2004, the WA Government established a Grain Infrastructure Group¹ (GIG) to review the grain freight network. A key component was to consider the viability of the narrow gauge branch line network that is used solely for the transport of grain. The GIG found that:

- At freight rates applying in 2005 there are insufficient returns to infrastructure and service providers to warrant investment in long term assets;
- There is increased diversion of export freight to the road sector and a fragmentation of grain supply chain tasks;
- To create a sustainable grain supply chain will require one or more of: i) some rail network rationalisation and branch line re-sleepering; ii) road network investment; iii) upgrading of rail and grain receipt and rail loading infrastructure; and iv) subsidisation of some current rail services.

Purpose of the Review

The Australian Government is seeking to independently review and test the GIG's findings, taking account of developments since the report was finalised in 2006-07, in particular the wheat export marketing reforms and the establishment by CBH of Grain Express. The review will serve as a basis for determining what contribution the Australian Government may make to WA grain freight to address any national interest considerations.

¹ The GIG drew together the State Government, CBH, WestNet Rail, ARG and AWB Limited.

Scope of Review

The review will focus on those elements of the grain freight network that were examined by the GIG. A suitably qualified consultant will be engaged to undertake the independent review, under the oversight of the Australian Department of Infrastructure, Transport, Regional Development and Local Government. The consultant will review and advise on the veracity of the findings/recommendations of the GIG report having considered the stakeholder input data, assumptions, models and results taking into account recent Australian Government policy initiatives and grain industry developments (such as Grain Express).

Terms of Reference

The review is to assess:

1. The adequacy of the modelling and findings (including in terms of its scope and the assumptions that underpin it) that support the GIG's recommendations.
2. The extent to which structural and commercial aspects of the grain market have changed since the GIG report was prepared; most notably in relation to the policy reforms embodied in the *Wheat Export Marketing Act 2008*, industry developments such as the establishment of Grain Express, but also in relation to changing trends in farming practice such as the increased use of on-farm storage;
3. The respective roles and responsibilities of the grain industry, road freight operators, rail freight operators (above and below track), handling and storage operators and local government.
4. The factors that influence growers choosing between road and rail as the most cost effective means of transporting their grain to port, road/rail market shares and trends.
5. The extent to which the package of measures recommended by the GIG remains the most appropriate response to the issues in light of changing policy and grain market trends.
6. The transport implications and options arising from items 1 to 5 above for the WA Government and the Australian Government with respect to maintaining an efficient, effective and sustainable export supply chain for WA grain produce.
7. The options presented with respect to item 6 above need to identify the potential risks that such options will or may pose for managing future institutional, regulatory, governance and accountability arrangements (including the possible closure of some branch lines and possible Australian Government investment to address any national interest considerations). These options must also propose mitigation strategies to address such risks.

Consultation

In undertaking the above work the consultant will meet with relevant Commonwealth and State Government departments as well as key industry stakeholders. This may require the consultant to agree to confidentiality arrangements for data and information required.

Key Outputs

The key outputs of the Review are to be presented in the form of a report addressing the veracity of the GIG Report, but importantly updating the GIG findings and recommendations in the light of recent Australian Government policy initiatives and new WA grain industry developments and trends.

Timeframes

The Review is expected to be finished by end April 2009.