

20 November 2009



SOUTH AUSTRALIAN FREIGHT COUNCIL



**Adelaide Rail Freight Movements Study
Department of Infrastructure, Transport,
Regional Development and Local Government
GPO Box 594
CANBERRA ACT 2601**

Dear Sir / Madam

RE: Adelaide Rail Freight Movements Study – Discussion Paper

Thank you for the opportunity to comment on the Discussion Paper: Adelaide Rail Freight Movements Study – October 2009.

The South Australian Freight Council Inc (SAFC) is the State's peak, multi-modal freight and logistics industry group that advises both the Federal and State governments on industry related issues, and is funded by both governments and industry. SAFC represents road, rail, sea and air freight modes and operations, freight service users, and assists the industry on issues relating to freight logistics across all modes.

SAFC believes that the Discussion Paper represents a useful first step in investigating the options for the future development of the interstate rail network in the vicinity of Adelaide.

Moreover, SAFC agrees with the paper's conclusion that the existing configuration of the Adelaide Hills section of track impedes the efficient movement of rail freight in the area and between key centres on the national network, including between Adelaide and Melbourne, Melbourne and Perth, as well as between Darwin and Melbourne. In addition, regional rail movements to and through Adelaide, from areas to the east of Adelaide, are also constrained by the current configuration.

These constraints need to be addressed if rail is to improve its operational performance so as it can realize the full benefits available, and thereby play its part in satisfying industry demand and addressing community concerns.

By way of general comment, SAFC states:

- the Terms of Reference for the study is limited in that it does not specifically require consideration of issues associated with the Cross Road Level Crossing where road delays can be extensive during periods of peak rail movement
- the Study area should be extended to consider rail operations occurring between Murray Bridge and Pt Wakefield (and not just the Torrens Junction to Murray Bridge section). This expansion would encapsulate movements within the whole

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of the Adelaide metropolitan area and would result in the consideration of the impacts upon additional level crossings and communities.

- There is some concern that the study merely assesses the impact that the various rail realignment options will have on rail operations and does not yet consider the implications for various supply chains and key customers. Delivery to and from various rail terminals will surely be affected and will have consequential economic, environmental and social outcomes (both positive and negative) for the rail industry, rail customers the road transport industry and the community at large that have not yet been assessed. There are also some existing concerns relating to the current interaction of road and rail at key junctions adjacent to terminals such as the rail level crossing infrastructure at Eastern Parade/Grand Trunkway/Perkins Drive Pt Adelaide, adjacent to the Kerry's intermodal terminal.

Future logistics considerations may also change. For example, if a Back-of-Hills Bypass were constructed (and the Adelaide Hills route were closed to freight traffic), decisions regarding which port to use may also change. The proposed Penola Pulp Mill for example could conceivably choose the Port of Melbourne over the Port of Adelaide due to the increased distances involved, and this could have broader ramifications in the wider logistics community.

Specific SAFC comment relating to matters contained within the Discussion Paper follows:

- Section 2.1 of the report states that '...the alignment is hemmed in by towns and residential properties...restricting options to reduce the number of tight curves through deviation.' SAFC is concerned that this statement removes options for realignment through compulsory acquisition (an option which is regularly exercised for road projects) and represents unequal treatment between the modes.
- Section 3.1 discusses freight volumes currently carried by the rail line using 2007-08 as a base year. SA Grain production in the 2007-08 year was almost 4.9m tonnes compared to a 5-Year average of 5.1m tonnes. The current forecast harvest for the 2009/10 year exceeds 8.1m tonnes and could go even higher as conditions have been generally favourable. The forecast volumes for the Murray, Mallee and South East areas totals almost 1.5m tonnes. It can be seen that the volume of grain attributed to the line in the base year (2007-08) should be considered to be on the low side of average and certainly low for a large harvest which is currently being experienced in 2009-10.

In addition, the broad spread of the prevailing drought conditions in previous years (including 2007/08) resulted in significant volumes of grain being consigned to Victorian feedlots instead of towards Port Adelaide again resulting in lower than expected grain volumes.

Furthermore, with the pending commissioning of the deep water Outer Harbor Grain Terminal operated by Viterra (formerly ABB Grain) the contestable cargo area for that facility will extend eastwards into Victoria, resulting in greater volumes of grain moving by rail towards Adelaide and through the Adelaide Hills study area. The Tailm Bend silo complex is also expected to play a more significant role in aggregating cargoes for rapid delivery to the new Just-In-Time export terminal.

Finally, SAFC is concerned by the statement that 'The freight that moves between Melbourne and Adelaide is mainly international exports and imports that are railed too and from the Port of Melbourne'. SAFC understands that up to 120,000 teu of import/export cargo is lost to Port of Melbourne (principally as a result of shipping service availability). If we assumed an average of 14 tonnes per teu we would reach a total of 1.68 million tonnes, out of a total of 4.8m tonnes (or 35% of the total).

It should also be noted that Mitsubishi's Adelaide manufacturing base ceased production in March 2008.

- Section 3.2 discusses Likely Future Demand and bases its assumptions on historical economic growth and improvements in rail's competitiveness vis-à-vis other modes.

SAFC contends that South Australia is likely to experience a period of sustained economic growth predicated upon strong expansion in the defence and mining sectors. Consequently, higher growth opportunities for rail freight seem likely. Whilst GDP may be an indicator of growth in containerized products moving by rail, growth in bulk freight can be lumpy (and based on resource projects coming on line). Future South Australian resource projects that will likely influence rail freight volumes include:

- Olympic Dam expansion and other mining ventures (which will include moving imported inputs to the production process by rail from Melbourne)
- Mining ventures beyond the Adelaide Hills area including the Kingston Coal deposit, Coomandook Lead/Zinc/Copper, and others
- Penola pulp mill proposal (including the export of containerized pulp through Port Adelaide and the import of empty containers and consumable items for processing).

Furthermore, SAFC believes that given the above factors, coupled with likely initiatives arising from the Commonwealth Government's proposed Carbon Pollution Reduction Scheme and the Henry Tax Review, the forecast growth rates are low and, as a minimum, would most likely be at the higher end of the forecast.

- In regards to the relative modal shares on the various corridors, SAFC believes that the ultimate outcome will be heavily influenced by the yet to be revealed Commonwealth Government coastal shipping policy whereby shipping could make great inroads, particularly in the Perth/Melbourne market.
- In answering the question as to whether a more efficient rail alignment would improve freight services and lead to a greater use of rail instead of road, SAFC states that this outcome will be heavily influenced by cost and time factors. If there are positive outcomes arising from the new alignment in these 2 areas (cost and time) then a shift of freight from road to rail is likely.

Nonetheless, SAFC takes this opportunity to caution that a rail alignment connecting Monarto to Two Wells (via a Back-Of-The-Hills route) could in fact lead to an increased road freight task, in the event that rail terminals were to

relocate to the junction points of the network (either Two Wells and/or Monarto), which seems likely. Rail consignees that had previously delivered to rail terminals in the Regency Park area over relatively short road distances could potentially now have to deliver to a terminal(s) significantly further away by road.

It is SAFC's view that given the viability issues associated with short haul rail, that short haul rail delivery from the existing terminals to a facility at either one of or both of Monarto or Two Wells is unlikely.

Alternatively, if existing rail services were to continue to service the Regency Park terminals via a Back-of-Hills route then rail distances (and presumably costs) would likely increase, and this would provide a disincentive to the use of rail, particularly on the Adelaide-Melbourne component of track (the largest component).

- Section 4 discusses the various rail options reviewed by the Study.

SAFC proposes that an additional alignment should be considered. This would include an upgrade of the existing Adelaide Hills route as outlined in Option 1, and would also include some additional realignment (involving compulsory acquisition of affected properties) to reduce gradients and curves to improve operations, as well as the improvements in the vicinity of Blackwood that are depicted in Option 4 (Southern Bypass).

Feel free to contact the SAFC General Manager, Mr Neil Murphy on the numbers listed below should you require clarification of our input.

Yours faithfully



John McArdle
Chairman
SAFC