



# Rail freight use by the agriculture and livestock industries

**Report No. 45**

**Transport, Housing and Local  
Government Committee**

**June 2014**

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## **Transport, Housing and Local Government Committee**

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### **Acknowledgements**

The Committee thanks those who briefed the Committee, made submissions, gave evidence and participated in its Inquiry.

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## Abbreviations

ACCC	Australian Consumer and Competition Commission
AQIS	Australian Quarantine and Inspection Service
ARA	Australasian Railway Association
ARTC	Australian Rail Track Corporation
ATC	Automatic Train Control
ATMS	Advance Train Management System
COAG	Council of Australian Governments
Committee	Transport, Housing and Local Government Committee
CRRP	COAG Road Reform Plan
CTEE	Centre for Transport, Energy and the Environment
DAFF	Department of Agriculture, Fisheries and Forestry
DNRM	Department of Natural Resources and Mines
DRFC	Dedicated Rail Freight Corridor
DSDIP	State Development, Infrastructure and Planning
DTP	Daily Train Plan
GATC	Great Australia Trunk Railway
HVCI	Heavy Vehicle Charging and Investment Reform
IA	Infrastructure Australia
Inquiry	THLGC Inquiry into rail freight use by the agriculture and livestock industries
IRSE	Institution of Railway Signal Engineers
mt	Mega tonnes or one million tonnes
NMP	Network Management Principles
NTC	National Transport Commission
PPP	Public Private Partnership
QCA	Queensland Competition Authority
QR	Queensland Rail
QSFM	Queensland Strategic Freight Model
QTLC	Queensland Transport and Logistic Council
SEQ	South East Queensland



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SFM	Strategic Freight Model
SQSC	Strengthening Queensland's Supply Chains
TI Act	Transport Infrastructure Act 1991
TMR	Department of Transport and Main Roads
TSC	Transport Service Contract
TSDA	Townsville State Development Area
WA	Western Australia

## Glossary

Above rail	Means those activities required to provide and operate Train Services such as rolling stock provision (i.e. trains, carriages, etc.), rolling stock maintenance, train crewing, terminal provision, freight handling and the marketing and administration of the above services
Above rail services	Means those activities required to provide and operate train services such as rolling stock provision (i.e. trains, carriages etc.), rolling stock maintenance, train crewing, terminal provision, freight handling and the marketing and administration of the above services.
Above rail delay	Means a delay that can be attributed directly to a fault in rolling stock or to the actions of a railway operator in operating or maintaining that rolling stock.
Access	Means the use of a section of the rail network for the operation of Train Services on Queensland Rail's rail infrastructure.
Access agreement	Means an agreement between Queensland Rail and an Access Holder for the provision of access
Access charge	Charging for access for a train path
Access holder	Means a party who has the right to operate Train Services on Queensland Rail's rail infrastructure.
Agriculture	The practice of farming, including cultivation of the soil for the growing of crops and the rearing of animals to provide food, wool, and other products.
Below rail	Means the activities associated with the provision and management of rail infrastructure, including the construction, maintenance and renewal of rail infrastructure assets, and the network management services required for the safe operation of train services on the rail infrastructure, including train control services and the implementation of safe working procedures.
Below rail delay	Means a delay to a train service from its scheduled train path, where that delay is directly attributable to Queensland Rail acting as railway manager, but excludes cancellations and delays resulting from a Force Majeure Event.
Bulk freight	Single commodity movements in high volume or bulk configuration such as coal, minerals, bauxite, cement, grain and sugar which is predominantly moved by rail.
Daily Train Plan	Means Queensland Rail's schedule for all Train Services running on a particular day on Queensland Rail's rail infrastructure
General freight	Wholesale and retail products, manufactured goods, food, beverages, personal items, plant and machinery parts, and building products moved individually and/or in containerised, palletised and/or parcel sized configurations, which is mainly moved by road transport.
Healthy train service	Means a Train Service that has experienced no cumulative delay, within an Agreed Threshold, attributable to an Above Rail Delay or Unallocated Delay, either on entry or whilst on the rail infrastructure.
Operator	Means an entity that runs rolling stock (e.g. trains and carriages) on Queensland Rail's network.
Passenger priority legislation	Queensland Rail is obliged to endeavour to bring delayed passenger train services back on time ahead of non-passenger train services. This is due to the requirements of section 265 of the TI Act.
Payload	The part of a vehicle's load, from which revenue is derived that is, passengers and cargo.

Preserved train path	Means a train path that is allocated for the provision of a regularly scheduled passenger service or a service involving the transportation of a type of freight other than coal.
Railway manager	has the meaning given to that term in the <i>Transport Infrastructure Act 1994</i> and refers to the person accredited for managing the railway under Chapter 7, Part 3 of that Act
Railway operator	Means a person who operates rolling stock on a railway
Rolling stock	Means a vehicle, including, for example, a train, that operates on a railway
Standard gauge	A rail network with a nominal gauge of 1,435mm.
Train	Means a conveyance or group of connected conveyances that travels on a rail or rails of a railway or sugar tramway
Train control	Means the management and monitoring of train movements on Queensland Rail's track as well as the allocation and scheduling of train paths.
Train path	A train path is the infrastructure capacity needed to run a train between two places over a given time-period
Train service	The operation of a train between specified origins and destinations on the rail infrastructure.
Transit time	Means the time schedule for the relevant Train Service type from origin to destination or from destination to origin which comprises the relevant Sectional running times, delay for passing of other trains on the nominated network, operational constraints relating to the infrastructure, operational constraints attributable to a railway operator, Force Majeure Events and planned dwell times.
Unhealthy train service	A Train Service that has experienced a cumulative delay, outside an Agreed Threshold, attributable to an Above Rail Delay or an Unallocated Delay, either on entry or whilst on the Queensland Rail's rail infrastructure.

## Chair's foreword

On 30 October 2013, the Legislative Assembly agreed to a motion that the Transport, Housing and Local Government Committee inquire and report on ways in which to incentivise the agriculture and livestock industries to use more rail freight. On behalf of the Committee, I am pleased to present Report No. 45 – Rail freight use by the agriculture and livestock industries.

Queensland is a significant producer of agricultural commodities with a gross value of \$11.1 billion last year. The Government's Agriculture Strategy aims to double the value of Queensland's food production by 2040 to respond to global food demand. This projected growth will place an enormous burden on the State's already congested roads unless rail infrastructure is modernised - brought into the twenty-first century, and the above-rail service is transformed into an efficient, reliable and flexible business that can adapt quickly to market opportunities.

Doing nothing is not an option. The current freight system will not cope with the forecast demand and roads will quickly reach capacity. The Port of Brisbane motorway is estimated to reach full capacity by 2026. Rail freight is the only solution – a single grain train can take at least 500 trucks off the road. Given the predicted growth in the freight business it would seem evident that rail freight can be transformed into a commercially viable business.

The Committee conducted hearings throughout the State, and has spoken with agricultural industry representatives, producers and processors as well as the rail freight and transport service industries. We have examined a significant amount of detailed evidence from stakeholders and have reviewed research from a wide variety of sources on the issues covered by this Inquiry.

The Committee has heard that the rail service to the agricultural sector is currently in a shambles: infrastructure is out-dated and inefficient; there is limited access to train paths; serious inefficiencies in the supply chain; and the above rail service is inefficient, unreliable and inflexible. The Committee has been disturbed by reports of either no rail freight service – even where rail lines exist, or slow and unreliable rail services for the non-mining sector, right across Queensland.

The Committee has been unable to undertake a more detailed investigation of the current freight task, or projected needs, because we have been unable to access the information/data required - it either market sensitive, subject to confidentiality clauses or commercial-in-confidence.

We have developed a comprehensive set of recommendations on actions the State Government can take to not only arrest the decline in rail freight use by agricultural industries, but to develop a vision, strategies and an action plan to ensure the State's rail freight service is transformed into a modern, state-of-the-art system - a system that facilitates industrial, mining and agricultural growth and becomes the "industry preferred method" for transporting freight across the State.

On behalf of the Committee, I want to thank everybody who has contributed to this Inquiry, particularly those stakeholders who have shared their valuable time and expertise with us.

I wish to thank the members of the Committee for their detailed consideration of the issues covered by the Inquiry, the Committee's secretariat and the Queensland Parliamentary Library for their assistance throughout the Inquiry process.

I commend the Report to the House.



Howard Hobbs MP

**Chair**

June 2014

## Recommendations

### Recommendation 1

10

The Committee recommends that the Queensland Government implement the recommendations in this Report and work closely with the rail industry, primary producers and other levels of government to ensure the Queensland rail system (both below-rail and above-rail) is transformed into a modern, state-of-the-art transport system capable of facilitating industrial, mining and agricultural growth; becoming the “industry preferred transport mode” across the State.

### Recommendation 2

10

The Committee recommends that the Queensland Government carefully weigh up the benefits and possible negative implications of transferring Queensland’s regional rail lines to the Australian Rail Track Corporation before making a final decision, and that this assessment take into account the specific concerns raised by the Committee in relation to issues discussed throughout this Report.

### Recommendation 3 – co-ordination of freight supply chain logistics

23

The Committee recommends that the Queensland Government appoint a high-level, accountable executive officer (reporting directly to either the Director-General of the Department of Transport and Main Roads or the Department of Stated Development, Infrastructure and Planning) who is responsible for:

- co-ordinating freight supply chain logistics across relevant government agencies
- facilitating the work of the proposed Freight Authority and Infrastructure Taskforce
- ensuring that future consultation with stakeholders is undertaken in a co-ordinated, effective and efficient manner.

### Recommendation 4 – formation of a freight authority

23

The Committee recommends that the Queensland Government establish a bipartisan, high-level Freight Authority comprising logistics experts, freight providers and customers, and government agency representatives to be tasked with providing ongoing, current advice to Government through the new accountable executive officer (recommended above) on:

- Queensland’s freight transport and supply chain logistics and in particular, the supply chain requirements of the agriculture and livestock industries
- implementation and review of the *Moving Freight* strategy
- the work of the proposed Infrastructure Taskforce including the assessment criteria for prioritising key infrastructure projects
- work undertaken with the Federal Government and local governments to plan for and develop an efficient freight system
- the operation of the freight Transport Services Contracts ensuring the subsidies are both transparent and assessable and are applied in the most effective way to guarantee producers receive the benefit.

### Recommendation 5 – rail infrastructure taskforce

40

The Committee recommends that the Minister for Transport and Main Roads establish an independent infrastructure taskforce to oversee the development and implementation of a state-wide rail infrastructure plan and that the membership comprise agriculture, livestock and mining industry representatives, transport industry representatives, and relevant state government agencies.

**Recommendation 6 – state-wide rail infrastructure plan 40**

The Committee recommends that the proposed infrastructure taskforce ensure that a state-wide rail infrastructure plan is developed in consultation with stakeholders and that the plan:

- identifies and prioritises infrastructure requirements (maintenance, upgrades and new lines) over the short, medium and longer term including projects identified by stakeholders in evidence to this Inquiry
- incorporates strategies for upgrading and realigning rail lines so they can carry high-speed freight trains and ensures that any upgrade proposals incorporate either dual gauge or standard gauge lines
- gives a high priority to effective planning for port access which is aligned to port expansion requirements
- includes a strategic approach to future arrangements for larger scale intermodal terminals as vital supply chain hubs
- is consistent with national long term freight infrastructure planning
- includes priority projects identified by Infrastructure Australia
- provides a transparent process for the assessment of new lines and upgrade project proposals from the government and/or the private sector, including unsolicited proposals from the private sector
- is co-ordinated with industry so that it is consistent with any strategic plans and anticipated requirements of key industries
- incorporates upgrade and new line projects identified in any rail infrastructure master plans such as the Mt Isa Line Rail Infrastructure Master Plan
- provides for preservation of future transport corridors and intermodal terminal sites and clearly identifies the funds required for this purpose
- is regularly updated and published along with full details of the analysis and associated costings.

**Recommendation 7 – rail infrastructure master plans 41**

The Committee recommends that the proposed infrastructure taskforce oversee the development of Rail Infrastructure Master Plans for all key rail lines (similar to the Mt Isa Plan) in consultation with industries operating in the area and the relevant local governments; and during this process assess potential projects identified in the evidence provided to this Inquiry.

**Recommendation 8 – master plan for the South West, Western and West Moreton lines 41**

The Committee recommends that the Infrastructure Taskforce gives the highest priority to the development of a Rail Infrastructure Master Plan for the South West, Western and West Moreton lines to provide certainty for the agricultural and livestock sector to plan operations into the future and that the plan:

- assess the viability of projects identified by stakeholders, including those submitted to this Inquiry
- identify upgrades that will improve productivity and the speed of trains including the removal of bottlenecks caused by short sidings, low axle weight limits and insufficient passing loops with a priority focus on those with a low cost that will immediately unlock capacity
- look at ways to improve cattle loading and unloading facilities and depots at strategic locations with a view to running more freight services (for example, into and out of Roma)
- investigate the use of an automatic signalling system to improve efficiency on the Brisbane metropolitan rail network
- include the dedicated rail freight line from Toowoomba to the Port of Brisbane as a high priority project.

**Recommendation 9 – Inland Rail Project** 42

The Committee recommends that the Queensland Government work closely with the Federal Inland Rail Implementation Group to ensure the Queensland section of the Inland Rail Project (which incorporates a dedicated rail freight line to the Port of Brisbane), is prioritised and included in phase one of the project; and to ensure the route and specifications of the line meets the needs of Queensland industry and the priorities of the Queensland Government.

**Recommendation 10 – rail link to the Surat Basin** 42

The Committee recommends that, as a priority, the proposed Infrastructure Taskforce investigate the potential of a privately funded extension of the Inland Rail line to the Surat Basin coal mines and ensure such an extension provides opportunities for agricultural commodities to be rail freighted to the Port of Brisbane.

**Recommendation 11 – transfer of freight lines to the Australian Rail Track Corporation** 42

The Committee recommends that, if the transfer of Queensland freight lines to the Australian Rail Track Corporation proceeds, the Government ensure that the agreement/lease provides for a process that enables the Queensland Government to have direct input into rail infrastructure planning to guarantee the needs of the agriculture and livestock industries are taken into consideration.

**Recommendation 12 – rail infrastructure funding** 50

The Committee recommends that the Minister for Transport and Main Roads, in consultation with the proposed infrastructure taskforce:

- investigate ways in which the State Government can provide additional (and/or reallocated) funds towards rail infrastructure to ensure the agriculture industry has access to a modern, high-speed, efficient and affordable rail freight service
- examine options for attracting private sector funding, including the development of Public Private Partnerships, and investigate how the development of new commercial lines funded by the private sector (for example coal) can be used to transport agriculture and livestock freight
- review the current Queensland Rail investment framework that only approves infrastructure enhancements where there are sufficient contracted tonnages to justify the necessary capital investment on commercial terms
- investigate other funding options which would provide for capacity upgrades and removal of 'low cost' rail infrastructure blockages on "non-commercial" regional lines, for example, the West Australian "beneficiary pays investment model" that recovers the investment over time through increased charges.

**Recommendation 13 – a more balanced infrastructure investment portfolio** 50

The Committee recommends that the Minister for Transport and Main Roads take immediate action to reprioritise proposed transport infrastructure investment by the State Government (including funding provided by the Federal Government) to provide a greater percentage of funding to upgrading Queensland's rail network.

**Recommendation 14 – sale/lease of rail infrastructure assets** 50

The Committee recommends that the Queensland Government reapply the proceeds from the sale/lease of any rail infrastructure assets to rail infrastructure upgrades and/or investment in supply chain efficiencies either directly through infrastructure investment and/or partly through the proposed Strong Choices Investment Program.

**Recommendation 15 – preserved train paths be retained** 63

The Committee recommends that the Minister for Transport and Main Roads:

- ensure train paths continue to be preserved for use by the agriculture and livestock industries and to provide rail freight to regional communities
- review the preserved train path legislation and the process for reallocation of “unused” paths to develop a regulatory regime that ensures the intent of the preserved train path system is not undermined in practice
- ensure that, if the transfer of the regional lines to the Australian Rail Track Corporation goes ahead, the State Government retains the authority to preserve access to train paths for the agriculture and livestock industries through a clause in the transfer agreement/lease.

**Recommendation 16 – preserved train path review** 63

The Committee recommends that the proposed new Freight Authority examine ways to:

- make the preserved train path system more innovative, flexible and transparent by identifying underutilized train paths and developing ways to use those pathways more flexibly to ensure agricultural products and general freight is moved on them
- allow train paths contracted in long-term “take or pay contracts” to be tradeable by the party which holds the contract with the above-rail operator with the consent of the freight operator - for example, through the introduction of a slot trading system.

**Recommendation 17 – allocation of new train paths** 63

The Committee recommends that the Minister for Transport and Main Roads ensure there is a transparent process for allocating any additional train paths that result from improved infrastructure such as the upgrades to the Toowoomba Range line.

**Recommendation 18 – passenger priority legislation** 63

The Committee recommends that the proposed Freight Authority ensure the review of the rail passenger priority policy (identified as an action in the *Moving Freight* strategy) include consideration of the development of passenger and freight train hierarchies to inform a rail operations trade off decision-making framework.

**Recommendation 19 – automatic train signalling system** 64

The Committee recommends that the Department of Transport and Main Roads undertake a cost-benefit analysis of introducing an automatic train signalling system, including an assessment of whether such a system could provide for an increased number of freight trains on the Brisbane metropolitan network.

**Recommendation 20 – haulage contract arrangements** 66

The Committee recommends that the proposed Freight Authority investigate more flexible rail haulage contract arrangements for the agriculture sector and the smaller mining tasks, and encourage their use by above-rail operators as the Committee is concerned that ‘take or pay’ contracts can be used to, in effect, discriminate against agricultural commodities moving on rail.

**Recommendation 21 – sharing supply chain risk** 66

The Committee recommends that the Minister for Transport and Main Roads ensure that future government subsidies, support and/or contracts with above-rail operators be made conditional upon the willingness of the above-rail operator to share the supply chain risk and include producers and/or producer representatives in freight cost/charging negotiations.



**Recommendation 22 – transparency of the rail freight charges** 66

The Committee recommends that the Minister for Transport and Main Roads look at ways to encourage above-rail providers to provide a transparent break down of rail freight charges to the agricultural industry to counteract the perception that profiteering is occurring in relation to the Government's rail freight subsidies.

**Recommendation 23 – National Heavy Vehicle Charging and Investment Reform** 70

The Committee recommends that the Queensland Government continue working with other governments on the National Heavy Vehicle Charging and Investment Reform project with the long-term aim of achieving more equity in the contribution paid by rail and road freight providers towards the cost of infrastructure and that, in the meantime, the Government take more immediate action to improve the rail freight supply chain through rail infrastructure upgrades and supply chain efficiencies.

**Recommendations 24 – Livestock Transport Services Contract** 79

The Committee recommends that the Minister for Transport and Main Roads ensure the subsidy of livestock rail freight through a Transport Services Contract continue and that this subsidy be, at a minimum, maintained at the current levels.

**Recommendations 25 – Next generation Livestock Transport Services Contract** 79

The Committee recommends that the review of the Livestock contract currently being undertaken by the Department of Transport and Main Roads look at innovative ways in which to deliver the subsidy, and ensure that the new contracts:

- be public and transparent and delivered in the most efficient and productive way possible
- ensure competition is generated for above-rail freight business
- include detailed and measurable key performance indicators to enable the Government to determine value for money and to ensure accountability of the subsidy provided
- require the above-rail service provider to provide clear and measureable metrics in relation to costs, reliability, and quality of the service
- include a process to drive ongoing service improvement
- enable greater flexibility and responsiveness to industry, including split loads, smaller trains and the accommodation of services for smaller producers and processors
- be developed in consultation with industry and local government.

**Recommendations 26 – A broader agriculture Transport Services Contract** 79

The Committee recommends that the Minister for Transport and Main Roads investigate the benefits of an additional subsidy for the freight of non-livestock agricultural products (such as grain, cotton, and sugar) where uncompetitive rail freight costs currently push agricultural freight onto the road and that this be funded by the refining of the Regional Freight subsidy (see recommendation 28).

**Recommendations 27 – Regional Freight Transport Services Contract** 80

The Committee recommends that the Minister for Transport and Main Roads ensure the subsidy for general freight continues until such time as the general freight task becomes competitive and commercially viable through the implementation of strategies recommended in this Report (such as freight co-coordinators and multi-load freight tasks).

**Recommendation 28 – Refinement of the Regional Freight Transport Services Contract 80**

The Committee recommends that the performance of the current Regional Freight Transport Service Contract be evaluated with a view to refining and focussing the routes subsidised (that is, excluding any lines that can operate on a competitive, commercial basis) and that the next Regional Freight Contract be restricted to rail transport only, where rail infrastructure exists.

**Recommendation 29 – Possible transfer of freight lines to the Australian Rail Track Corporation 80**

The Committee recommends that, if the transfer of freight lines to the Australian Rail Track Corporation proceeds, the Government ensure that the lease/agreement specifically allows the Queensland Government to continue to subsidise agricultural and regional freight services.

**Recommendation 30 – Planning strategically-located, inter-connected hubs 91**

The Committee recommends that the proposed Freight Authority work urgently with industry stakeholders (across commodities) and relevant local governments along the key agricultural freight routes to:

- identify optimal locations and linkages for a series of warehousing and intermodal terminal or inland port solutions
- engage and co-ordinate with interested stakeholders to identify and remove barriers to progressing these projects.

**Recommendation 31 – containerisation facilities 95**

The Committee recommends that the proposed Freight Authority engage with industry to identify optimal locations for co-locating containerisation facilities with planned intermodal terminals, inland ports and warehousing hubs.

**Recommendation 32 – containerised freight 95**

The Committee recommends that the Infrastructure Taskforce, in considering the recommendations in this Report, identify those infrastructure upgrades that will facilitate increased rail transport of containerised freight and ensure that this is factored into the process of prioritising infrastructure projects.

**Recommendation 33 – loading and unloading infrastructure 98**

The Committee recommends that the proposed Infrastructure Taskforce:

- work with industry to identify loading and unloading infrastructure which can be brought back “on line” quickly and economically and to work urgently to re-open those facilities
- facilitate discussions and planning with the agricultural industry to urgently develop and agree plans for the upgrade of loading and unloading infrastructure.

**Recommendation 34 – rolling stock investment 100**

The Committee recommends that the proposed Freight Authority develop, finalise and communicate clear forward plans for rail freight investment in Queensland to facilitate private investment in new, efficient rolling stock opportunities, vital to generating above-rail competition.

**Recommendation 35 – freight task co-ordination** **104**

The Committee recommends that the Department of Transport and Main Roads urgently engage with industry to:

- identify which rail systems would benefit from the appointment of a freight task coordinator, and that priority be given to employing a co-ordinator for the Western/South Western/West Moreton system and the Central Western system
- determine an appropriate joint funding model ensuring that those who benefit from the co-ordination contribute towards the cost, that is producers and/or industry representatives, above-rail service providers and Government
- ensure that any necessary government funding be made immediately available to appoint the freight co-ordinator positions
- facilitate the arrangements and access to information necessary to ensure coordinators have full visibility of the supply chain in their own rail systems and in connecting systems
- ensure that co-coordinators are vested with the appropriate authority to undertake the co-ordination task and facilitate train services.

**Recommendation 36 – facilitation of above rail competition** **113**

The Committee recommends that the Minister for Transport and Main Roads investigate the following options for facilitating above-rail competition for agricultural freight in Queensland:

- leasing or other commercial arrangements that facilitate access to locomotives and rolling stock to alternative operators
- the waiving of, or rebate of, line access fees to incentivise third-party operators
- opportunities for Queensland Rail to operate hook and pull arrangements for private operators
- leasing rail stock owned by Queensland Rail to private operators
- opportunities for local government authorities to be involved in running train services allowing them to underwrite, lease or even own rolling stock; and be involved in the operation of associated infrastructure such as yards, loading facilities and depots.

**Recommendation 37 – Queensland Rail consider re-entering the freight business** **113**

The Committee recommends that the Minister for Transport and Main Roads assess the benefits of Queensland Rail re-entering the agricultural and general rail freight business, in the short term, through the provision of both the rolling stock and above-rail services until alternative operators are ready to provide services.

**Recommendation 38 – rolling stock** **113**

The Committee recommends that the Department of Transport and Main Roads:

- undertake an independent assessment of the remaining useful life in the existing Aurizon rolling stock and investigate options for purchasing back the rolling stock at the end of the current Transport Service Contracts or when/if Aurizon plans to decommission any of its current rolling stock
- ensure that any rolling stock bought back under these circumstances be made available to third party, above-rail operators under commercial leasing arrangements.

**Recommendation 39 – rolling stock disposal** **113**

The Committee recommends that the Government use whatever levers it has available to it, for example under the contracts it has with the above-rail operator, to compel Aurizon to give preference to Australian buyers of excess or unwanted rolling stock where the offer is competitive.

**Recommendation 40 – freight data for alternative above rail service providers 114**

The Committee recommends that the Minister for Transport and Main Roads ensure that potential new operators are provided with freight data and future freight needs modelling as well as transparency of any relevant Queensland Rail charges, and any other relevant charges, to ensure they have access to the information necessary to develop an adequate business plan.

**Recommendation 41 – train path allocation for alternative rail service providers 114**

The Committee recommends that the Minister for Transport and Main Roads ensure that sufficient train path allocations are made available to third-party, above-rail operators to enable them to compete in the market.

**Recommendation 42 – improved communication between above and below rail operators 114**

The Committee recommends that the Freight Authority investigate ways to ensure there is improved communication and co-operation between above and below rail operators.

**Recommendation 43 – strategic freight model 118**

The Committee recommends that the proposed Freight Authority oversee the development of a Queensland Strategic Freight Model as a priority so as to improve:

- the Government's capacity to understand and map supply chains and freight flows, identify critical freight infrastructure and blockage points, and plan for the forecast growth in agricultural commodities
- the information available to third parties such as above rail service providers, industry representatives, and infrastructure proponents.

**Recommendation 44 – collection of data 118**

The Committee recommends that the proposed Freight Authority investigate using an independent third party (such as the Queensland Transport and Logistics Council or a university) to collect and analyse the commercial in confidence data from the freight industry to inform the Strategic Freight Model.

**Recommendation 45 – leveraging existing freight data 118**

The Committee recommends that the proposed Freight Authority work closely with relevant government agencies, local governments and the private sector to leverage existing freight data with the aim of developing a rail freight map that specifies volumes and flow across the State (similar to the Department of Transport and Main Road's road freight map).



## 1 Introduction

The recommendations in this Report are addressed to the Minister for Transport and Main Roads as the responsible minister.<sup>1</sup>

### 1.1 Role of the Committee

The Transport, Housing and Local Government Committee (the Committee) is a portfolio committee established by the *Parliament of Queensland Act 2001* and the Standing Rules and Orders of the Legislative Assembly (the Standing Orders) on 18 May 2012.<sup>2</sup> The Committee consists of both government and non-government members and its primary areas of responsibility are:

- Transport and Main Roads
- Housing and Public Works
- Local Government, Community Recovery and Resilience.<sup>3</sup>

In relation to its areas of responsibility, the Committee:

- examines legislation, including subordinate legislation, to consider the policy to be enacted and the application of the fundamental legislative principles set out in part 4, section 24 of the *Legislative Standards Act 1992*
- considers the Appropriation Bills (acting as an estimates committee)
- assesses the public accounts and public works of each department in regard to the integrity, economy, efficiency and effectiveness of financial management and
- has a responsibility to consider any other issue referred to it by the Assembly, whether or not the issue is within a portfolio area.<sup>4</sup>

The Committee may deal with these matters by considering them and reporting and making recommendations about them to the Assembly.<sup>5</sup>

### 1.2 Terms of reference

On 30 October 2013 the Legislative Assembly agreed to a motion that the Transport, Housing and Local Government Committee inquire into and report on options to incentivise the agricultural and livestock industry to utilise rail and that, in undertaking this Inquiry, the Committee should:

- identify opportunities to enhance coordination and collaboration across government, transport industry and primary producers about rail freight
- provide future direction for enhancing the utilisation of the rail system for primary producers and their freight needs including the demand for freight, including future volume, nature, timing and frequency
- identify the characteristics of the future transport system for primary producer freight needs
- identify a broad range of options, including appropriate risk sharing amongst supply chain participants, for delivering freight solutions for primary producers

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<sup>1</sup> Parliament of Queensland Act 2001, section 107

<sup>2</sup> Parliament of Queensland Act 2001, section 88 and Standing Order 194

<sup>3</sup> The Standing Orders, Schedule 6 – Portfolio Committees as amended 14 February 2013

<sup>4</sup> Parliament of Queensland Act 2001, section 92(2)

<sup>5</sup> Parliament of Queensland Act 2001, section 92(3)

- optimise the capacity and performance of the rail system for freight
- plan a rail system that is positioned to exploit future freight, particularly export opportunities
- develop long-term solutions for freight movement by rail for the agriculture and livestock industry.

The motion further requested that the Committee consult with key industry groups including AgForce, Queensland Farmers Federation, Cane Growers Australia, Meat and Livestock Australia, GrainCorp, Cotton Australia and rail managers and operators including Queensland Rail, Aurizon and Pacific National.

The Committee was given originally asked by the Legislative Assembly to report by 10 June 2014. On 22 May 2014, the Legislative Assembly moved a motion to change the reporting date to 16 June 2014.

### **1.3 Conduct of the Inquiry**

Subsequent to receiving the referral, the Committee resolved to call for public submissions. The closing date for submissions was 21 February 2014. The Committee received 24 submissions. A list of those who made submissions is provided at Appendix A. Copies of the submissions (with the exception of confidential submissions) have been published on the Committee's webpage at [THLGC - Queensland Parliament](#).

On 12 February 2014, the Committee held a public departmental briefing with officers from the Department of Transport and Main Roads (TMR), Queensland Rail (QR) and the Department of Agriculture, Fisheries and Forestry (DAFF) to receive information on various aspects of the referral. A list of witnesses who appeared at the briefing is provided at Appendix B.

The Committee held several public hearings to hear the views of stakeholders:

- Brisbane on 25 February 2014 (5 witnesses)
- Brisbane on 5 March 2014 (13 witnesses)
- Toowoomba on 7 April 2014 (3 witnesses)
- Toowoomba on 7 April 2014 (2 witnesses)
- St George on 7 April 2014 (4 witnesses)
- Charleville on 8 April 2014 (4 witnesses)
- Brisbane on 14 April 2014 (1 witness)
- Cloncurry on 16 April 2014 (4 witnesses)
- Rockhampton on 28 April 2014 (6 witnesses)
- Longreach on 29 April 2014 (4 witnesses)
- Brisbane on 7 May 2014 (1 witness)
- Townsville on 12 May 2014 (6 witnesses)
- Brisbane on 26 May 2014 (1 witness)
- Brisbane on 4 June 2014 (3 witnesses).

A list of witnesses who gave evidence at these public hearings is provided at Appendix B.

Transcripts from the public briefing and the public hearings, as well as responses to Questions on Notice have been published on the Committee website and are available at: [THLGC - Queensland Parliament](#).

The Committee also conducted a number of site visits:

- Acacia Ridge freight terminal, Brisbane on 25 February 2014
- Port of Brisbane on 25 February 2014
- Rocklea Markets – rail freight facilities, Brisbane on 19 March 2014
- WA Pacific National Intermodal freight facility, Perth, Western Australia on 25 March 2014
- Fremantle Port, Western Australia on 26 March 2014
- Queensland’s Cotton Gin, St George on 8 April 2014
- Charleville railway facilities, levee bank and gully diversion on 8 April 2014
- Cloncurry local rail freight facilities including proposed new loading facility on 17 April 2014
- Tey Australia rail freight facilities, Rockhampton on 28 April 2014
- Cattle sale yards, Longreach on 30 April 2014
- Townsville Port, Townsville on 12 May 2014

#### **1.4 Broad strategic framework**

The broader strategic framework within which the Committee has undertaken this Inquiry includes the following strategies and processes, some of which are completed and others still to be finalised.

##### State Government strategies and processes

- *Governing for growth: economic strategy and action plan* – released February 2014
- *Moving Freight: a strategy for more efficient freight movement* – released Dec 2013
- *Queensland’s agriculture strategy: a 2040 vision to double agricultural production - 2013*
- *The Queensland Ports Strategy* – released June 2014
- Queensland reviewing the option of joining the national rail network by transferring the State’s regional freight lines to the Australian Rail Track Corporation (ARTC) – decision to be made by December 2014.

##### The National agenda

- *National Land Freight Strategy: a place for freight* – released September 2013
- Council of Australian Governments’ Heavy Vehicle Charging and Investment Reform (HVCI) process.



## 2 Overview of the issues and proposed solutions

### 2.1 The benefits of rail to the community at large

The Committee has been asked by the Legislative Assembly to investigate ways to incentivise the “agricultural and livestock industry”<sup>6</sup> to utilise rail. There are significant benefits to the community and government in facilitating the use of rail by the agriculture industry, including:

- cost efficiencies:
  - new energy-efficient locomotives use less fuel
  - rail freight causes less damage to underlying infrastructure
- taking traffic off our congested roads:
  - congestion costs in Brisbane are estimated to be \$6 billion by 2020 and up to \$9 billion by 2055 if improvements to the transport system are not delivered<sup>7</sup>
  - a single grain train carrying 2,000 tonnes can take 500 trucks off the road<sup>8</sup>
- being a safer mode of transport
- being the cleanest and most environmentally sound way to move freight – every tonne of freight moved by rail rather than road reduces greenhouse emissions by two-thirds.<sup>9</sup>

The Queensland Commission of Audit concluded that there is a broader public policy case for the State Government remaining in the below-rail infrastructure business:

*.... there is a broader public policy case for retaining the core rail freight network notwithstanding that it does not currently operate on a commercial basis – in particular the North Coast line and the Western system.*

*The Commission is sympathetic to the view that there remains a legitimate public policy role for Government to retain existing rail corridors, as an alternative to road transport and as part of future planning for possible resource developments and population growth.<sup>10</sup>*

The North Australian Pastoral Company summed up the critical role rail plays in the State’s economy, and in particular to the agricultural sector:

*In closing, the rail network is critical to the Queensland beef industry with all stakeholders benefitting either directly or indirectly by its existence. If it was to either no longer exist, or exist in a reduced capacity, it would be at a significant cost to the Queensland economy.<sup>11</sup>*

### 2.2 Projected growth in agriculture

Agriculture is a vital industry for the State of Queensland. On 4 June 2013, the Queensland Government released its “Queensland agriculture strategy”<sup>12</sup> which aims to grow agriculture as one

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<sup>6</sup> “agriculture and livestock industries” will be referred to as the “agriculture industry” throughout the report unless a reference is being made specifically to the livestock industry.

<sup>7</sup> Infrastructure Partnerships Australia, Urban Transport Challenge: Planning for growth in South-East Queensland, 2009:3 [www.infrastructure.org.au/DisplayFile.aspx?FileID=283](http://www.infrastructure.org.au/DisplayFile.aspx?FileID=283) <accessed 7 June 2014>

<sup>8</sup> <http://www.theage.com.au/news/national/drought-burns-grains-carrier/2007/12/11/1197135463228.html> <accessed 5 June 2014>

<sup>9</sup> <http://gorail.org/rail-benefits/environment/> <accessed 5 June 2014>

<sup>10</sup> Queensland Commission of Audit – Final Report, Vol.2:125

<sup>11</sup> The North Australian Pastoral Company, submission 5:1

of the four pillars of the State's economy because it creates jobs, generates over \$13.7 billion per annum for the economy and is the "lifeblood of many rural and regional communities across the State".<sup>13</sup>

The agriculture strategy sets an ambitious target of doubling agricultural production by 2040 and includes a vision of the freight network required to meet this target:

*..efficient, innovative and resilient supply chains that adapt and respond to fluctuations in supply, cost pressures, natural hazards and competition... supported by a freight network, infrastructure and service hubs that deliver innovative and integrated solutions to optimise capacity and maximise utilisation of supply chains.*<sup>14</sup>

Aurizon submitted that agriculture is a key industry sector with strong future prospects for growth as it has the potential to produce much larger quantities of high quality, clean food and fibre to meet increasing global demand for these products, particularly in Asia and India (due to the growing middle class population in these countries).<sup>15</sup> The submission also articulated the need for a strong transport and logistics system to support projected growth:

*Queensland has traditionally been a high growth state. A key to continuing this trend is ensuring that we have a highly efficient transport and logistics system that contributes to the short, medium and long term requirements of Queensland's industries as they pursue future growth opportunities.*<sup>16</sup>

The Department of Agriculture, Fisheries and Forestry advised that as part of the agriculture strategy the Government is working with industry, researchers and stakeholders to address four key growth pathways to secure increased resource availability for agriculture, to drive productivity growth across the supply chain, to secure an increased market access and to minimise the costs of production.

*These pathways are the key foundations required for sustainable and continuous growth in agricultural production and value. The agriculture strategy recognises that responsibility for managing, maintaining and/or developing efficient transport of product to market is increasingly shared across infrastructure owners, regulators, transport operators and freight customers. It also recognises that strategic investment in enabling infrastructure, supportive and inclusive planning frameworks and a conducive economic environment will encourage growth and ensure long-term access for the agricultural sector.*<sup>17</sup>

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<sup>12</sup> <http://www.daff.qld.gov.au/business-trade/development/queenslands-agriculture-strategy> <accessed 14 February 2014>

<sup>13</sup> Queensland's agriculture strategy, 4 June 2013:vi

<sup>14</sup> Queensland's agriculture strategy, 4 June 2013:10

<sup>15</sup> Aurizon, submission 7:10 &11

<sup>16</sup> Aurizon, submission 7:7

<sup>17</sup> DAFF, Hansard Transcript, 12 Feb 2014:13

### 2.3 The trend away from rail use by the agriculture industry

The Queensland economy comprises a higher proportion of agricultural, mining, manufacturing, construction and trade/transport sectors than any other state in the country, except for Western Australia and the freight task for each of these industry sectors is different.<sup>18</sup>

The projected growth in agricultural production will require efficient transport of product to market and rail will have to play a large role in this freight task. However, before that can happen, the reasons for the trend, over the last decade, for the agriculture sector to move away from using rail, will need to be addressed. There are a number of factors that have contributed to the significant decline in the volume of agricultural commodity being moved by rail:

- innovation in the road transport industry - high productivity vehicles delivering higher payloads has resulted in road freight becoming very competitive
- road freight being more reliable, flexible and responsive to the needs of the agricultural and livestock industry - carrying small loads on demand, providing pick-up and delivery straight to destination, providing quick transit times and not requiring long term contracts
- commodity competition on rail – coal and minerals are higher value freight for rail operators the agricultural sector cannot compete for the limited number of freight train paths.<sup>19</sup>

The Port of Brisbane clearly articulated the consequences of this trend away from rail:

*In the past ten years the Port of Brisbane has seen the movement of agricultural commodities through the port shift from 15% and declining while container mode shift has declined from 15% to less than 5%. This trend has led to negative liveability impacts in Toowoomba caused by significantly increased truck volumes and will lead to serious congestion through South East Queensland if not reversed. The Port Motorway is forecast to reach capacity by 2026.<sup>20</sup>*

The Australian Cotton Shippers Association referred to the unsustainability of this trend:

*.....eventually there will come a point where the volume of heavy vehicles coming through metropolitan Brisbane to get to the port of Brisbane for the point of export will become unsustainable. The economics of it is driven by whether or not that cost of road access is going to increase at a greater rate than the increase in the cost of rail access.<sup>21</sup>*

*The majority of that cotton is actually moving on a road model from northern New South Wales through the port of Brisbane. That demonstrates the extent of the economic imbalance between road and rail at the moment. We see this as a big issue because, going forward, the number of trucks using the metropolitan network in Brisbane to access the port is not sustainable. So something has to change.<sup>22</sup>*

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<sup>18</sup> QTLC, submission 9:3

<sup>19</sup> See QTLC, submission 9:8-9

<sup>20</sup> Port of Brisbane, submission 10:1

<sup>21</sup> Australian Cotton Shippers Association, Hansard Transcript, 5 March 2014:8

<sup>22</sup> Australian Cotton Shippers Association, Hansard Transcript, 5 March 2014:6

## 2.4 Strategies to incentivise rail use by the agricultural industry

The Department of Transport and Main Roads advised that while the State Government has a key role to play in the movement of freight, primarily through managing transport infrastructure, the legislative and regulatory framework and transport planning, policy and strategies:

*However, on a day to day basis it has relatively limited influence over how freight moves. Industry generally determines when, where and why freight moves, and the mode or modes that move it. While government and industry fulfil separate roles they are clearly interdependent. Therefore, achieving optimum freight outcomes is dependent on government and industry working in partnership to plan and deliver freight solutions.<sup>23</sup>*

There has been significant concern raised by stakeholders that there is very limited collaborative effort put into planning for optimum freight outcomes. The above rail service freight provider Aurizon provided evidence that better collaboration is required to improve the current system:

*We think there are three mechanisms to try and address rail's competitiveness that we need to do as an organisation and industry, all members of the supply chain and government. The first is around better collaboration between above- and below-rail providers. That is the core to unlocking any value in the supply chain, and we think there is a lot of value to unlock.<sup>24</sup>*

### **Current strategies employed to guarantee some rail access to the agriculture industry**

At the time the above-rail freight service was commercialised, the Government recognised that most agricultural commodities would be unable to compete in the new commercial environment. Two mechanisms were introduced to guarantee some limited access to rail.

- livestock freight was subsidised by Government through a Livestock Transport Service Contract<sup>25</sup>
- train paths were preserved for agricultural commodities on certain lines as competition from mineral commodity demand too great.<sup>26</sup>

While these mechanisms have been successful to some extent there are numerous issues related to their application and these issues are discussed later in this Report.

### **Incorporation of the regional lines into the national network**

On 25 February 2014, the Deputy Prime Minister Warren Truss and the Queensland Transport and Main Roads Minister Scott Emerson announced that the Federal and Queensland Governments have agreed to investigate expanding the Australian Rail Track Corporation's 8,500 km national rail network to incorporate Queensland's regional rail network. The potential implications of this transfer for the rail freight system in Queensland are discussed throughout this Report.

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<sup>23</sup> TMR, *Moving Freight*, 2013:32

<sup>24</sup> Aurizon, Hansard Transcript, 4 Jun 2014:8

<sup>25</sup> See a detailed analysis of the Livestock TSC in section 8 of the Report

<sup>26</sup> See a detailed analysis of preserved train paths in section 7 of this Report

### ***Proposed strategies***

The Queensland Transport and Logistics Council points out that any attempt to increase the use of rail by the agriculture industry needs to recognise the complexity and variations of the supply chains and adopt a “whole of supply chain” approach that is cognisant of upstream and downstream components, interactions and impacts.<sup>27</sup>

Numerous stakeholders have provided suggestions to the Committee on ways to incentivise the agriculture industry to use rail. The Committee has investigated all of the proposed strategies, as well as some of its own, and makes recommendation throughout later sections of this Report. These recommendations, which adopt a “whole of supply chain” approach, are summarised below.

## **2.5 Committee comment and summary of recommended actions**

### **Committee comment**

While the Committee understands that the state government has limited mechanisms to compel existing private rail operators or any new operator to undertake rail tasks exclusively for agricultural freight, we are strongly of the view that doing nothing is not an option. The Committee recommends that the State Government take a proactive, leadership role to undertake long, medium and short term planning with priority actions to ensure the State’s rail system is transformed into a modern, state-of-the-art transport system which facilitates industrial, mining and agricultural growth.

The Committee is extremely concerned that the agriculture industry has been increasingly choosing to use road freight over rail freight in Queensland and that this trend is having serious consequences in relation to road congestion, road maintenance costs the environment and safety. Without targeted intervention by the State Government there will be further decline in rail freight use with significant consequences for Queensland’s roads, the community and the state’s economy.

There is a limit to the ability of road transport services to provide for the Queensland Government’s projected agricultural growth, and without a viable rail freight option, this projected growth will be seriously constrained with significant implications for the State’s economy.

The Committee is firmly of the view that rail infrastructure planning and funding is a core responsibility of government as it is the only institution that can take a long-term view to ensure that agricultural industries have access to a modern, high-speed, efficient and affordable rail freight service.

The Committee makes recommendations throughout this Report on ways it believes the Queensland Government can take action to not only arrest the decline in rail freight use by the agriculture and livestock industries, but develop strategies to ensure that the rail system (both below-rail and above-rail) is transformed into a modern, state-of-the-art transport system which facilitates industrial, mining and agricultural growth and becomes the “industry preferred transport mode” across the State. The Committee’s recommendations are summarised below:

#### Strategic and co-ordinated planning (see flow chart on page 13)

- establish a bipartisan, high-level Freight Authority to provide advice on supply chain logistics
- appoint a high-level, accountable executive officer responsible for co-ordinating freight supply chain logistics across government, facilitate the work of the proposed Freight Authority and Infrastructure Taskforce and co-ordinate consultation with stakeholders
- develop a Queensland Strategic Freight Model to map supply chains and freight flows

<sup>27</sup> QTLC, submission 9:1

Improved infrastructure planning and delivery

- establish an independent rail Infrastructure Taskforce to develop and oversight the implementation of a state-wide rail freight infrastructure plan and line master plans - priority be given to the South-West, Western and West Moreton lines
- prioritise the proposed dedicated freight line from Toowoomba to the Port of Brisbane
- investigate the potential of a privately funded extension of the Inland Rail Line to the Surat Basin coal mines to provide an opportunity for agricultural commodities to be rail freighted directly to the Port of Brisbane
- additional rail infrastructure funding through State and Federal Government investment, Public Private Partnerships, privately funded projects (for example, mining lines that could also be used by agricultural trains) and through innovative options such as the West Australian “beneficiary pays investment model”
- reprioritise proposed transport infrastructure investment to provide a greater percentage of funding to upgrading Queensland’s rail network
- reapply the proceeds from the sale or lease of any rail infrastructure assets to rail infrastructure or other supply chain efficiencies

Improved capacity and access

- retention of preserved train paths with modifications to make the system more innovative, flexible and transparent
- review of the rail passenger priority policy to allow more flexibility and improve freight reliability
- undertake a cost-benefit analysis of introducing a state-of-the-art automatic train signalling system

Pricing and subsidies

- investigate more flexible rail haulage contract arrangements
- use whatever mechanisms available to Government (for example contracts/agreements for subsidies) to pressure above-rail operators to share the supply chain risk; consider more flexible rail haulage contracts; and to include producers in freight pricing negotiations
- continued involvement in the National Heavy Vehicle Charging reform project with the aim of achieving more equity in the contribution paid by rail and road freight providers towards the cost of infrastructure
- modification of the Livestock Transport Services Contract so it is delivered in an accountable, transparent and flexible manner to ensure the most effective application of the subsidy
- investigate ways to extend the subsidy to additional agricultural commodities as a transitional measure until infrastructure upgrades and supply chain efficiencies make a competitive, commercial freight service viable
- investigate ways to refine and focus the Regional Freight Transport Services Contract so that it is only directed to the regions that cannot attract a competitive, commercial freight service and to ensure the subsidy is only provided by rail where rail infrastructure exists

Supply chain improvements

- plan for, and facilitate development of, strategically located inter-connected freight hubs, including warehousing, intermodal terminals and inland ports
- upgrade loading and unloading facilities
- ensure that infrastructure upgrades facilitate the transport of containerised freight
- investigate options for developing and facilitating the purchase of new efficient, more flexible rolling stock
- appoint freight task co-ordinators vested with appropriate authority and funding

Above-rail competition

- Investigate options for facilitating above-rail competition, for example by Queensland Rail purchasing back rolling stock at the end of the current Transport Service Contract and, either re-entering the agricultural freight business to assist with the transition or making the rolling stock available to alternate operators; ensuring freight data and pricing information is made available to new service providers and ensuring they have access to sufficient train paths to operate an alternate business.

The Committee supports the Government's investigation of the potential transfer of State rail freight lines to the Australian Rail Track Corporation on the basis that it is likely to attract critically needed infrastructure funding. However, we are concerned that the transfer of the lines could compromise the State's ability to undertake infrastructure planning and to ensure the rail system in Queensland is designed to facilitate the forecast growth in the State's economy, and in particular the agricultural sector.

We are also concerned that transferring the lines to the national network will lessen the State Government's ability to provide incentives to the agricultural industry to use rail by preserving train paths and by providing freight subsidies. The potential implications of the proposal are investigated in each section of the Report.

**Recommendation 1**

The Committee recommends that the Queensland Government implement the recommendations in this Report and work closely with the rail industry, primary producers and other levels of government to ensure the Queensland rail system (both below-rail and above-rail) is transformed into a modern, state-of-the-art transport system capable of facilitating industrial, mining and agricultural growth; becoming the "industry preferred transport mode" across the State.

**Recommendation 2**

The Committee recommends that the Queensland Government carefully weigh up the benefits and possible negative implications of transferring Queensland's regional rail lines to the Australian Rail Track Corporation before making a final decision, and that this assessment take into account the specific concerns raised by the Committee in relation to issues discussed throughout this Report.

### 3 Planning and co-ordination across government

One particular issue that has come to the attention of the Committee in undertaking this Inquiry is the fact that there is no one agency with lead responsibility for transport infrastructure planning and supply chain logistics. This role is shared between the Department of Transport and Main Roads and the Department of State Development, Infrastructure and Planning.

In the context of this Inquiry, the Department of Agriculture, Fisheries and Forestry plays a further role with regards to infrastructure planning for the agriculture and livestock industries by providing expert advice on the transport needs of these industries. The Department of Agriculture, Fisheries and Forestry advised:

*...over the last year transport has become one of the areas of focus of the department, with wide consultation occurring with agricultural companies, representative groups and peak bodies to get an understanding of transport issues in each agricultural sector. And in many cases ... that has included involvement with either officials from the Department of Transport and Main Roads or, in several cases, with the Minister.*

*In mid-2013 the department asked for submissions from, and interviews with, key agricultural industry representatives and stakeholders to understand current agricultural transport issues. In particular, the department sought input on where investments in infrastructure are required to improve efficiency; regulatory barriers which could be removed, improving efficiency; and the role government should have in the actual provision of services.<sup>28</sup>*

The Department of State Development, Infrastructure and Planning is playing a key role representing the Queensland Government on the Implementation Group for the Inland Rail project.

While all three agencies have reassured the Committee that they work closely together and that “dialogue is occurring”<sup>29</sup>, the lack of one point of contact for the State Government has been raised as a concern for private transport infrastructure proponents and expert advisers such as the QTLC which provided the following evidence:

*The second recommendation [in Strengthening Queensland’s supply chains] centres around the appointment of a senior accountable executive for managing the efficient movement of freight in Queensland as it relates to the overall productivity at a high level... In my dealings on freight matters I deal with the Department of Agriculture, Fisheries and Forestry, the Department of Transport and Main Roads and the Department of State Development, Infrastructure and Planning, just to name three, individually collate and collect data from all three and deal with all three on freight matters. It is very hard to coordinate such complex and disparate supply chains across departments and I would maintain that the appointment of an accountable executive is a continuing recommendation.<sup>30</sup>*

Supply chain logistics and co-ordination is a very complex task and is complicated more by the responsibility of having to plan around the needs of specific industries. The Department of Agriculture, Fisheries and Forestry advised the Committee that:

*The agriculture strategy recognises that responsibility for managing, maintaining and/or developing efficient transport of product to market is increasingly shared across infrastructure owners, regulators, transport operators and freight customers. It also*

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<sup>28</sup> DAFF, Hansard Transcript, 12 Feb 2014:14

<sup>29</sup> TMR, Hansard Transcript, 12 February 2014:11

<sup>30</sup> QTLC, Hansard Transcript, 7 May 2014:2



*recognises that strategic investment in enabling infrastructure, supportive and inclusive planning frameworks and a conducive economic environment will encourage growth and ensure long-term access for the agricultural sector.*<sup>31</sup>

### 3.1 Committee comment

#### Committee Comment

There are three State Government agencies with varying responsibilities for transport infrastructure planning and supply chain logistics for the agricultural industry. The Committee is concerned that some efficiency must be lost in coordinating such complex and disparate supply chains across agencies and that this must lead to less than optimum outcomes of the Government and for industry.

In undertaking this Inquiry the Committee has had to consult separately with all three agencies involved in agricultural freight transport as well as with Queensland Rail - which has recently been bought back under the auspice of the Department of Transport and Main Roads. We have been advised that transport logistics experts also have to liaise separately with all three agencies and we assume this is also the case for industry bodies such as AgForce and parties undertaking planning for infrastructure upgrades – such as the Port of Brisbane.

There is also no single transport logistics area responsible for collating data and information from the relevant agencies, including the Department of Natural Resources and Mines, and using this data to model future freight needs across the State and provide input into infrastructure planning and investment.

The concern the Committee has about co-ordination is illustrated by the Inland Rail project being led by the Federal Government. The Department of State Development, Infrastructure and Planning represents Queensland on the Implementation Group and the Committee believes it is imperative that there be co-ordinated input from the key transport and agricultural agencies as well as from large stakeholders such as the Port of Brisbane. Such an approach is the only way to ensure planning decisions maximise the benefit for Queensland's agricultural industries and take into account possible locations for hubs and inland ports. The Queensland Government clearly needs to have co-ordinated and strategic input into the decision making process which will decide the route for the new dual gauge line.

The absence of a co-ordinated approach by agencies is evidenced by the fact that there has been a number of over-lapping consultations being undertaken with the agriculture industry during the course of this seven month Parliamentary Inquiry. The Committee is aware of consultations being undertaken by the Department of Agriculture, Fisheries and Forestry on the transport requirements of the agricultural sector, the Department of Transport and Main Roads on the draft *Moving Freight* strategy and the draft *Ports Strategy* as well as the transport department's more recent consultation with the agriculture and livestock industries on the renewal of the Livestock Transport Services Contract.

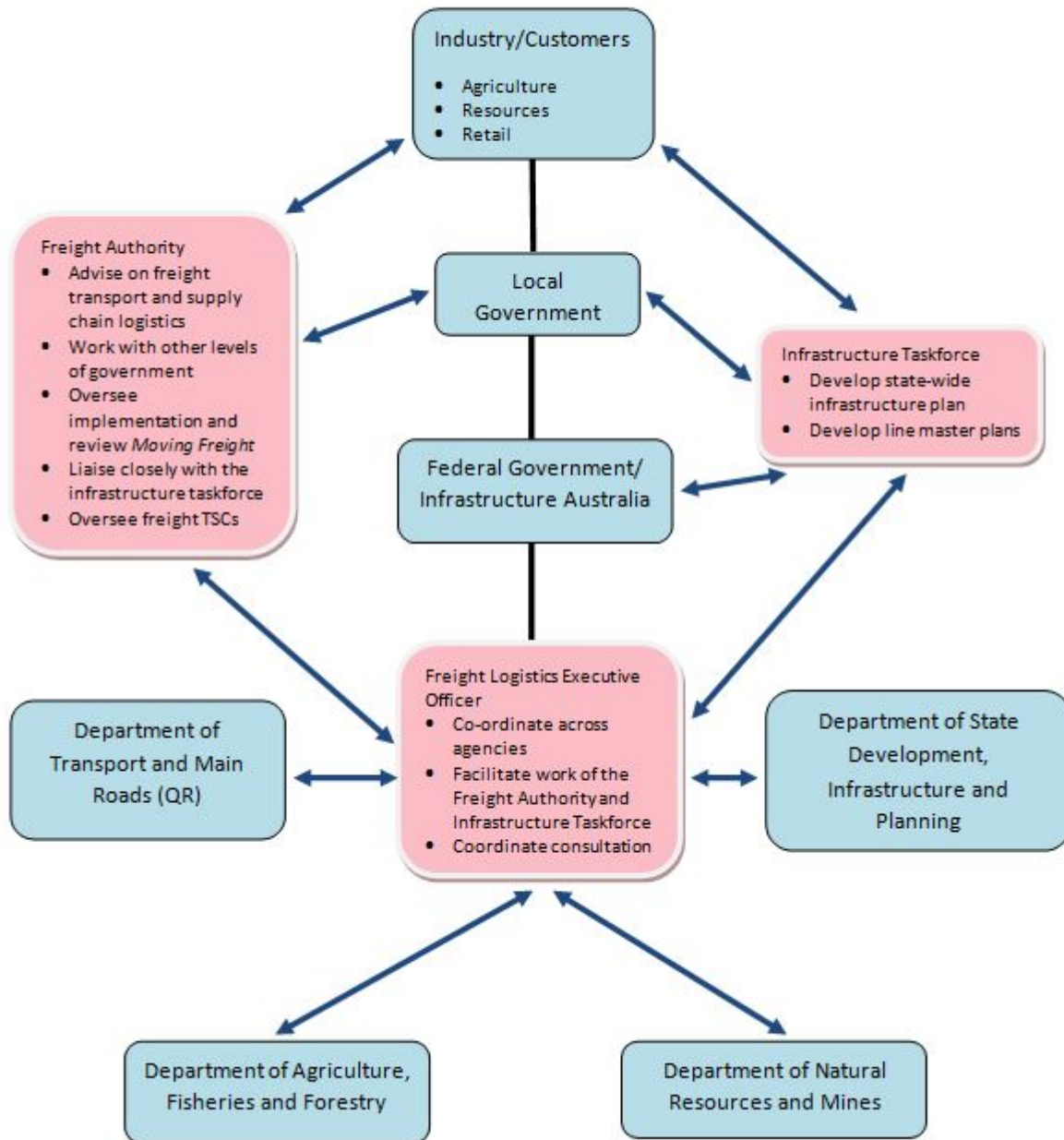
The Committee is pleased that the agricultural industry is being afforded the opportunity to have input to government policy development but is concerned that key industry stakeholders are at risk of becoming over-consulted and that so many overlapping and consecutive consultation processes may give the appearance that government agencies are not co-ordinating this activity.

The Committee makes a number of recommendations in the next section of this Report around improved co-ordination and planning across the State Government.

<sup>31</sup> DAFF, Hansard Transcript, 12 Feb 2014:13

Figure: 1 Flowchart of proposed freight co-ordination across government and industry

Freight co-ordination across government and industry



## 4 Modal choice – agricultural industries

As noted in Section 2 of this Report, there are significant benefits to the community and government in facilitating the use of rail by the agriculture industry, including cost efficiencies, reduced traffic congestion, increased safety on the roads and rail being the least emissions intensive way getting product to market. However, rail is currently only moving a small proportion of agricultural product in Queensland. Road is currently the preferred mode of transporting agricultural freight for various reasons which vary depending on the product and on the region.

The Queensland Transport and Logistics Council submitted that advantage of road over rail is likely to be a combination of infrastructure, policy settings and supply chain factors, emphasising the importance of understanding how these variables interact to drive commodity productivity and modal choice.<sup>32</sup>

### 4.1 Data on the current freight task by modal choice

The main factors influencing modal share are provided by the Department of Transport and Main Roads in its' *Moving freight* strategy:

*Generally, modal selection is informed by the best match between the characteristics of the freight to be moved (volume, mass, and handling requirements) and transport options (cost, speed, service frequency, reliability, availability and flexibility).<sup>33</sup>*

Queensland has a very large freight task with a total freight volume in 2010-11 of 871 mega/million tonnes. This task is expected to increase by 2026 to between 1643-1741 mega/million tonnes.<sup>34</sup>

Key freight and logistics tasks in the agricultural sector include:

- Grain haulage and transfer
- Livestock transportation
- Meat distribution
- Sugar
- Produce
- Cotton.<sup>35</sup>

Currently, the movement of agricultural commodities and livestock in Queensland is largely skewed towards road with between 70% and 100% of individual commodities being transported by road.<sup>36</sup> This represents a higher modal share than the average for road freight across the State - 69%.<sup>37</sup> In 2010-11, rail moved 29% of freight with most of this attributable to bulk freight such as coal, minerals, bauxite, cement, grain and sugar. The remaining 2% of freight was moved by sea and air.<sup>38</sup>

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<sup>32</sup> QTLC, submission 9:7

<sup>33</sup> TMR, *Moving Freight*, Dec 2013:16

<sup>34</sup> Pekol Traffic and Transport as referenced by TMR in *Moving Freight*, Dec 2013:12 and 18

<sup>35</sup> Aurizon, submission 7:11

<sup>36</sup> QTLC, submission 9:8

<sup>37</sup> TMR, *Moving Freight*, Dec 2013:16

<sup>38</sup> TMR, *Moving Freight*, Dec 2013:16

The rail freight task is expected to increase by 106.3% between 2009-10 and 2019-20 and the road freight task is expected to increase by 71.6% between 2009-10 and 2019-20.<sup>39</sup> It should be noted that most of the projected increase in rail freight is due to coal and other mineral exports.<sup>40</sup>

Figures for the Brisbane-Sydney-Melbourne corridor show that less than 15% of containerised freight is transported by rail, with most freight moved by road and a small proportion by sea freight.<sup>41</sup>

There is little available data on domestic rail freight broken down by agricultural commodity or on a corridor level. However, export data includes a commodity breakdown by transport mode. In 2012-13, a total 213 mega/million tonnes of freight was exported – coal makes up 84.2% of exports (\$25 billion value) and agricultural commodities and their derivatives (including livestock) make up 3% of the exported volume with a value of over \$8 billion (17% of export value).<sup>42</sup> The value of agricultural commodities exported is second only in value to coal. Data on agricultural commodities and their mode of transport to the ports is provided below:

- livestock for export is around 10,500 tonnes – all moved by road to port
- meat and meat products were 1.07 mega/million tonnes of exports with 85% moved by road and 15% by rail – all containerised, the only meat transported to the Port by rail originates in Central and North Queensland<sup>43</sup>
- cotton exports (containerised) – only 5% of cotton bales and 3% of cotton seed was transported to the Port of Brisbane by rail<sup>44</sup>
- grains and cereals – 60% by road and 40% by rail (including export and bulk train services) with 80% of bulk grain being transported to the Port by road and containerised grain going by road almost 100% of the time<sup>45</sup>
- sugar – 3.43 mega/million tonnes – roughly 50%/50% by road and rail.<sup>46</sup>

The Department of Transport and Main Roads advised that as far as domestic movements are concerned (non-export type products) there is multiple movements of agricultural freight, especially in the meat area. Livestock is moved often from paddock to paddock depending on the availability of feed; from paddock to feedlots across the State (all by road); and also from feedlots through to the abattoir for processing. Approximately 200,000 head of cattle were moved by rail through to the abattoir in 2012-13, which is equivalent to approximately 3,300 B-doubles.<sup>47</sup> It is worth noting that this movement of cattle by rail to abattoir represents less than 10% of all cattle moved to abattoir.<sup>48</sup>

Volumetric data on domestic agricultural freight such as the movement of grains and cereals, cotton, sugar and meat is difficult to quantify due to the multiple origins and destinations.

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<sup>39</sup> QTLC, SQSC 2013-2015:24 & 57

<sup>40</sup> Centre for Transport, Energy and the Environment as referenced in QTLC, SQSC 2013-2015:18

<sup>41</sup> *The True value of Rail Report*, prepared for the ARA by Deloitte Access Economics, 2011:45 (as referenced by Aurizon, submission 7:15)

<sup>42</sup> TMR, *Moving Freight*, Dec 2013:16

<sup>43</sup> Port of Brisbane, submission 10:5

<sup>44</sup> Australian Cotton Shippers Association, submission 4:1

<sup>45</sup> Port of Brisbane, submission 10:3

<sup>46</sup> TMR, Hansard Transcript, 12 Feb 2014:2

<sup>47</sup> TMR, Hansard Transcript, 12 Feb 2014:2

<sup>48</sup> DAFF, Hansard Transcript, 12 Feb 2014:14

**Committee comment****Committee Comment**

The Committee has been impeded in undertaking this Inquiry by the lack of available agricultural freight data - at both a commodity level and at a road and rail corridor level. We understand that the data is difficult to collect due to intellectual property, confidentiality clauses and commercial-in-confidence issues and we are sympathetic to the concerns industry has regarding the release of such information. However, we are concerned that the lack of accurate, up-to-date data makes managing and monitoring the freight system extremely difficult and limits the ability of the Government to undertake modelling on future needs. Improved data collection and analysis is critical to understanding, managing and influencing agricultural supply chains.

Throughout this Report the Committee has provided future direction for incentivising the use of the rail system by primary producers but it has been unable to analyse the industry's current freight needs or forecast needs at the level of detail required by the Inquiry's terms of reference. The Committee has undertaken further investigation of options relating to the collation of freight data for future modelling purposes in the final section of this Report.

**4.2 Why agricultural commodities are moving to road as the preferred modal choice*****Inherent characteristics of the agricultural industry lead to it adapting less readily to rail***

The agricultural industry and the commodities they produce have a number of inherent characteristics, which mean the industry adapts less readily to rail freight and in particular, to the way the rail freight service is currently delivered. These characteristics include:

- the seasonality of most agricultural commodities mean the producers do not require a constant freight service but do require significant amounts of freight moved during what is sometimes a very short peak production period
- production is affected by climatic conditions which means the amount of freight varies from year to year and weather can also alter the timing and the duration of the harvest
- geographic diversity means producers often do not have direct access to rail and usually require inter-modal transport (trucks and trains)
- some foods are perishable, and are of higher value if they can be delivered direct to market and to customers in a very short timeframe
- multiple agricultural commodities are produced in Queensland which complicates the rail freight task, unlike the grain line system in Western Australia
- there is need for smaller individual loads to be moved over shorter distances due to an increasing direct relationship between farmers and the markets.<sup>49</sup>

The characteristics outlined above make the rail freight task more complicated and less economical for above rail freight providers. Aurizon submitted:

*The structure of agricultural industries, with many small and medium farming enterprises dispersed across large regions of the state make it difficult to develop and maintain "economies of scale" supply chains similar to those achieved in the transportation of coal.*

<sup>49</sup> TMR, Hansard Transcript, 12 Feb 2014:5

*In addition to the dispersed locations of production, a large proportion of farming enterprises involve food or fibre production that is seasonal. Seasonal production adds to the challenges for supply chain efficiency.<sup>50</sup>*

Seasonal fluctuations in production require careful planning and management of the agricultural supply chains. The Australasian Railway Association submitted that:

*There are major costs associated with having freight transport available to meet peak production periods. If freight services are not utilised efficiently and to their full capacity, this reduces the overall efficiency of supply chains, and has a negative impact on costs – with consequential negative impacts on competitiveness and producer returns.<sup>51</sup>*

The Committee heard evidence from a number of stakeholders that rail is only cost-effective for long distance, high volume, long-term and constant freight tasks. There are a number of agricultural products that are more suited to the use of rail including bulk commodities such as grain, cotton and sugar and the movement of livestock to processor due to the fact the cattle arrive in superior condition. While the cost efficiencies provided by rail make it ideal for transporting bulk agricultural produce, particularly over long-haul distances, the Department of Agriculture, Fisheries and Forestry pointed out the following issues to the Committee:

*Globally, bulk haulage by rail is recognised as being more cost effective per tonne due to reduced fuel costs and a reduction in trucks that create congestion on the roads. Cost efficiencies provided by rail make it ideal for transporting bulk agricultural produce such as grains and cattle, particularly over long-haul distances in Queensland. In some cases a train may provide the equivalent of 80 trucks.*

*However, the nature of seasonal production in agriculture makes the scheduling of rail services difficult across such a large rail network. For commodities such as bulk grain in Central Queensland, where there are no reserved paths, seasonality also makes it harder to compete with the mining industry for rail space. It is simply not practical or economically viable to have rolling stock lying idle for long off-season periods.<sup>52</sup>*

### **Additional impediments to the use of rail by the agriculture and livestock industries**

The Department of Agriculture, Fisheries and Forestry recently undertook consultation with the agricultural industry to identify the perceived impediments to using rail. They included the removal of services or reduction in scheduling, the closing of sidings, poor reliability, price increases, lack of co-ordination and marketing of rail services and lack of flexibility.<sup>53</sup>

The Department provided further evidence that the decrease in rail services for agriculture has coincided with higher volume, heavier carrying capacity vehicles, the upgrade of many regional roads to facilitate the movement of road trains and dedicated livestock transport vehicles, and limited investment in upgrading rail infrastructure to accommodate modern rolling stock.<sup>54</sup>

Some of the specific impediments to the use of rail are outlined below. These issues are discussed in more detail throughout this Report.

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<sup>50</sup> Aurizon, submission 7:12

<sup>51</sup> ARA, submission 14:4

<sup>52</sup> DAFF, Hansard Transcript, 12 Feb 2014:13

<sup>53</sup> DAFF, Hansard Transcript, 12 Feb 2014:14

<sup>54</sup> DAFF, Hansard Transcript, 12 Feb 2014:14

### Ageing and out-dated rail infrastructure

The condition and constraints of much of Queensland's regional rail infrastructure further exacerbates the ability of rail freight to compete with road freight. The Port of Brisbane pointed out the critical need for 'fit for purpose' infrastructure upgrades:

*Critically, ... [to] attract freight onto rail, a dedicated 24/7 freight rail corridor into the Port of Brisbane is an absolute necessity. Without the same access to the port that trucks receive substantial modal shift cannot be achieved.*<sup>55</sup>

### High cost of improving and maintaining infrastructure

*There are significant impediments to maintaining and improving this infrastructure – the biggest being rail access for containerised cotton and cottonseed over the Toowoomba Range. We understand that Treasury has allocated funds for upgrading that is inclusive of tunnel/bridge height adjustments, but a further issue that requires consideration is the profile of the track itself.*<sup>56</sup>

### Limited of rail capacity

For example, the Maranoa Regional Council submitted that lack of capacity has resulted in a service schedule that is too periodic to satisfy the requirements of the customer base.<sup>57</sup>

Containerised cotton is also mainly moved by road due to economics and capacity:

*Cotton being a containerised export is currently predominantly using a road model. Only five per cent of the cotton exports through the Port of Brisbane actually go on rail at the moment. The reason why we are using a road model is purely economics and capacity. Until the Toowoomba range constraint is addressed there is no capacity to use containerised exports of cotton packed inland by more than the five per cent that is happening at the moment. It is purely economics and the competitive nature of road versus rail.*<sup>58</sup>

### Commodity competition for train paths

Commodity competition for train paths is also a big issue for agricultural producers given that coal and minerals offer higher value freight for rail operators and the agricultural sector cannot compete for the limited number of freight train paths.<sup>59</sup>

*Of the cotton seed that is also predominantly exported now in containers, 50 per cent of that containerised seed went through the Port of Brisbane. Unfortunately only five per cent of cotton and three per cent of seed was on rail. We currently have only one rail service that goes to Goondiwindi that is a point-to-point operation and outside of that we do not have any other rail provision to any other part of the cotton growing region such as the Darling Downs et cetera...*<sup>60</sup>

The Department of Agriculture, Fisheries and Forestry advised that there is a common belief within the agricultural industry "...that the current rail transport operator has preferred to focus on the more

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<sup>55</sup> Port of Brisbane, submission 10:2

<sup>56</sup> Australian Cotton Shippers Association, submission 4:1

<sup>57</sup> Maranoa Regional Council, submission 17:5

<sup>58</sup> Australian Cotton Shipper Association, Hansard Transcript, 5 Mar 2014:5

<sup>59</sup> See QTL, submission 9:8-9

<sup>60</sup> Australian Cotton Shippers Association, Hansard Transcript, 5 March 2014:5

*profitable transport of coal and that any reduction in dedicated agricultural freight journeys offers greater ability to put coal on to major rail corridors.”<sup>61</sup>*

#### Inflexibility in rail capacity allocation

While there are a number of train paths preserved by legislation for agricultural products, the Committee has heard that accessing these paths has a number of challenges including inflexibility, lack of transparency and train services being unavailable. The above-rail service provider has contracted some of the preserved paths for grain movement, but due to the seasonal nature of the commodity this has proved to be an inflexible approach and a burden to the contracted party.

#### Poor service from the above-rail provider

Many stakeholders hold the view that the above-rail service provider is actively providing disincentives to rail use by the agricultural sector so that they can focus on the higher paying mineral freight sector. There has been overwhelming evidence provided to the Committee that the rail service provided to the non-mining sector across the State is either non-existent (even where rail lines exist), slow, unreliable and inflexible.<sup>62</sup>

#### Responsiveness and flexibility of road transport

One of the main advantages of road freight is its responsiveness to the needs of the agricultural and livestock industry - carrying small loads on demand, providing pick-up and delivery straight to destination, providing quick transit times and not requiring long term contracts. Recent innovations in the road transport industry including the move towards high productivity vehicles delivering higher payloads has also resulted in road freight becoming very competitive.

*Despite the inherent benefits of rail over long distances, Queensland’s agricultural industries have become more reliant on road transport in recent years. This is largely due to the need for flexibility in pick-up and delivery locations, the need for a more immediate service and the greater flexibility of road services.<sup>63</sup>*

It clear from evidence provided during this Inquiry that modal competition and contestability is a critical issue as generally, road freight is perceived to be more flexible, reliable and cost effective by many agricultural industries.

*Modal competition and contestability is a big issue while road freight is perceived to be flexible, reliable and cost effective. Through the expansion of a high productivity vehicle network, this has also provided access into the traditional rail markets. For example, in the south-west there has been a growth of high productivity vehicles which has assisted or facilitated the movement of agricultural type freight through to the port of Brisbane, so the competitiveness of rail in the south-west has diminished over time.<sup>64</sup>*

#### Road freight charges are more flexible

Even in situations where rail is best suited to the movement of agricultural commodities due to their bulk nature, the industry cannot easily adapt to the standard “take or pay” contracts preferred by above rail freight operators as the produce is still seasonal and affected by climatic conditions.

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<sup>61</sup> DAFF, Hansard Transcript, 12 Feb 2014:15

<sup>62</sup> For further discussion on service provision issues see section 10 of this Report

<sup>63</sup> DAFF, Hansard Transcript, 12 Feb 2014:14

<sup>64</sup> TMR, Hansard Transcript, 12 Feb 2014:5



### Moving cattle by road is becoming more cost effective and simpler

Queensland is the last state in Australia to transport livestock by rail. This is due to the large distances required to source and transport cattle for processing in this State.<sup>65</sup> While the State Government provides a subsidy for transporting cattle to processors through a Transport Service Contract it is estimated that less than 10% of Queensland cattle are consigned to an abattoir by train.

*It is currently perceived by industry to be simpler and often more efficient to move cattle from the paddock to abattoir by truck rather than deliver to a railhead. The complications of sorting loads from multiple owners to multiple abattoirs creates additional disincentive for rail use.<sup>66</sup>*

The Maranoa Regional Council submitted:

*Increased costs of rail freight – local primary producers have indicated that livestock was transported on rail for approximately 66% of the price of road freight. Currently, rail freight expenses are approximately 30% greater than a comparable road-based service.*

*Double handling is common as many farmers don't have direct access to rail yards. Limited financial justification exists for primary producers to transfer their cattle via both logistical modes when road freight is considerably more efficient.<sup>67</sup>*

The Department of Agriculture, Fisheries and Forestry pointed out that the current system of providing the cattle train service further exacerbates the situation:

*... when abattoirs order the rail service, the cost of rail transport is passed from the abattoir back to the producer after the cattle are slaughtered. This means there is little incentive for the abattoir to actively seek higher utilisation of rail and/or greater efficiencies, as they do not bear the cost.<sup>68</sup>*

The Devine report provided an insight into the views of graziers:

*A number of graziers commented that the cost competitiveness of railing cattle from Quilpie is almost gone compared to road freighting. The differential is no longer sufficient when other factors such as transit times are taken into consideration...*

*Graziers are risk conscious, particularly when it comes to market downgrades and animal welfare issues. A truck breakdown results in inconvenience and risk for 6 decks of cattle (120 head) until an alternative freight solution is arranged. A train breakdown results in a full consignment of 800 head being at risk. Sourcing an emergency trucking or spelling option for 120 head is far simpler than for 800 head.<sup>69</sup>*

### Distortion in road transport infrastructure provision

The absence of heavy vehicle charging that is directly linked to the reform of infrastructure provision for heavy vehicles is likely to favour road transport over rail.<sup>70</sup> Infrastructure Australia has noted there is a potential distortion in road transport infrastructure provision due to the infrastructure being supply driven, rather than demand driven. It has further noted that the potential for

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<sup>65</sup> JBS, submission 6:4

<sup>66</sup> DAFF, Hansard Transcript, 12 Feb 2014:14

<sup>67</sup> Maranoa Regional Council, submission 17:5

<sup>68</sup> DAFF, Hansard Transcript, 12 Feb 2014:14-15

<sup>69</sup> Devine Agribusiness, South West Queensland Livestock Transportation Project, 2013:21

<sup>70</sup> Aurizon, submission 7:15

distortions is greatest in general freight markets with relatively long distance line hauls or high traffic densities. Furthermore, these are on highways and main roads that run parallel to rail lines, including urban ports.<sup>71</sup> Aurizon submitted that:

*The supply driven approach to road infrastructure provision does result in distortions on long haul routes, and contributes to a high proportion of freight continuing to be transported by road on longer haul routes within Queensland, as well as interstate corridors.*<sup>72</sup>

#### 4.3 The role of strategic planning in overcoming impediments to rail use

While the Committee discusses each of the impediments to rail use, and possible solutions, in detail in later sections of this Report, there was general agreement amongst key stakeholders and industry that the disincentives outlined above will only be overcome if the Government undertakes strategic forward planning for the freight network across the State.

The Australasian Railway Association submitted that:

*A key question for government, agricultural sector and the freight sector – which requires careful consideration – is whether there could be improvements to the management of fluctuations in production through actions by producers and/or freight transport operators. This would necessarily involve an approach to freight infrastructure planning that requires greater coordination of freight network developments.*

*A strategic approach to planning of efficient freight infrastructure requires that the respective strengths and weaknesses of rail and road transport. This will improve the way in which the two are linked, and combine to contribute to a more efficient transport network overall.*<sup>73</sup>

Maranoa Regional Council submitted:

*Collaborative effort across government, the transport industry, and primary producers is required to successfully increase the utilisation of the rail-freight network in Queensland... Without collaborative effort across private and public sectors rail-freight may not be developed as an economically viable alternative to road logistics.*<sup>74</sup>

Aurizon recommended that a freight and logistics strategy be developed:

*The future competitiveness of the state's industries requires a freight and logistics strategy with a strong focus on driving efficiency improvements in local, national and international supply chains. This is particularly important for the agriculture sector where there are major opportunities for growth, but also very significant challenges to developing more efficient freight supply chains that are necessary to realising those growth opportunities...*

*Effective Government and industry coordination provides a basis for the Government to make well-informed policy decisions, and for ongoing monitoring of the implementation of decisions.*<sup>75</sup>

<sup>71</sup> Infrastructure Australia, *National Land Freight Strategy Discussion Paper*, 2011:17 (as referenced by Aurizon, submission 7:15)

<sup>72</sup> Aurizon, submission 7:15-16

<sup>73</sup> ARA, submission 14:4

<sup>74</sup> Maranoa Regional Council, submission 17:7-8

<sup>75</sup> Aurizon, submission 7:6

There is a critical need for a mechanism for coordinating policy development and implementation; taking into account the respective strengths and weaknesses and costs of both rail and road, and aligning policy settings so that both are used efficiently:

*Significant efficiency benefits can be realised from improving policy coordination between industry and government in relation to specific barriers or capacity constraints on the freight network. Coordination should involve the sharing of information about freight priorities and assessments of options for policy settings... coordination between the Government and industry should focus on identifying the most important barriers to lifting productivity, and prioritising infrastructure upgrades to address the most significant barriers identified.<sup>76</sup>*

#### 4.4 Committee comment and recommendations

##### Committee consideration

There has been considerable evidence provided to the Committee about the reasons behind the significant move away from the use of rail by the agricultural industry over recent decades. We have concluded that the competitiveness of rail freight for agricultural commodities and livestock has been eroded by improvements in the responsiveness and reliability of road transport; the poor delivery of the above-rail service; the higher cost for short haul, non-bulk rail freight; and commodity competition for limited train paths.

We are deeply concerned that, without focused forward planning and strategic investment in the rail network, market forces will result in this trend continuing to the point where the road network will reach capacity at key locations such as the motorway to the Port of Brisbane.

Without urgent intervention, rail will only become competitive when bottlenecks start to occur at key road transport points, stopping the flow of freight with disastrous consequences for the Queensland economy. This cannot be allowed to occur.

It is imperative that immediate action be taken to make the rail system more competitive. Bottlenecks in freight movement will not only constrain the projected growth in the agricultural industry; other industry growth will also be severely constrained.

The Committee recommends in the next section of the Report that the Queensland Government take immediate action to balance its infrastructure investment portfolio across road and rail networks.

High-level co-ordination of rail transport planning is also critical in order to effect the transformation of the current rail system. The Committee recommends the formation of a group of freight logistics experts and industry representatives to provide the Government with strategic advice on the projected freight needs of industry and the optimum modal delivery of these needs.

The Committee is also recommending the appointment of a high-level, accountable executive officer (reporting directly to either the Director-General of the Department of State Development, Infrastructure and Planning or the Department of Transport and Main Roads) who is responsible for co-ordinating freight supply chain logistics across the State on behalf of the Government and who can ensure that future consultation with stakeholders is undertaken in a co-ordinated, effective and efficient manner.

The Committee has analysed specific impediments to rail use by the agricultural sector, and possible solutions to each issue, in the following sections of this Report. We make various recommendations

<sup>76</sup> Aurizon, submission 7:24-25

on ways to incentivise the agriculture and livestock industries to use rail including: more efficient delivery of the rail subsidies, improved infrastructure and supply chain efficiency measures.

**Recommendation 3 – co-ordination of freight supply chain logistics**

The Committee recommends that the Queensland Government appoint a high-level, accountable executive officer (reporting directly to either the Director-General of the Department of Transport and Main Roads or the Department of Stated Development, Infrastructure and Planning) who is responsible for:

- co-ordinating freight supply chain logistics across relevant government agencies
- facilitating the work of the proposed Freight Authority and Infrastructure Taskforce
- ensuring that future consultation with stakeholders is undertaken in a co-ordinated, effective and efficient manner.

**Recommendation 4 – formation of a freight authority**

The Committee recommends that the Queensland Government establish a bipartisan, high-level Freight Authority comprising logistics experts, freight providers and customers, and government agency representatives to be tasked with providing ongoing, current advice to Government through the new accountable executive officer (recommended above) on:

- Queensland's freight transport and supply chain logistics and in particular, the supply chain requirements of the agriculture and livestock industries
- implementation and review of the *Moving Freight* strategy
- the work of the proposed Infrastructure Taskforce including the assessment criteria for prioritising key infrastructure projects
- work undertaken with the Federal Government and local governments to plan for and develop an efficient freight system
- the operation of the freight Transport Services Contracts ensuring the subsidies are both transparent and assessable and are applied in the most effective way to guarantee producers receive the benefit.

## 5 Below rail Infrastructure

The Committee has received overwhelming evidence from stakeholders that while there are some “low hanging fruit” in relation to rail upgrades that will go some way to incentivising the agricultural industry use rail, road will remain the modal choice for most products until such time as “fit for purpose” rail infrastructure is developed. Significant upgrades to the current infrastructure is needed to provide the efficiency and productivity outcomes required to make rail the “industry preferred method” for transporting freight across the State.

There are 8,992 kilometres of rail tracks in Queensland:

- Queensland Rail is responsible for approx. 6,585 kilometres
- Aurizon is responsible for 2,300 kilometres (mainly coal network)
- ARTC is responsible for 98 kilometres from the NSW border to Acacia Ridge.<sup>77</sup>

Queensland Rail’s network includes the Mount Isa, North Coast, Western, West Moreton, South Western and Central Western lines. This infrastructure provides freight customers from the agricultural, mining, manufacturing, retail and tourism industries with access to supplies and key markets.<sup>78</sup>

### 5.1 Current condition of below rail infrastructure

Various stakeholders presented evidence that lack of investment in rail infrastructure over many decades has resulted in an antiquated and expensive (inefficient) below rail system which impacts seriously on the ability of rail to compete with road.<sup>79</sup> The competitiveness of rail is impacted by infrastructure limitations. Specific issues include:

- narrow gauge lines - limit the type of locomotives and rolling stock that can be used
- low axle limits (15.75 TAL and less) - certain agricultural products such as containerised grain are not able to be freighted by rail due to their weight
- restricted tunnel heights (8’6”) - 9’6” containers preferred for cotton lint (70% packed up country) cannot use the tunnels and are therefore transported to Port by road
- sidings/passing loops not long enough - train lengths are limited to 650 metres (even the two new passing loops on the Range will not provide a solution as this as the train lengths will still be restricted if the existing shorter loops have to be used)
- old railway bridges – restricts speed and increases risk, for example the line west of Emerald<sup>80</sup>
- poor condition of tracks due to lack of maintenance – restricts speed and increases risk.<sup>81</sup>

Further evidence pointed out the closure of lines and sidings which has negatively impacted on the rail service, for example:

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<sup>77</sup> TMR, Hansard Transcript, 12 Feb 2014:8

<sup>78</sup> Queensland Rail, *Annual Report 2012-13*:6

<sup>79</sup> For example, see Port of Brisbane, Hansard Transcript, 25 Feb 2014:8, Cotton Australia, Hansard Transcript, 5 Mar 2014:6

<sup>80</sup> JBS, submission 8:1

<sup>81</sup> JBS, submission 8:1

- Oakey abattoir lost rail access in 1990's causing it to be at a huge disadvantage compared with its major competitors JBS and Teys Cargill which have direct rail access<sup>82</sup>
- closure of line via Mt McLaren and removal of points at Blair Athol have impacted grain freight from the Capella grain receival site to Mackay Port.<sup>83</sup>

AgForce provided the following evidence on the inefficiencies of the current infrastructure and the impact it has on grain movement in Queensland:

*Some of the major operators, including GrainCorp, own a significant amount of rolling stock, but it cannot be moved into Queensland to move the big lift of grain immediately post harvest because of course it just cannot run on our network. That rolling stock could easily be moved up here, move a majority of that task early in the season and then be utilised more efficiently down south later in the season. Again, it just makes good, plain common sense. Basically, we have a good system. It has somewhat been ignored by successive governments. We think it is time to put it right back on the agenda and get significant movement in this space and get a lot of those big trucks and their loads back on to rail where it is moving to port.<sup>84</sup>*

The Mayor of the Balonne Shire Council talked about the need for a dedicated freight line to the Port of Brisbane to unlock the potential for agricultural growth in the Balonne Shire across all major industries for cotton, beef, horticulture and viticulture.

*The key for our growers to continue to lift production – having done all in their power to be competitive, and for primary production in this region to be viable and sustainable industry – is for the governments to provide the infrastructure necessary to enable our farmers to get their produce to market in an efficient and cost-effective manner.... And as a priority to ensure maximum advantage to our primary producers through linking the proposed inland rail (Melbourne to Brisbane) and the aspirations of the Port of Brisbane to maximise efficient use of the port, including the efficient movement of produce in and out of the port.<sup>85</sup>*

Cotton Australia is also eager to see more product moved by rail:

*We are very keen to see investment in rail to make rail competitive with road. To put it in perspective, in relation to the 1.5 million to 2 million bales of cotton that move through, you can load around 110 ginned bales of cotton on a B-double. To ship that you are looking like the order of 14,000 to 20,000 truck movements largely up and down the range to deliver that. Some of that at least could quite conceivably move to rail if we had the infrastructure to do it.<sup>86</sup>*

The Government's *Moving Freight* strategy outlines issues with the existing capacity and performance of the North Coast Line and the Western and South Western rail systems and alludes to the fact that they are increasingly affecting the reliability and timeliness of rail freight between south-east Queensland and the northern and south-western Queensland markets.<sup>87</sup>

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<sup>82</sup> Oakey Abattoir, submission 16:1

<sup>83</sup> GrainCorp, submission 15:6

<sup>84</sup> AgForce, Hansard Transcript, 5 March 2014:2

<sup>85</sup> Balonne Shire Council, Hansard Transcript (St George), 7 Apr 2014:2-3

<sup>86</sup> Cotton Australia, Hansard Transcript, 5 Mar 2014:6

<sup>87</sup> TMR, *Moving Freight*, 2013:34

In particular, issues for the North Coast Line have been identified as:

- ongoing maintenance requirements
- inability to operate longer train lengths
- limited path availability
- potential flood risks
- relative priorities of multiple line managers.<sup>88</sup>

Issues constraining freight flow on the Western and South Western rail systems which is an important freight route linking the Darling Downs, South West Region and the Port of Brisbane have been identified as:

- the single line tunnel crossing the Great Dividing Range
- poor alignment
- low axle weight capacity
- restrictive structures.<sup>89</sup>

Constraints that impact on the Mount Isa rail corridor's ability to support and grow existing freight tasks have been identified in the *Moving Freight* strategy as being:

- short passing loop lengths
- limited passing opportunities
- access to the Port of Townsville
- inefficient rail and terminal operations
- challenging geology (black soil plains)
- complex hydrology (linked drainage systems and flood plains).<sup>90</sup>

## 5.2 Infrastructure upgrades required across the whole network

The *Moving Freight* strategy acknowledges that addressing ageing rail infrastructure and capacity limitations is an important challenge:

*Queensland's ageing road and rail network and its increasing maintenance demands are important considerations in how the state manages the increasing freight demand. There are also parts of the network such as bridges or road networks which were not designed to accommodate the demands associated with higher payload trains and heavy vehicles.<sup>91</sup>*

The Port of Brisbane is just one of many stakeholders that have stressed the critical need for infrastructure upgrades:

*.....infrastructure upgrades are necessary, and if we do not do them we will find heavy congestion on our road network over coming years. Our studies have shown, for example, that the new port motorway will be at capacity by 2026, with just conservative trade growth and containers, for example, moving on trucks.<sup>92</sup>*

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<sup>88</sup> TMR, *Moving Freight*, 2013:34

<sup>89</sup> TMR, *Moving Freight*, 2013:34

<sup>90</sup> TMR, *Moving Freight*, 2013:34

<sup>91</sup> TMR, *Moving Freight*, 2013:26

<sup>92</sup> Port of Brisbane, Hansard Transcript, 25 Feb 2014:8

Aurizon submitted that a number of the barriers to improving productivity reflect an immediate need for infrastructure managed and operated by the Queensland Government to be upgraded.<sup>93</sup>

The Department of Agriculture, Fisheries and Forestry advised the Committee in February that it was compiling a paper based on submission and interviews with key agricultural industry representatives and stakeholders on where investments in infrastructure are required to improve efficiency (as well as regulatory barriers which could be removed, improving efficiency; and the role the government should have in the actual provision of services).<sup>94</sup> This paper has been made available to the Committee and will be provided to the Department of Transport and Main Roads for its consideration.

Stakeholders have identified a number of critical upgrades that are required across the Queensland Rail network before rail can even start to compete as a viable alternative to road freight:

- **removal of rail freight bottlenecks** on specific infrastructure corridors especially sections on sections the North Coast line and the South West line<sup>95</sup>
- **capacity upgrades** such as additional loops and/or crossing loop extensions and/or track upgrades for allowable axle load increases to allow the operation of additional and/or longer train services<sup>96</sup>
- **structure upgrades** (track, sleepers, ballast and formation) to allow the reliable operation of additional and/or longer train services with additional tonnes operating over the network.<sup>97</sup>

Aurizon submitted that due to the limited capacity of all governments to invest in infrastructure the maximum economic and community benefits will be achieved through the following approach to infrastructure upgrades:

- extracting the maximum value from existing infrastructure by using it more efficiently, including the removal of bottlenecks
- upgrading existing infrastructure and building new infrastructure where and when this is required and commercially sustainable
- planning effectively for the short, medium and long term
- reserving land for potential new infrastructure.<sup>98</sup>

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<sup>93</sup> Aurizon, submission 7:20

<sup>94</sup> DAFF, Hansard Transcript 12 Feb 2014:14

<sup>95</sup> Aurizon, submission 7:20

<sup>96</sup> ARA, submission 14:6 and Aurizon, submission 7:20

<sup>97</sup> ARA, submission 14:6

<sup>98</sup> Aurizon, submission 7:8



### 5.3 Specific infrastructure upgrades identified by stakeholders

#### **Toowoomba Range rail infrastructure**

Stakeholders consistently pointed to the urgent need for upgraded rail infrastructure on the Toowoomba Range and pointed to this line as being a major impediment to agricultural commodities being moved by rail to the Port of Brisbane. For example, the Australian Cotton Shippers Association submitted:

*Road and rail transport over the Toowoomba Range is key to many agricultural exports and we believe this capacity must be greatly improved if the aspirational target of doubling the value of Queensland agricultural output by 2040 is to be achieved.*<sup>99</sup>

The Port of Brisbane outlined the key issues with the Toowoomba Range as follows:

*Rail capacity to the Port outside the metropolitan area is constrained by inadequate infrastructure:*

- *the Toowoomba Range : it takes 1.5 hours to traverse and has only 2 passing loops, which restricts rail capacity and efficiency*
- *the lack of passing loops at other points on either side of the range*
- *train lengths being limited to 650 m by constricted sidings/passing loops and level crossing designs*
- *axles restricted to 15.75 t/axle (TAL) by 2 bridges at Grantham and Sadliers Crossing. This limits the payload of all trains, and means that available paths can never be optimised.*
- *Height restrictions in the tunnels, which restrict the use of 9' 6" high containers and some non-containerised break bulk cargo eg. Railway lines, material for the CSG industry.*<sup>100</sup>

The upgrades on the Toowoomba Range have been identified as a critical need by the State Government which has prioritised the project. There was an announcement in 2013 that there would be a \$50 million upgrade of Toowoomba Range rail infrastructure, to provide a better balance between road and rail. The works are to be funded from savings in the delivery of the Transport Service Contracts. The Minister for Transport and Main Roads has stated that this investment is aimed at the agricultural sector in a bid to get crop transport off the roads and onto rail. *"It is about getting grain and cotton producers and has been made possible after re-negotiating existing contracts with Aurizon"*.<sup>101</sup>

The Toowoomba Range upgrades are to be finalised by 2015 and will:

- allow for up to 20 new train paths will take 25,000 trucks off south-east Qld roads per year
- include more cattle services travelling between Winton and Cloncurry
- Include two new rail passing loops about one kilometre each to be built at Harlaxton and Ballard.<sup>102</sup>

<sup>99</sup> Australian Cotton Shippers Association, submission 4:2

<sup>100</sup> Port of Brisbane, submission 10:9

<sup>101</sup> Minister Emerson, as quoted in the *Toowoomba Chronicle*, 16 May 2013

<sup>102</sup> Queensland Rail, *Annual Report 2012-13*:19 and *Toowoomba Chronicle*, 16 May 2013

Stakeholders are universally supportive of the proposed upgrades. For example:

The Australasian Rail Association advised:

*From our point of view, the rail line down from Toowoomba is a big restrictor on flows to the Port of Brisbane. If Queensland Rail are doing some work—I think it is \$50 million—for some tunnel raising and widening track in certain areas so that they can fit bigger containers on their line, that will certainly help.<sup>103</sup>*

AgForce agreed:

*We do actually welcome recent announcements by the current government to enhance or fix some of those capacity constraints on the Toowoomba range such as increasing the depth of the tunnels to allow higher containers and also lengthening some of the passing loops.<sup>104</sup>*

.....

*It will be a big help (the Toowoomba Range tunnel works)—a huge help. It will get longer trains in there, half as long again and full height containers. It is amazing to me that full height containers cannot be shipped from inland, from this area, down to the port. How long have we had containers for? That is pretty backward.<sup>105</sup>*

While there was general agreement that the Toowoomba Range upgrades will improve the service to the Port, stakeholders were united in their view that a dedicated rail freight corridor on the southwest line is urgently required.

*We know that the floor of the tunnels is being lowered, starting this year and finishing potentially June 2015. That allows us to get higher cube 40-foot containers. Most of the imports into Australia now are in high-cube containers. Right through this season we—myself as a shipper—have to use a smaller sized container that is harder to get so again it constrains our ability to actually export because of the equipment constraints, track size, wagon size and also the track and the tunnels for the access. We know that that is being looked at and we are very grateful that that is happening, but I think we need to continue along that path and review the infrastructure particularly for the track size.<sup>106</sup>*

### **Dedicated Rail Freight Corridor to the Port of Brisbane/Inland Rail**

The Port of Brisbane submitted:

*About 87% of trucks transporting export freight from the Darling Downs and northern NSW access the Port using the Warrego Highway, which requires them to travel through Toowoomba. Apart from the fact that this is a major irritant to Toowoomba residents on safety and amenity grounds, it requires trucks to traverse 12 sets of lights and negotiate a 10% gradient to climb and descent the Range. In addition curfews apply in Toowoomba. This increases the cost of transport considerably, because trip times are longer than they could be and equipment and people are not utilised to their capacity.<sup>107</sup>*

<sup>103</sup> ARA, Hansard Transcript, 25 Feb 2014:6

<sup>104</sup> AgForce, Hansard Transcript, 5 Mar 2014:2

<sup>105</sup> AgForce, Hansard Transcript (St George), 7 Apr 2014:9

<sup>106</sup> Australian Cotton Shippers Association, Hansard Transcript 5 March 2014:5

<sup>107</sup> Port of Brisbane, submission 10:8

The Australasian Railway Association provided in evidence that the lack of a 21<sup>st</sup> rail crossing from Toowoomba is the biggest impediment in the freight network.<sup>108</sup> Many stakeholders agree that most of the infrastructure problems on the south-west line would be solved by a Dedicated Rail Freight Corridor to the Port of Brisbane. They point out that the faster cycle times, higher axle mass limits and the increased capacity (up to 20 new train paths) would significantly increase rail competitiveness and the overall efficiency of the bulk and containerised agricultural transport task.<sup>109</sup>

The Australian Cotton Shippers Association told the Committee that for a long time they have considered rail to be a very reliable option to move tonnage but they have been constrained by outdated tracks in Queensland. They pointed out that the Port of Brisbane's multimodal terminal, which is a state of the art facility, is only 15% utilised:

*It is an absolute shame that we have a facility there that that, if it were in any other port in Australia, would be utilised far more than 15 per cent. The facility is there, the product is up country and getting it on rail would substantially add to the desire to double the quantity of exports on rail or through the Port of Brisbane by 2040.<sup>110</sup>*

The Port of Brisbane has advised the Committee that it is a strong advocate for increasing rail modal share to the Port; in particular to support the State's critical exporting industries such as agriculture.

*For this reason, the Port of Brisbane over the past three years has invested nearly \$4 million on a prefeasibility study to look at all the rail corridor aspects with a view to developing a new dedicated freight rail corridor connecting the Port of Brisbane to its key hinterlands west, south and north of Brisbane... without investment in those below rail systems, freight volumes will continue to decline and road will remain the dominant mode of choice.<sup>111</sup>*

.....

*While the Port is designed for expansion with a capacity for trade growth predictions beyond 2050, the bottleneck is in the various parts of the line from Toowoomba, particularly the Toowoomba Range. The area around Ipswich to Yeerongpilly is a bottleneck and, also through the metropolitan system, competing with passenger trains becomes a bottleneck.<sup>112</sup>*

The Port has undertaken a number of studies including an *Import Export Logistics Chain Study*. These studies include a pre-feasibility study on a new dedicated rail freight corridor to the Port, which shows there is an opportunity to remove almost 4,000 trucks per day from South-East Queensland roads and reduce 148 million truck kilometres per annum while at the same time creating 5,000 jobs, reducing carbon emissions by 460 tonnes annually and contributing \$2 billion to Gross State Product.<sup>113</sup>

The proposed dedicated dual gauge freight line from Toowoomba to the Port is being considered by the Federal Department of Infrastructure and Regional Development as part of the Melbourne to Brisbane Inland Rail project which the Federal Government has announced and which is in the planning stage.

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<sup>108</sup> ARA, Hansard Transcript, 25 Feb 2014:6

<sup>109</sup> See for example, submissions 14,15,21

<sup>110</sup> Australian Cotton Shippers Association, Hansard Transcript, 5 Mar 2014:5

<sup>111</sup> Port of Brisbane, Hansard Transcript, 25 Feb 2014:8

<sup>112</sup> Port of Brisbane, Hansard Transcript, 25 Feb 2014:9

<sup>113</sup> Port of Brisbane, Hansard Transcript, 25 Feb 2014:8 and submission 10:2

The Queensland representative on the Inland Rail Implementation Group, Mr Steve Kanowski (Department of State Development, Infrastructure and Planning) advised the Committee that the Federal Government has committed \$300 million to enable work to commence this year, with a view to having a report through to the Deputy Prime Minister by the end of this year, December 2014 and construction starting as early as some time in 2015. The Implementation Group is chaired by Mr John Anderson, AO and has representatives from each of the Australian east coast states (Queensland, NSW and Victoria) as well as the Australian Rail Track Corporation and the Federal Government's Department of Infrastructure and Regional Development.<sup>114</sup>

*This inland rail route would provide the nation with a second north-south rail corridor on the east coast, giving a degree of resilience but also building in some additional capacity to get rail market share up from what it is, which has declined dramatically over the last decade or so.*<sup>115</sup>

Mr Kanowski provided advice that the route that has been looked at is predominantly that, which was developed in 2010 by the Australian Rail Track Corporation. *"It is not necessarily exactly that route, but that would be the basis of deliberations going forward"*.<sup>116</sup> The Implementation Group has agreed to prioritise the Rosewood to Kagaru section in Queensland as one of the initial stages for pre-construction works, early works and track upgrading efforts, as well as acquisition of corridors if necessary. The Implementation Groups has been asked to investigate a 24-hour, seven day a week service from Acacia Ridge to the Port of Brisbane but has not yet decided how to get from Acacia Ridge to the Port.

The Committee was advised that the Implementation Group would take into consideration a number of specific proposals that are out in the public domain. Proposals that have been brought to the attention of the Committee through the course of this Inquiry include:

- the Port of Brisbane has proposed a 480 km standard gauge network that could be established as the first phase of the Inland Rail project and has submitted its findings to Infrastructure Australia. The network includes a Southern Freight Bypass, new Toowoomba Range Rail Crossing, upgrade of the western line, and the missing link from Toowoomba to northern New South Wales at a cost of \$5 billion.<sup>117</sup>
- GATR-THIESS have developed an alternative inland railway proposal including a new Toowoomba Range Rail Tunnel, a new standard gauge line from the Port through to the Surat Basin (including a 15 km tunnel from Acacia Ridge to the Port) and would be fully funded by private investment (including coal producers).<sup>118</sup>

The Port of Brisbane advised the Committee that the most expensive section from Beaudesert to the Port would cost around \$2.5 billion and if the Australian Rail Track Corporation alignment is followed, a further \$1 billion is required to address the Range.<sup>119</sup> Thiess Australia advised the Committee that approximately \$1.15 billion would be required to build an alternative 15-kilometre tunnel from Acacia Ridge to the Port (based on a similar project in Sydney).<sup>120</sup>

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<sup>114</sup> DSDIP, Hansard Transcript, 26 May 2014:1-2

<sup>115</sup> DSDIP, Hansard Transcript, 26 May 2014:2

<sup>116</sup> DSDIP, Hansard Transcript, 26 May 2014:1

<sup>117</sup> Port of Brisbane, submission 10:2

<sup>118</sup> ARA, presentation *Building the Inland Rail*, Melbourne to Brisbane Inland Rail Symposium 7 March 2014:13

<sup>119</sup> Port of Brisbane, Hansard Transcript, 25 Feb 2014:18

<sup>120</sup> Thiess Australia, Hansard Transcript, 25 Feb 2014:13

The Port of Brisbane advised the Committee that engineering wise there are a number of options worth investigating for the Port of Brisbane dedicated rail corridor. While the Port prefers one option on the basis that it has the right balance form a cost and delivery outcome and from a social outcome, there are other options including long tunnels that it believes should be explored:

*We are agnostic when it comes to what is the exact corridor, but we do have a corridor that we believe will work. Engineering wise it is quite solvable.*

*I guess the biggest impediment is a political and community one whereby professing a new rail freight corridor is good for the people who live on the current corridor but the people who live near to a new rail freight corridor may not like it. There is some political activity. We have done some work to work out how many people are affected, and we believe the solution we have come up with has a minimal impact on the community, but it still needs to be socialised, I guess, with the political will to do it.<sup>121</sup>*

Thiess Australia advised the Committee that they are working with the Great Australian Trunk Company (GATR) to understand the merits in terms of the constructability and of the GATR proposal and its ability to attract a greater degree of private finance than what would have otherwise been considered for the Melbourne to Brisbane solution. Thiess has also been engaging with the Australian Rail Track Corporation and the Port of Brisbane to provide constructability advice.<sup>122</sup>

The Committee was advised that the Inland Rail Implementation Group would:

*... develop an evaluation framework which will cover a number of metrics around finance as well as practicality, funding ability, affordability and other such things. ARTC is the rail infrastructure manager of a lot of the national network and we would take advice from them in the main and they would inform the committee....*

*We are reporting back to the Deputy Prime Minister later this year. We intend to have an indicative work program. We intend to resolve some of the issues around alignment, the financing package, commercial viability and so on of the project. At that point in time we hope that ARTC has determined the appropriate corridor for the likely funds available and how that might be packaged up. It is our understanding that other proponents have actually lodged their proposals through the Infrastructure Australia submission process back in February this year.<sup>123</sup>*

The Australasian Railway Association summarised the benefits of the Inland Rail proposal:

*In addition to an expected reduction in Melbourne to Brisbane end-t-end travel time from over 27 hours down to around 20 hours, a complete Inland Rail would result in more efficient resources and agriculture supply chains through Southern and Western Queensland, creating economic opportunities over large areas of the state. Inland Rail is a capacity building project which is uniquely supported by all movers of freight – both road and rail – as a crucial economy boosting infrastructure investment.<sup>124</sup>*

<sup>121</sup> Port of Brisbane, Hansard Transcript, 25 Feb 2014:10

<sup>122</sup> Thiess Australia, Hansard Transcript, 25 Feb 2014:11

<sup>123</sup> DSDIP, Hansard Transcript, 26 May 2014:5

<sup>124</sup> ARA, submission 14:6

**Possible rail link from the Surat Basin to the Inland Rail Line**

Thiess Australia provided further evidence that the Great Australian Trunk Company team is making a submission to Infrastructure Australia on a project that will encompass Melbourne all the way to Brisbane, to the Port of Brisbane, and provide access to the coal in the Surat Basin:

*We are providing ongoing support in what is a nation-building and incredibly exciting opportunity for all of Australia.*<sup>125</sup>

The Surat Basin link is an opportunity to attract private infrastructure funding to the new line from Toowoomba to the Surat Basin and it has the potential to piggy back agricultural commodities on the coal infrastructure investment.

The Port of Brisbane advised the Committee that the proposed dedicated line to the Port could carry 50 million tonne of coal without impacting on the availability of the line for other users: agricultural and intermodal:

*We would suggest that there needs to be a balance between what is socially acceptable and what is commercially warranted, but there is plenty of capacity through a subsurface rail line to handle those coal volumes and handle more than you could forecast in terms of the agricultural volume as well as intermodal. We have done a number of logistics scenario modelling to ensure there is plenty of capacity for everybody.*<sup>126</sup>

The Port further advised that it has done a lot of consultation work in the Surat Basin and in Moree, Goondiwindi area to assess the volume of cargo that could be released. They have also been to the Dalby region and out to Wandoan to consult with agricultural users and the Port has received a lot of support for the proposed new line.<sup>127</sup> Specifically in relation to coal in the Surat Basin, the Port advised:

*We conducted two rounds of expressions of interest with the colliers to ascertain what is the realistic coal outlook for the next 30 years.... We have done a number of extensive studies by consultants in that area who are experts in the field that show that the reserves in the southern Surat Basin are in the vicinity where they could export up to 160 million tonnes per annum for 30 years. We have tempered that right down to make sure we adopt a very realistic model. Our realistic model says 50 million tonne is easily sustainable for that 30-year period and that the demand will continue to grow.... The expression of interest submissions absolutely back up what we are suggesting from a funding model that it can fund it for that 30-year period at least 30 million tonne and probably 50 million tonne per annum.... You could actually the model 100 per cent privately funded if you so desire.*<sup>128</sup>

There has been another proposal for a number of years to build a rail line to take coal directly from the Surat Basin to Gladstone Port. The Honourable Jeff Seeney, MP advised Parliament House on 2 April 2014 that the Government is pursuing the establishment of a rail connection from the Darling Downs to Gladstone as a priority: *“the Queensland Government will work with the Australian government as a matter of priority in establishing the missing rail connection.”*<sup>129</sup>

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<sup>125</sup> Thiess Australia, Hansard Transcript, 25 Feb 2014:12

<sup>126</sup> Port of Brisbane, Hansard Transcript, 25 Feb 2014:18

<sup>127</sup> Port of Brisbane, Hansard Transcript, 25 Feb 2014:19

<sup>128</sup> Port of Brisbane, Hansard Transcript, 25 Feb 2014:19-20

<sup>129</sup> Mr Jeff Seeney MP, Parliament, Hansard Transcript, 2 Apr 2014:995

The alternate proposal for a Surat Basin to Port of Brisbane freight line offer greater opportunities to piggyback the movement of agricultural products to the Port of Brisbane.

### ***Upgraded rail link from Balonne Shire through Thallon to the proposed inland rail line***

The Balonne Shire Council submitted:

*The Balonne Shire's grain and cotton producers will require greater investment in rail freight to ensure there is the capacity to meet the already high and increasing volume of grain and cotton produced in the Balonne Shire. An efficient and cost effective rail system would also increase competitiveness on a regional, national and international level.*

*Within the last 12 months the Balonne Shire has seen both individual growers and corporations make investments in key infrastructure with their supply chains to derive greater efficiencies and secure vertical integration... These investments are a clear indication of both the confidence that these major growers have in the expansion within their respective industries and enterprises, and an understanding of the need to make investment in infrastructure within their supply chains.<sup>130</sup>*

The Balonne Shire also referred to the fact that proximately 30,000 trailers are used per annum to move grain and cotton in the Balonne Shire at current production rates.

*An efficient rail line to Thallon is critical to the future growth and sustainability of our farmers and also to relieve congestion on the roads and reduce maintenance and capital costs of the road network. Efficiency is the name of the game, and an efficient rail service to port linking the Balonne Shire through Thallon would increase the competitive edge needed to compete on local, national and international markets. There are opportunities for Thallon to become a major freight hub, drawing both cotton and grain from a larger extended area into northern New South Wales.<sup>131</sup>*

### ***Oakey Abattoir***

Oakey Abattoir requested that its rail access be reinstated on the basis that the old railhead holdings have recently been upgraded and the abattoir is only 200 metres from the western rail line. Currently bring in over 70 containers from port and return them loaded – (50 trucks per week). The Abattoir has submitted that it:

- would like to transport cattle on rail from the Quilpie rail head to Oakey on the understanding that it would book a complete train
- believes there is opportunity to create a multipurpose line for both containers and livestock on the one line, reducing the cost to both
- would also benefit from picking up empty refrigerated containers from port and returning full containers for export.<sup>132</sup>

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<sup>130</sup> Balonne Shire Council, submission 20:4

<sup>131</sup> Balonne Shire Council, Hansard Transcript, 7 Apr 2014:3

<sup>132</sup> Oakey Abattoir, submission 16:1

**Other upgrades required to incentivise agricultural commodities to use rail**

GrainCorp submitted that the following upgrades are required in order for it to make economical above-rail investment to increase its out-loading capability:

- increase load weights from 16.25t per axle in key sections of track – particularly Mt McLaren to Mackay
- install additional passing loops to shift from a standard 38 wagon rake to 44 wagons per train
- reinstate closed sidings
- reconfigure sidings or increase the length of sidings to allow a unit train to be loaded without the need to split, shunt or otherwise multi handle.<sup>133</sup>

GrainCorp further submitted:

*A preliminary analysis indicates that co-investment in below rail infrastructure around the following sites is likely to deliver substantial efficiency benefits:*

- **Malu** – GrainCorp investment to increase out-load capacity would be possible if additional track at the site were recommissioned to remove the need to run 19 wagons back and forth from Toowoomba. This would allow 38 wagons to arrive at the site, be stabled and swapped in a one-shunt operation. Currently, the main line runs on the wrong side of the grain receival site. A low capital cost solution may include swapping the existing mainline and siding.
- **Moura** – potential investment in this site is difficult to justify given there is currently no rail access. Reinstatement of rail approx. 9 kilometres between the Aurizon & QR network would allow this investment to proceed.
- **Warra** – GrainCorp could invest in more efficient out-loading equipment and additional bunker storage if the existing rail siding were to be reinstated and extended.

*GrainCorp would welcome the opportunity to work closely with the Queensland government to ensure any rail siding infrastructure investment is mindful of GrainCorp's business planning and priorities, as these plans are developed further.*<sup>134</sup>

Wilmar Sugar has identified specific infrastructure upgrades that would assist in achieving a more efficient and sustainable rail solution for raw sugar and molasses, including:

- upgrading tracks and sidings to 20 tonne axle loads to take 80 tonne payload – allowing greater wagon capacity and larger locomotives
- lengthening passing loops to increase train set length
- review port access (Mackay and Townsville) for rail and road to allow longer trains to park and unload
- standardise loading and unloading facilities at Proserpine and Mackay Harbour with the Burdekin to allow common rolling stock
- examine synergies for locomotive maintenance issues.<sup>135</sup>

<sup>133</sup> GrainCorp, submission 15:3

<sup>134</sup> GrainCorp, submission 15:3

<sup>135</sup> Wilmar Sugar, submission 19:3



The Central Highlands Regional Council submitted that gauge sizes should be consistent and compliant with the current standards unlike the rail system west of Emerald that needs to be upgraded to a maximum axle loading of 19 tonnes as outlined in the Galilee Impact Assessment.<sup>136</sup>

#### ***Stakeholder support for planned infrastructure upgrades***

As noted earlier there was unanimous support amongst stakeholders for the improvements planned for the Toowoomba Rail line and for the planned Inland Rail project.

The Australasian Railway Association submitted that it also supports proposed infrastructure upgrades to the North Coast Line, the Mount Isa Corridor and the progression of an additional Brisbane rail-crossing project.<sup>137</sup>

JBS Australia also acknowledged and supported the Government's commitment to improve infrastructure west of Emerald and to Clermont through capital expenditure in 2014.<sup>138</sup>

#### **5.4 Proposal to incorporate Queensland's regional rail network with the National Rail Network**

On 25 February 2014, the Deputy Prime Minister Warren Truss and the Queensland Transport and Main Roads Minister Scott Emerson announced that the Federal and Queensland Governments have agreed to investigate expanding the ARTC's 8,500 national rail network to incorporate Queensland's regional rail network (approx. 6,600 kms):

*Minister Emerson said that for the last 150 years Qld's rail freight network has operated separately from the rest of Australia, and a result, has missed out on a share of investments provided for the national rail freight network in other states" and that the ARTC would begin working with QR staff immediately and would report back to the Queensland and Federal Governments by mid-year.*

*Mr Truss said "Over the last 15 years we have seen the ARTC deliver improvements for freight networks across Australia by investing in infrastructure and staff, in return for management of track access,"<sup>139</sup>*

If the transfer of the tracks to the Australian Rail Track Corporation comes to pass it is likely to change the infrastructure planning model proposed by the Committee below – while the transfer is likely to attract additional infrastructure funds, it is unknown what impact it will have on the capacity the State to play a role infrastructure planning. The Committee sought advice from the Minister for Transport and Main Roads on the potential benefits and impacts of this proposal.

The Minister for Transport and Main Roads advised the Committee on 23 May 2014 that the potential benefits of incorporating with the National Rail Network will come to light subject to any offer being made by Australian Rail Track Corporation however the State will be looking for:

- Increased Federal Government investment
- A capital investment program that addresses both operational and social needs
- Reduced costs of subsidy to the Queensland Government which will enable the limited funding available to be better directed
- More efficient operation and management of the network.

<sup>136</sup> CHRC, submission 3:3

<sup>137</sup> ARA, submission 14:7

<sup>138</sup> JBS, submission 8:1

<sup>139</sup> Minister Emerson and Minister Truss, Joint Media release dated 25 February 2014, ARTC news <accessed 1 May 2014>

The Minister responded to a concern raised by the Committee about the level of the control the Government is likely to maintain over the operation and investment in the rail network:

*The single largest impact should this or any other proposal go ahead will be the level of government control over the operation and investment in the network. The Department of Transport and Main Roads (TMR) is currently looking into how this can best be managed in the future through both the potential introduction of new rail management legislation and minimum contract or lease provisions.<sup>140</sup>*

The Minister further advised that this will include issues such as the term or duration of the contract, default, take back/hand back, maintenance standards, communication and technology standards and bespoke systems, infrastructure investment, intellectual property, sub-contracting, Access Undertakings and Agreements, and interrelationships with other Rail Infrastructure Managers.

*While details have not been determined as yet, it is in the interests of government that it protects the strategic, economic and operational integrity of the rail network for the longer term. This would include a role in the future planning and investment decisions.<sup>141</sup>*

The Committee was advised by the Minister for Transport and Main Roads that the Australian Rail Track Corporation is due to finalise and provide its report by mid-year and that the Minister expects to receive it in August 2014. Then, following a period of analysis to be led by the Department of Transport and Main Road the Minister proposes to put a submission to the Queensland Government late in the final quarter of 2014.

## 5.5 Infrastructure planning

While the *Moving Freight* strategy provides a good foundation for the development of an infrastructure planning process, a number of stakeholders have pointed out that there appears to be a lack of strategic infrastructure planning specifically on rail as opposed to road.

The Port of Brisbane submitted:

*Queensland's continued economic development relies on the constant flow of new investment that expands the productive capacity of the economy. The opportunity and challenge for the Queensland economy is to create and foster a commercial environment where infrastructure investment decisions are implemented in a timely and efficient manner.*

*The broader infrastructure challenge will be to develop transport infrastructure that supports the growing freight task, reduces congestion and bottlenecks and provides exporters with competitive and efficient routes to market....*

*While recognising the need for incremental 'fixes' in the short term, often these can be counterproductive to an effective long term structural reform. It is recognised long term reforms are harder to instigate and sometimes politically difficult to justify, but Australia's productivity and global competitive position is seriously at risk if transport planning and supply chain policy settings are not integrated and addressed.<sup>142</sup>*

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<sup>140</sup> Letter from Minister Emerson to the Committee received on 23 May 2014:1-2

<sup>141</sup> Letter from Minister Emerson to the Committee received on 23 May 2014:1-2

<sup>142</sup> Port of Brisbane, submission10:2

The Australasian Railway Association outlined the critical need for planning across the freight sector:

*In terms of infrastructure planning a strategic approach to the planning of efficient freight infrastructure requires that the respective strengths and weaknesses of rail and road freight should be well understood, with a view to better utilising each form of transport. This will improve the way in which the two are linked and combine to contribute to a more efficient transport network overall. We support planning being undertaken by the Queensland Government... to expand the use of rail so that it provides an increased proportion to the overall freight task. Effectively utilising the respective strengths of rail and road transport is vital for the Queensland economy going forward.<sup>143</sup>*

Aurizon submitted that well considered policy settings are required to develop new approaches to the financing and funding of infrastructure that will prove to be effective in strengthening the competitiveness of Queensland's most important industries. It recommended that Queensland develop a state-wide agricultural rail freight infrastructure plan that takes into account infrastructure requirements over the short, medium and longer term as well as a number of other requirements.<sup>144</sup>

The Queensland Transport and Logistics Council advocates for the development of a rail master plan for the Western and South Western lines (similar to the Mt Isa Line Rail Infrastructure Master Plan) to provide certainty for the agricultural sector to plan operations into the future.<sup>145</sup>

### **Corridor and land use planning**

A critical role is played by all levels of government in ensuring that rail corridors and sites for other infrastructure such as transport hubs are provided for in all levels of planning.

GrainCorp submitted:

*GrainCorp has experienced a number of instances where administrative uncertainty and disconnections between arms of government are impeding our ability to invest in projects that will encourage more grain onto rail.*

*Due to increasing residential encroachment on our operations in the Emerald region, GrainCorp is being forced to consider alternative sites in the region. However, our alternatives are limited and have become quite cost prohibitive due to compliance reasons.*

*At present GrainCorp is attempting to move our Emerald receival site to Yamala at a cost of \$7-10 million to our business. In order to effect this transition, we require planning consents for the rail sidings at the Yamala site. The Department of Transport owns the corridor required for the sidings; however the land is subleased to Aurizon as the rail manager. The process is currently held up by an uncertainty over accountability under the new arrangements. The lack of clarity over who can provide consent and subsequent delays are endangering our investment and consequential benefits to the network and surrounding community.<sup>146</sup>*

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<sup>143</sup> ARA, Hansard Transcript, 25 Feb 2014:5

<sup>144</sup> Aurizon, submission 7:19

<sup>145</sup> QTLC, submission 9:12

<sup>146</sup> GrainCorp, submission 15:5

The Central Highlands Regional Council submitted that the Government should liaise with local government and industry groups to identify preferred locations for infrastructure that align with regional planning schemes for growth and development area.<sup>147</sup>

Even if a line is to be fully developed and funded by the private sector, the Government plays an essential role in the planning and provision of an appropriate rail corridor.

The Committee has made recommendations about the essential role of Government in long-term planning and the facilitating role that is essential to attract private investment in the State's rail infrastructure.

## 5.6 Committee comment and recommendations

### Committee comment

The competitiveness of rail is impacted by infrastructure limitations. The Committee has concluded that the development of efficient rail infrastructure is essential to generate improved value for industries that rely on freight transport and that infrastructure planning and investment is critical to enabling agricultural industries to develop and grow.

The Committee considers that rail infrastructure planning and funding is a core responsibility of the State Government and that without the strategic overview that can be provided by Government, the needs of the agriculture and livestock industries will not be provided for. A lack of focussed planning will, by default, allow for the continued decline in the rail freight demand and services in favour of road freight. Road freight would then remain the dominant mode of choice until such time as road capacity reaches its limit seriously limiting the growth of the Queensland economy.

The Committee is concerned that there does not appear to be a straightforward process within the State Government for incorporating the detailed planning work undertaken by stakeholders (such as the Port of Brisbane) and the needs assessments and solutions proposed by a number of local governments around the State into a state-wide rail infrastructure plan.

The Committee believes that the Government has a key role to play in planning a "state of the art" rail system to support industry growth over the coming decades and is recommending that an independent taskforce be established to oversee the development and implementation of a state-wide rail infrastructure plan.

Taking into account the tight fiscal situation with regards to available infrastructure funds the Committee has dedicated the next section of this Report to a more in-depth consideration of infrastructure funding options. In particular, we support innovative solutions to target priority upgrades such as the Government's use of funds saved from the Transport Services Contracts to upgrade the Toowoomba Range rail line.

While the Committee is supportive of the Toowoomba upgrades as a critical, short-term solution it considers that the only long term solution to the issues on that line is to build a dedicated rail freight line from Toowoomba to the Port. In particular the Committee is excited by the prospect that such a corridor could remove almost 4,000 trucks per day from South-East Queensland roads and reduce 148 million truck kilometres per annum. The Committee is convinced that without priority being given to a new dedicated rail freight line to the Port there will be little prospect of attracting more agricultural product to rail, agricultural and other commodity growth will be restricted, and there will soon be gridlock on the Port motorway.

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<sup>147</sup> CHRC, submission 3:2

The Committee is therefore recommending that the dedicated rail freight to the Port be given the highest priority by the State Government and that the Government investigate the potential of a privately funded extension of the line to the Surat Basin. We believe such an extension would provide significant opportunities to piggyback agricultural freight on a privately funded, coal line.

While the Committee does not have the capacity to assess and prioritise other rail infrastructure requirements across the State it supports investigation of some lower cost, high return infrastructure projects such as the Oakey Abattoir line.

A number of higher-level recommendations have been made by the Committee regarding the need for the development of a state-wide infrastructure plan with input from industry to identify short-term and longer-term priorities and look at innovative infrastructure funding options. The Committee is also recommending the development of master plans for each line similar to the Mt Isa Master Plan and envisages that these plans would feed up into the state-wide infrastructure plan. We further recommend that specific infrastructure upgrades recommended to the Committee during the course of this Inquiry be investigated in the development of these rail infrastructure master plans.

The Committee also supports the recommendation made by Aurizon that greater recognition needs to be given to the important role of unsolicited project proposals, and to ensuring there is a clear and well understood process for the submission and consideration of these proposals.

The Committee supports the Government's investigation of the potential transfer of State rail freight lines to the Australian Rail Track Corporation in an attempt to attract more infrastructure funding. However, the Committee is concerned that if the transfer was to go ahead it could compromise the State's ability to contribute to rail infrastructure planning which we believe is critical to facilitating the planned growth in the State's agricultural sector. We are also concerned that it may negatively impact on the ability of the State Government to preserve train paths and provide freight subsidies for the agriculture and livestock industries.

#### **Recommendation 5 – rail infrastructure taskforce**

The Committee recommends that the Minister for Transport and Main Roads establish an independent infrastructure taskforce to oversee the development and implementation of a state-wide rail infrastructure plan and that the membership comprise agriculture, livestock and mining industry representatives, transport industry representatives, and relevant state government agencies.

#### **Recommendation 6 – state-wide rail infrastructure plan**

The Committee recommends that the proposed infrastructure taskforce ensure that a state-wide rail infrastructure plan is developed in consultation with stakeholders and that the plan:

- identifies and prioritises infrastructure requirements (maintenance, upgrades and new lines) over the short, medium and longer term including projects identified by stakeholders in evidence to this Inquiry
- incorporates strategies for upgrading and realigning rail lines so they can carry high-speed freight trains and ensures that any upgrade proposals incorporate either dual gauge or standard gauge lines
- gives a high priority to effective planning for port access which is aligned to port expansion requirements
- includes a strategic approach to future arrangements for larger scale intermodal terminals as vital supply chain hubs

- is consistent with national long term freight infrastructure planning
- includes priority projects identified by Infrastructure Australia
- provides a transparent process for the assessment of new lines and upgrade project proposals from the government and/or the private sector, including unsolicited proposals from the private sector
- is co-ordinated with industry so that it is consistent with any strategic plans and anticipated requirements of key industries
- incorporates upgrade and new line projects identified in any rail infrastructure master plans such as the Mt Isa Line Rail Infrastructure Master Plan
- provides for preservation of future transport corridors and intermodal terminal sites and clearly identifies the funds required for this purpose
- is regularly updated and published along with full details of the analysis and associated costings.

**Recommendation 7 – rail infrastructure master plans**

The Committee recommends that the proposed infrastructure taskforce oversee the development of Rail Infrastructure Master Plans for all key rail lines (similar to the Mt Isa Plan) in consultation with industries operating in the area and the relevant local governments; and during this process assess potential projects identified in the evidence provided to this Inquiry.

**Recommendation 8 – master plan for the South West, Western and West Moreton lines**

The Committee recommends that the Infrastructure Taskforce gives the highest priority to the development of a Rail Infrastructure Master Plan for the South West, Western and West Moreton lines to provide certainty for the agricultural and livestock sector to plan operations into the future and that the plan:

- assess the viability of projects identified by stakeholders, including those submitted to this Inquiry
- identify upgrades that will improve productivity and the speed of trains including the removal of bottlenecks caused by short sidings, low axle weight limits and insufficient passing loops with a priority focus on those with a low cost that will immediately unlock capacity
- look at ways to improve cattle loading and unloading facilities and depots at strategic locations with a view to running more freight services (for example, into and out of Roma)
- investigate the use of an automatic signalling system to improve efficiency on the Brisbane metropolitan rail network
- include the dedicated rail freight line from Toowoomba to the Port of Brisbane as a high priority project.

**Recommendation 9 – Inland Rail Project**

The Committee recommends that the Queensland Government work closely with the Federal Inland Rail Implementation Group to ensure the Queensland section of the Inland Rail Project (which incorporates a dedicated rail freight line to the Port of Brisbane), is prioritised and included in phase one of the project; and to ensure the route and specifications of the line meets the needs of Queensland industry and the priorities of the Queensland Government.

**Recommendation 10 – rail link to the Surat Basin**

The Committee recommends that, as a priority, the proposed Infrastructure Taskforce investigate the potential of a privately funded extension of the Inland Rail line to the Surat Basin coal mines and ensure such an extension provides opportunities for agricultural commodities to be rail freighted to the Port of Brisbane.

**Recommendation 11 – transfer of freight lines to the Australian Rail Track Corporation**

The Committee recommends that, if the transfer of Queensland freight lines to the Australian Rail Track Corporation proceeds, the Government ensure that the agreement/lease provides for a process that enables the Queensland Government to have direct input into rail infrastructure planning to guarantee the needs of the agriculture and livestock industries are taken into consideration.

## 6 Infrastructure funding

*The pre-existing rail infrastructure has been neglected – significant resources would be required to be committed to bring existing assets to an acceptable standard.*<sup>148</sup>

The *Moving Freight* strategy refers to the fact that the 2008 global financial crisis has contributed to a constrained fiscal environment limiting public and private sector borrowings and hence investment and that this will require renewed emphasis on solutions that enhance existing freight operations, services and infrastructure capacity.

*The escalating cost of transport infrastructure is limiting the ability of the state to fund all necessary transport infrastructure requirements. Therefore, emphasis must be on enhancing the use of existing transport infrastructure, maintaining infrastructure to a ‘fit for purpose’ standard and exploring alternate funding options, including partnerships.*<sup>149</sup>

The Australasian Railway Association agrees but points out that the Government is the only institution that can provide a longer-term perspective by facilitating strategic investments in infrastructure:

*As the development of Queensland freight infrastructure continues, there may be opportunity for government to play a stronger role in facilitating economic development through strategic investments in enabling infrastructure in total or in partnership with the private sector. This is due to the longer term perspective that can be taken by government and the ability of government to make investments for other than purely commercial reasons – for example, for regional economic development or nation building.*<sup>150</sup>

Aurizon agrees that many infrastructure investment decisions involve long term considerations and commitments - *“long term planning by policymakers can, provided the planning is rigorous and involves coordination with industry, create a better investment environment for investors when making such long term decisions.”*<sup>151</sup>

### 6.1 State Government infrastructure funding

#### **Infrastructure subsidy**

Queensland Rail receives funds from the State Government through a *Rail Transport Services Contract* for investment and maintenance in below-rail assets. The key purpose of the Contract is to ensure that the state of the infrastructure network is fit for service for above-rail operators. The subsidy is provided for the gap between access fees and the cost of maintenance.

- In 2013-14 QR received a subsidy of \$545 million of which 56% was spent in South-East Queensland and 44% in regional areas.<sup>152</sup>
- This subsidy is not being used for the \$50 million Toowoomba Range improvements. These funds are being reallocated from savings on the Transport Services Contracts that the state provides to Aurizon as the above-rail freight operator.

<sup>148</sup> CHRC, submission 3:3

<sup>149</sup> TMR, *Moving Freight*, 2013:26

<sup>150</sup> ARA, Hansard Transcript, 25 Feb 2014:5

<sup>151</sup> Aurizon, submission 7:27

<sup>152</sup> TMR, Hansard Transcript 12 Feb 2014:3



- The Mt Isa line is regarded as commercial so does not receive any infrastructure subsidy – the line maintenance and upgrades are solely funded from the access fees paid by above rail operators.

The Queensland Commission of Audit Report makes the following observations regarding Queensland's freight lines and the provision of Government infrastructure funding:

*Based on an assessment of the operations of Queensland Rail, the six regional rail systems other than the Mount Isa rail line (the North Coast Line, Western, Maryborough Area, South Western, Central West, and Tablelands) appear unable to be undertaken on a separate, commercially sustainable basis, and are likely to remain loss making.*

*The Transport Services Contract is used to ensure that the rail network is maintained across a broad geographical area. While the contract clearly specifies the scope of the service to be provided, the policy rationale for providing this broad geographic scope of the rail freight network is not clear.*

*Under continued government ownership, there are options available to increase efficiency in the future management of the sub-commercial components of the regional freight network.<sup>153</sup>*

#### **Government funding based on a guaranteed commercial rate of return**

There has been concern raised about Queensland Rail's policy that capacity enhancements will only be delivered where there are sufficient contracted tonnages to justify the necessary capital investment on commercial terms (as outlined in the Mt Isa master plan). The Queensland Transport and Logistics Council has raised the following issues with the current Queensland Rail policy (which remains unamended from the previous government):

*The effect of this unamended policy is that Queensland Rail has to have prospective users committed to contracts prior to gaining committed funding to allow the upgrade to be constructed. .... Only major mining or energy companies have the ability to commit to a binding freight contracts.....the effect is that Queensland's non-coal lines are generally, and particularly when compared with the competing road mode, of a low standard and have suffered from low investment for many years.<sup>154</sup>*

The result of this policy is that there is limited funding for upgrades on some lines and without funding rail volumes will continue to decline and road will remain the dominant mode of choice. The Queensland Transport and Logistics Council suggest: "...it may be timely for the Queensland Government to review the rail investment framework".<sup>155</sup> It puts the case that where rail infrastructure is 'common', that is, can be used by a number of users, it may be that an upgrade would provide sufficient opportunity to a number of sectors so that at least and possibly several sectors make greater use of rail.<sup>156</sup>

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<sup>153</sup> Queensland Commission of Audit – Final Report, Vol.2:125

<sup>154</sup> QTLC, Strengthening Queensland's Supply Chains, 2013:44

<sup>155</sup> QTLC, Strengthening Queensland's Supply Chains, 2013:45

<sup>156</sup> QTLC, Strengthening Queensland's Supply Chains, 2013:45

## 6.2 Potential alternative funding options

Improving the efficiency of the current rail network to meet the projected growth in demand will require additional investment from both the private and public sectors.

Stakeholders have suggested that innovative approaches are needed to facilitate funding for the critically needed railway infrastructure.<sup>157</sup>

When discussing the proposed new inland rail line, the Port of Brisbane outlined why agriculture will never be able to pay for the new lines on its own:

*Even if we were to double the amount of agriculture using that line [to the Port of Brisbane] we are going in numbers circa one million tonne to two million tonnes and at "X" dollars per tonne you are not going to fund too much. So what we profess is that that line west and indeed joining onto the current federal government inland rail proposal will open up more cargo. All users pay: agriculture, intermodal and coal. Currently the, the Port exports up to 10 million tonne of coal per annum. That new line would open up for more coal, which is a potential funder for this line.*

*It would very much come down then to the appetite of the government of the time as to how much coal you would allow down that line in order to satisfy private funding models. In essence, we think \$30 million tonnes of coal will pay for around \$3 billion worth of infrastructure. We are looking at a circa \$5 billion project. The more coal, the less the government funds... It is very much the case of if we do not want to increase any coal down there then the public purse has to pick up the rest because private enterprise certainly would not be interested in doing that major funding.<sup>158</sup>*

In situations where infrastructure upgrades cannot be justified by contracted tonnages one option put forward by the Port of Brisbane is a diverse commodity approach to an infrastructure-funding model:

*However, if we are to address the below-rail availability or systems that are needed, agricultural commodities alone cannot fund the type of investment needed to increase the rail capacity. It needs very much to be a diverse commodity approach to a funding model in order to develop new rail access. Infrastructure upgrades are necessary, and if we do not do them we will find heavy congestion on our road network over the coming years. Our studies have shown, for example, that the new port motorway will be at capacity by 2026, with just conservative trade growth and containers, for example, moving on trucks.<sup>159</sup>*

Aurizon submitted that while it sees a continue role for government investment in infrastructure, over the short to medium term, the capacity of governments to provide funding through major additional borrowings is limited.<sup>160</sup> The company also pointed out that:

*When combined with continuing volatility in global commodity markets and uncertainty about the broader economic outlook, it has become a more challenging environment for the private sector when considering investment in infrastructure.*

*However in recent times we have also seen increased investment in large scale existing infrastructure in Australia by major overseas pension funds and sovereign wealth funds. This is expected to continue, providing a valuable new source of infrastructure funding, although*

<sup>157</sup> See for example, ARA submission 14, Port of Brisbane submission 10, and Aurizon submission 7

<sup>158</sup> Port of Brisbane, Hansard Transcript, 25 Feb 2014:18

<sup>159</sup> Port of Brisbane, Hansard Transcript, 25 Feb 2014:8

<sup>160</sup> Aurizon, submission 7:8

*such investment is much more likely to be in brownfield infrastructure where greater commercial certainty exists.*

*Notwithstanding these macroeconomic developments – and, in fact, partly as a consequence of the Budget constraints on State and Federal Governments – the private sector has continued to take on a greater role in terms of the ownership and management of freight and logistics assets.<sup>161</sup>*

Aurizon recommended that Government and industry should consider different ways of financing and funding freight and logistics and broader infrastructure, including:

- Opening up new opportunities for further private sector investment in freight including through the sales of Government infrastructure assets or long term leases.
- Recycling all funds from any future Government infrastructure asset sales or lease agreements into infrastructure in the same broad asset class
- The Government funding construction of new infrastructure, and charge for its use, until the revenue generated delivers a commercially viable business which the Government could sell and reinvest the proceeds in new infrastructure on a similar basis.
- Governments issuing 20 to 25 year debt securities linked to specific new infrastructure projects, with the securities being sold into Self Managed Retirement Funds, as well as other superannuation funds.
- Increased use of user charges with requisite arrangements for users to have greater influence over infrastructure investment, including heavy vehicle charging for heavy and higher productivity vehicles on national highways.
- Examining the potential for new approaches to using Public Private Partnerships for the financing and development of infrastructure projects.<sup>162</sup>

### **Public Private Partnerships**

A number of key stakeholders submitted that particular attention should be given to the use and role of Public Private Partnerships (PPPs). Aurizon submitted that past financial failures with Public Private Partnerships requires a new approach:

*PPPs have, over recent decades, played a substantial part in infrastructure development. However, there have been financial failures in the recent past, which have raised questions about the appropriateness of the prevailing model of PPPs, and highlighted the need to develop different PPP models in response to the lessons learned.*

*In addition, since the GFC, debt and equity investors are far less willing to take on the risk involved with Greenfields and other infrastructure projects. As a consequence, the cost of private sector finance has risen....*

*As a result, there is now a need to find more effective ways of utilising PPPs and addressing the fundamental concerns of investors.<sup>163</sup>*

The Australasian Railway Association agreed that while Private Public Partnerships have played a substantial role in infrastructure development in recent decades, there have been circumstances in the recent past, which have raised questions about the appropriateness of the prevailing model.

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<sup>161</sup> Aurizon, submission 7:8

<sup>162</sup> Aurizon, submission 7:4 and 16-17

<sup>163</sup> Aurizon, submission 7:17

*The limited ability to vary PPs is also an important issue. Taking account of the inherently long-term nature of infrastructure projects, breaking contractual commitments can be extremely expensive, thereby evaluating risk concerns and causing potential participants to reconsider their willingness to be involved. This may have the effect of stifling innovation where the financial consequences of failure outweigh the benefits of developing and trying new approaches.*<sup>164</sup>

The submission from Aurizon provided a detailed analysis of the issues related to Public Private Partnerships<sup>165</sup> and concluded that:

*... given Queensland faces an investment environment that it is in transition, it may be prudent to keep all payment models on the table before exploring which model, or combination of models, is best suited to particular projects in the future.*<sup>166</sup>

and

*The issues [in this submission] highlight the importance of policy settings that give a high priority to creating a business environment that enables market-based approaches and innovation, and which provides clarity and confidence to investors and shareholders that they have the opportunity to earn an appropriate commercial rate of return.*<sup>167</sup>

### **Beneficiary pays blockage investment model**

The Queensland Transport and Logistics Council provided an analysis of a West Australian beneficiary-pays blockage investment model, which “shows promise for use in removing ‘low cost’ infrastructure blockages.”<sup>168</sup> Under this model, the government pays for the infrastructure upgrade and recoups the outlay through charging a higher set of fees to the parties using the infrastructure - the beneficiaries. The Council outlined how the model appears to have overcome a number of investment issues such as:

- the proponent not being able to justify the cost, even if the applicant is willing to make a contribution
- where infrastructure investment by one party provides a benefit to existing and future competitors without them having to make an equivalent investment
- a network user being prepared to provide some funding to upgrade an infrastructure bottleneck, but not sufficient for the required investment, or not if it advantages non-contributing competitors.<sup>169</sup>

The Queensland Transport and Logistics Council recommended that the Queensland Government investigate whether this model can improve Queensland’s landside supply chain efficiency and offered to “work with the Department of Transport and Main Roads to develop a scope, business model and public/private sector advisory group to address low-cost road and rail infrastructure blockages for the benefit of all parties and the Queensland economy”.<sup>170</sup>

<sup>164</sup> ARA, submission 14:8

<sup>165</sup> Aurizon, submission 7:28-29

<sup>166</sup> Aurizon, submission 7:18

<sup>167</sup> Aurizon, submission 7:19

<sup>168</sup> QTLC, Strengthening Queensland’s Supply Chains, 2013:42

<sup>169</sup> QTLC, Strengthening Queensland’s Supply Chains, 2013:42

<sup>170</sup> QTLC, Strengthening Queensland’s Supply Chains, 2013:43

### ***Sale or lease of Queensland Government owned rail infrastructure***

Aurizon has suggested there the Government should consider opening up new opportunities for the private sector to invest in freight infrastructure currently owned by the Government and reinvest the funds in the rail system:

*This priority reflects the requirement for additional investment in freight infrastructure and operations if the capacity of Queensland's freight system is to be increased and recognises the current restraints on Government infrastructure funding....*

*All funds from any future sale or leasing of assets should be recycled into freight infrastructure in the same broad asset class... as there will always be a requirement for government funding to invest in new infrastructure in accordance with a long term infrastructure plan.*<sup>171</sup>

Aurizon has suggested that funds that are realised from the sale or long-term lease of infrastructure assets could be reapplied to infrastructure developments that contribute to medium or long-term improvements in freight efficiency but might not, in the early stages, generate commercial rates of return. Aurizon suggests that this strategy reflects the potential for the Government to make a longer-term assessment when it comes to the return on the investment.<sup>172</sup>

On 3 June 2014 the Queensland Government released the Government's Draft Plan of action – the *Strongest and Smartest Choice for Queensland*. This Draft Plan states that the assets under consideration include the long-term lease of the Integrated Port of Townsville and Mt Isa Rail Line. The proceeds from any assets sold or leased under this Plan will fund a "Strong Choices Investment Program" which would include a Public Transport Rail Infrastructure Fund of \$1 billion.<sup>173</sup>

### **Infrastructure funding – bias toward road funding**

A significant barrier to addressing ageing infrastructure, and to the consequential development of an integrated, more efficient network, is that current heavy vehicle infrastructure investment and charging arrangements result in road infrastructure investment not always being directed to where it is required:

*Current road access and usage charges for heavy vehicles are not directly linked to the cost of infrastructure provision and access on specific roads. Furthermore, revenue from heavy vehicle charging does not go to road infrastructure owners, ie. Queensland's road infrastructure agency. This prevents the infrastructure owner from responding to signals from heavy vehicle users.*<sup>174</sup>

There appears to have been a trend over recent decades to fund new road infrastructure rather than rail infrastructure. This may be based on the fact that roads service cars, buses and vehicular freight whereas as rail infrastructure tends to substantially carry freight.

Aurizon further submitted that:

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<sup>171</sup> Aurizon, submission 7:27

<sup>172</sup> Aurizon, submission 7:27

<sup>173</sup> Treasurer and Minister for Trade, the Hon. Tim Nicholls, Media Statement: *Draft Plan of Action: Strongest Choice now the Smartest*, 3 Jun 2014:1

<sup>174</sup> Aurizon, submission 7:19

*Greater efficiencies are also needed for supply chains to deliver better value for freight customers and to improve the commercial returns available to private sector operators (both current and future) and investors (both current and future). This will be critical for attracting the investment required to upgrade and expand existing infrastructure, as well as to build the new infrastructure necessary to meet future demand.<sup>175</sup>*

### 6.3 Committee comment and recommendations

#### Committee comment

While the Committee is recommending that alternative funding options should be explored, we are solidly of the view that rail infrastructure planning and funding is a core responsibility of government as government is the only institution that can take a longer-term view ensuring that agricultural industries have access to a modern, high-speed, efficient and affordable rail freight service.

The Committee reiterates the comment made previously that the development of efficient rail infrastructure is essential to generate improved value for industries that rely on freight and that infrastructure planning and investment is critical to enabling agricultural industries to develop and grow.

The Committee is cognisant of the fact that agricultural commodities cannot fund the investment needed to increase rail capacity alone. In order to fund infrastructure, investment options for attracting private sector funding, including the development of Public Private Partnerships is required and a diverse commodity approach should be investigated. We are particularly interested in proposals that seek to use coal export volumes to help fund new and upgraded rail infrastructure as long as these lines also provide access to transport agricultural freight.

The Committee is concerned about what we perceive to be a short-sighted approach to infrastructure funding where roads are prioritised and rail infrastructure neglected. This approach attracts more and more freight to road and acts as a disincentive to the use of rail freight. We believe the Government should take a longer-term view to transport infrastructure funding and reflect the respective strengths of rail and road transport in the allocation of infrastructure funds by giving increased weight to the proportion of funding going toward rail infrastructure.

A balanced infrastructure investment portfolio across road and rail networks is vital to the Queensland economy growing. Given the motorway to the Port of Brisbane is projected to be in gridlock by 2026 there is clearly not an option of doing nothing.

Consistent with this view, the Committee is recommending that the proceeds from the sale/lease of any rail infrastructure be reapplied to rail infrastructure upgrades and/or investment in supply chain efficiencies identified as priorities in this Report. The Committee recognises that part of these proceeds may be allocated through the proposed Strong Choices Investment Program.

As discussed previously in this Report, the State Government has announced that it is investigating the possible transfer of regional rail in lines to Australian Rail Track Corporation. The Committee is aware that if this transfer proceeds, it is likely to have a positive impact on rail infrastructure investment in Queensland. The Committee believes that this will require the State Government to have a well-considered and public infrastructure plan that clearly articulates the priorities of the State Government.

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<sup>175</sup> Aurizon submission 7:6

**Recommendation 12 – rail infrastructure funding**

The Committee recommends that the Minister for Transport and Main Roads, in consultation with the proposed infrastructure taskforce:

- investigate ways in which the State Government can provide additional (and/or reallocated) funds towards rail infrastructure to ensure the agriculture industry has access to a modern, high-speed, efficient and affordable rail freight service
- examine options for attracting private sector funding, including the development of Public Private Partnerships, and investigate how the development of new commercial lines funded by the private sector (for example coal) can be used to transport agriculture and livestock freight
- review the current Queensland Rail investment framework that only approves infrastructure enhancements where there are sufficient contracted tonnages to justify the necessary capital investment on commercial terms
- investigate other funding options which would provide for capacity upgrades and removal of ‘low cost’ rail infrastructure blockages on “non-commercial” regional lines, for example, the West Australian “beneficiary pays investment model” that recovers the investment over time through increased charges.

**Recommendation 13 – a more balanced infrastructure investment portfolio**

The Committee recommends that the Minister for Transport and Main Roads take immediate action to reprioritise proposed transport infrastructure investment by the State Government (including funding provided by the Federal Government) to provide a greater percentage of funding to upgrading Queensland’s rail network.

**Recommendation 14 – sale/lease of rail infrastructure assets**

The Committee recommends that the Queensland Government reapply the proceeds from the sale/lease of any rail infrastructure assets to rail infrastructure upgrades and/or investment in supply chain efficiencies either directly through infrastructure investment and/or partly through the proposed Strong Choices Investment Program.

## 7 Capacity, access to train paths and pricing

*The capacity limitations of existing infrastructure are particularly important because if they are not addressed, they can inhibit efficiency improvements in the overall supply chain.*<sup>176</sup>

Line capacity is determined by the line infrastructure and operational efficiency of the rail system. Each individual line's capacity determines the number of trains that can operate on that line, that is, the number of available train paths.

Queensland Rail's below-rail network consists of seven interrelated freight systems plus the SEQ network, all of which are used for freight traffic. The above-rail operators negotiate access to train paths with Queensland Rail, with users paying access charges for train path allocations. Queensland Rail's responsibilities in relation to the regional network include providing access to network infrastructure and maintaining and expanding track infrastructure as required to meet customer service levels.<sup>177</sup>

The limited number of train paths available on the Queensland Rail network means there are significant demands on the rail system to support diverse and competing freight tasks. Brisbane is the key hub for freight services from the North Coast Line and the Western and South Western systems. Freight services typically operate over the South East Queensland system in off-peak periods and any increase to rail passenger services places pressure on the freight paths.

Queensland Rail has the rail owner has responsibility for network planning and development including identifying opportunities for future development of the rail network and identifying and aggregating potential demand. As noted by the Commission of Audit scheduling the operation of freight and passenger services across Queensland Rail's regional network is a complex task.<sup>178</sup>

### 7.1 Third party access

The Queensland Rail network is an open access railway, which means that third party operators may seek to operate train services on Queensland Rail tracks. Third party access to the network is legislated under the Queensland *Competition Authority Act 1997* administered by the Queensland Competition Authority.

The Queensland Competition Authority regulates third party access to support competition by enabling competitors to access essential infrastructure which cannot be economically duplicated, such as rail tracks.

*As an example, we ensure that the track owned by Aurizon Holdings may also be used by other transport operators. This provides customers such as coal miners with options about the haulage of their product.*<sup>179</sup>

Queensland Rail operates under a Queensland Competition Authority approved Access Undertaking that provides a framework under which parties are to seek access to the Queensland Rail network. This includes outlining:

- negotiation process and timeframes

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<sup>176</sup> Aurizon, submission 7:19

<sup>177</sup> Queensland Commission of Audit Report, Vol.2, 2013:100

<sup>178</sup> Queensland Commission of Audit Report, Vol.2, 2013:124

<sup>179</sup> <http://www.qca.org.au/Rail/Access-undertakings/Accessing-rail-networks> <accessed 19 May 2014>



- pricing principles
- utilisation of the network's capacity
- network performance reporting requirements.<sup>180</sup>

Rail Operators and other access seekers interested in using Queensland Rail's network are required to negotiate an access agreement with Queensland Rail. Only Rail Operators who are accredited by the Department of Transport and Main Roads and have agreed access arrangements with Queensland Rail may access the network. Regional access agreements include the design, delivery and management of network paths and rail assets across Queensland.<sup>181</sup>

Every application for access is handled under a process agreed with the Queensland Competition Authority and detailed in 'Part 4. Negotiation Framework' of the Access Undertaking. The Access Undertaking document provides details on requirements, timeframes and dispute resolution mechanisms.<sup>182</sup>

If the transfer of all, or part of, Queensland's regional rail network to the Australian Rail Track Corporation goes ahead the current access undertaking Queensland Rail has with the Queensland Competition Authority will become obsolete. The Committee wrote to the Minister for Transport and Main Roads seeking advice on potential impacts of the transfer on access arrangements and the Minister responded:

*As the Regional Rail Network is a regulated network all Rail Infrastructure Managers are required to have an Access Undertaking recognised by either the Australian Consumer and Competition Commission (ACCC) or the Queensland Competition Authority (QCA). Due to the interrelationship of the ACCC and QCA Acts it would be reasonable to expect that ARTC will operate in the longer term under the provisions of the ACCC Act.<sup>183</sup>*

## 7.2 Preserved Train Paths

Access to rail infrastructure for the movement of agricultural products and livestock competes with high value market opportunities such as coal and other minerals.

When the above-rail freight service was privatised in 2010, the State Government recognised that agricultural commodities, which have a low ability to pay and seasonal challenges, would not be able to compete with the higher paying mineral freight. Consequently, a number of train paths were preserved through the *Transport Infrastructure Act 1994* for non-coal (general, agricultural and livestock freight) so that bulk commodities could not consume all of the capacity within the rail network.

Preserved train paths had to be legislated to protect them from obligations contained within the Queensland Competition Authority endorsed access undertaking. The undertaking, as it stands for both Aurizon and Queensland Rail, does not deal with differentiation between products. It is a commercially based document about the sale of paths to industry.

The Department of Transport and Main Roads advised that these paths have been preserved and are only available for Queensland Rail to contract to non-coal freight, therefore allowing the industries

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<sup>180</sup> Queensland Rail, *Annual Report 2012/13*:35

<sup>181</sup> Queensland Rail, *Annual Report 2012/13*:7

<sup>182</sup> <http://www.queenslandrail.com.au/networkservices/accessandregulation/pages/access.aspx> <accessed 19 May 2014>

<sup>183</sup> Letter from Minister Emerson to the Committee received on 23 May 2014:2

that cannot compete with coal to have access to affordable and available paths within the Queensland Rail system.<sup>184</sup>

Preserved pathways can be guaranteed to a specific producer by being incorporated into a contract. For example, GrainCorp has a “take or pay contract” with Aurizon which guarantees it access to an average 10 return paths across the Range per week.<sup>185</sup> GrainCorp submitted that “... *mandatory paths, whilst dedicated to grain, are a significant financial risk in low productivity years*”.<sup>186</sup>

The Port of Brisbane advised that there are 112 one way rail paths over the Range used as follows:

- 77 for coal
- 10 for grain (in 2011/12 grain transported less than 50% of rail grain’s capacity)
- 17 other freight
- 2 passengers
- 6 spare (used for coal) + 4 more ‘spare’ are used for coal.<sup>187</sup>

The *Moving Freight* strategy notes that increasing mining exports and potential growth in agricultural production in western communities is placing demands on the rail system to support diverse and competing freight tasks:

*Typically, the certainty and high volume associated with coal has led to the long-term contracting of rail capacity. This is often perceived at the expense of agricultural commodities and general freight, which are less likely to commit to long-term access agreements due to the risks associated with seasonal variation and/or demand fluctuations.*<sup>188</sup>

### ***Issues with the preserved train paths***

Inquiry evidence has pointed to the following issues associated with the preserved train paths:

#### Limited in number and confined to specific networks

- they are extremely limited in number<sup>189</sup>
- for commodities such as bulk grain in Central Queensland, where there are no reserved paths, seasonality also makes it harder to compete with the mining industry for rail space.<sup>190</sup>

#### Lack of flexibility

- preserved paths, whilst dedicated to grain, are a significant financial risk in low productivity years and the downside risk of “take or pay” is a disincentive to investing in rail capacity. GrainCorp invests \$50 million over seven years but cannot lease out any excess paths they cannot use.<sup>191</sup>

<sup>184</sup> Queensland Rail, Hansard Transcript 12 Feb 2014:6

<sup>185</sup> GrainCorp, Hansard Transcript, 7 Apr 2014:2-3

<sup>186</sup> GrainCorp, submission 15:4 (see further discussion on take or pay contracts later in this section of the Report)

<sup>187</sup> Port of Brisbane, submission 10:10

<sup>188</sup> TMR, *Moving Freight*, 2013:36

<sup>189</sup> For example see Port of Brisbane, Hansard Transcript, 25 Feb 2014:9 and GrainCorp, submission 15:3

<sup>190</sup> DAFF, Hansard Transcript 12 Feb 2014:13 and GrainCorp, submission 15:6

<sup>191</sup> GrainCorp, submission 15:5

- legislation restricts flexibility – the specific number allocated per week doesn't take into account seasonality or peak freight periods<sup>192</sup>
- cannot be traded/swapped/sold by industry.<sup>193</sup>

#### Lack of transparency

- GrainCorp submitted there is no transparency about who the preserved paths on the Toowoomba Range are allocated to, or if they become available for reallocation in low periods.<sup>194</sup>
- The performance of the western and south western lines (that is, whether available capacity is being maximised) is only known by Queensland Rail and the Government; and for particular commodities by Aurizon's customers.<sup>195</sup>
- The limited existing capacity on the Range is not being maximized and for improvements to occur rail corridor performance must be measured and made transparent.<sup>196</sup>

#### Policy intent undermined by the preserved train path reallocation process

The Committee heard from a number of stakeholders that they are concerned about the application of the preserved train path policy:

- There is a vicious circle with utilising the preserved paths, because in order to use them you have to have a train and if the only train operator does not really want to do that work, then you cannot book a service to use the available path.<sup>197</sup>
- Resource commodity competition may provide incentive to above rail operators to underutilise preserved paths.<sup>198</sup>

One stakeholder made an observation about perceived “double dipping” by Aurizon through the reallocation of unused preserved train paths.<sup>199</sup> This claim, and Aurizon's response, is also covered in the “pricing” section of this Report. However, it is relevant to note here the advice provided by Aurizon that it does not have the authority to reallocate train paths:

*When Aurizon procures a train path from a rail manager (e.g. Queensland Rail), it is effectively a “right” to utilise a path for a particular train. If a train path is not utilised Aurizon forfeits that right. The “right” for agricultural paths is preserved, which means the rail manager is prohibited from allocating available paths to other forms of transport i.e. it cannot allocate a freight path for a coal service. Train paths are either contracted, and therefore use it or lose it, or they are ad-hoc. Either way they are a perishable commodity. They can also be a scarce and rationed commodity, so it is not always possible to simply run a train whenever customers want.<sup>200</sup>*

<sup>192</sup> See Cotton Shippers, Hansard Transcript, 5 Mar 2014:10 and GrainCorp, Hansard Transcript, 7 Apr 2014:2-3

<sup>193</sup> AgForce, submission 21:4

<sup>194</sup> GrainCorp, submission 15:4 and see also Cotton Shippers Association, Hansard Transcript, 5 Mar 2014:10

<sup>195</sup> Port of Brisbane, submission 10:10

<sup>196</sup> Port of Brisbane, submission 10:10

<sup>197</sup> GrainX, Hansard Transcript, 14 Apr 2014:5

<sup>198</sup> QTLC, Hansard Transcript, 7 May 2014:5

<sup>199</sup> Mr Newton, Hansard Transcript, 5 Mar 2014:4

<sup>200</sup> Aurizon, Letter to the THLGC, 21 May 2014:1

It should however be noted that while Aurizon does not have authority to reallocate a train path, Queensland Rail does have authority under section 266A of the *Transport Infrastructure Act 1994* to reallocate train paths in certain circumstances. The Department of Transport and Main Roads has advised the Committee that that preserved train paths that do not have a service booked are often reallocated to non-agricultural commodities. When Queensland Rail makes a decision to reallocate a train path, and consequently Aurizon provides the above-rail service to a coal train, it may well be perceived by stakeholders that Aurizon is reallocating the path.

It would appear that the way the reallocation process currently operates it effectively undermines the intended outcome of the preserved train path policy. The current process allows an above-rail provider to discourage agricultural producers from booking a service on a preserved path (for example, by charging more than the equivalent road freight service) and then seeking access from Queensland Rail to the “available” train path for an alternate, higher paying commodity such as coal. Given there is no alternate above-rail provider on the lines with preserved paths for agricultural products, there is no real risk taken by the above-rail service provider that they will not be provided with access to the “available” train path to provide a service to non-agricultural products.

### ***Review of the preserved train path system for non-coal freight***

The Department of Agriculture, Fisheries and Forestry has recommended that the Government continue to preserve rail access for agricultural commodities in response to industry freight demands.<sup>201</sup>

The Department of Transport and Main Roads has included the following action on preserved train paths in its *Moving Freight* strategy and has clearly indicated the intention to retain preserved paths for a minimum period of 10 years.

*“Preserve train paths on regional lines for non-coal rail services in response to agriculture and broader community freight needs.”<sup>202</sup>*

However, the body of the *Moving Freight* strategy indicates that the use and/or reallocation of these paths need to be considered:

*To provide certainty of rail access to the agricultural sector and the general freight requirements of regional communities, rail access is preserved by State legislation for non-coal traffic across the rail network. The use and/or potential reallocation of these train paths will therefore need to be considered in relation to agricultural and regional community rail freight needs.<sup>203</sup>*

The Committee wrote to the Minister for Transport and Main Roads seeking advice on whether the Government’s authority to maintain and improve the preserved train paths might be compromised if the transfer of Queensland’s regional rail network to the Australian Rail Track Corporation goes ahead. The Minister responded:

*Preserved train paths are determined under the Transport and Infrastructure Act 1994 and as such will continue regardless of the Rail Infrastructure Manager. However, I would envisage that preserved train paths will be a specific point in any future contract or lease arrangement with the ARTC or any other Rail Infrastructure Manager.<sup>204</sup>*

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<sup>201</sup> DAFF, Hansard Transcript 12 Feb 2014:13

<sup>202</sup> TMR, *Moving Freight*, 2013:52

<sup>203</sup> TMR, *Moving Freight*, 2013:36

<sup>204</sup> Letter from Minister Emerson to the Committee received on 23 May 2014:2

### 7.3 Access to non-preserved train paths

AgForce, at the Cloncurry hearing, raised a concern with the difficulty in accessing train paths:

*There is another issue that kept cropping up: Queensland Rail flatly refused ever to reconsider unloading at Mackay, and Mackay have asked at different times if they could access the rail network. So there is an opportunity there to better utilise rail. Oakey Holdings or Oakey are now making noises about being able to want to utilise rail, but the rail network won't even consider that possibility at this stage. We have also got that vast network of feedlots down in that south-east corner that is costing big money on road to get to, whereby surely we could be developing a rail network to maybe get cattle to those facilities via rail.*<sup>205</sup>

The Central Highlands Regional Council submitted that resources growth in their area significantly reduces rail capacity for the agriculture and livestock industries, thus reducing options and increasing cost impacts.<sup>206</sup>

The Goondiwindi Regional Council advised the Committee about issues with the chickpea industry gaining access to rail freight:

*The most important thing is the contracts and the timings of availability, and they need surety of being able to deliver them (chickpeas). That is the reason why there is so much road at the moment.*<sup>207</sup>

Access to train paths is also an issue for non-coal mining as provided by CuDECO:

*There is no media or watchdog controlling QR at all and I believe that that has led to a lot of what I have seen firsthand and I have evidence of third-party alignment, which they have tried to do to us. That third-party alignment is in the Port of Townsville. We have a bit of ground there. We have spent quite a few million dollars progressing with a DA and had an environmental done to build a bulk facility there. We are on the inside of the balloon loop. That is the site of the existing BHP site. QR informed me that they would not give us access to that end of the loop—in a balloon loop. 'Why? Because there is no room?' 'No, there is more room. We are holding that availability for existing customers.' I have that in writing. 'But what we can do for you is we think you should move from there and go to the outer new balloon loop that we want you to build for us.' That is called third-party alignment. So it is cartelism, basically, and it is alive and well on this line and the way that it is set up. Why? Because there is no-one that that authority answers to. As two previous gentlemen have said, client confidentiality is one thing, but fairness and openness, there has to be a certain amount of transparency in these dealing.*<sup>208</sup>

#### **Alternative grain operators**

The Department of Agriculture, Fisheries and Forestry raised a concern that alternative grain operators are not able to gain access to train services:

*As the principal holder of rail loading assets, GrainCorp signed a seven-year agreement with Aurizon in 2013 to move grain. Since deregulation [deregulation in terms of the Australian Wheat Board], competition in the grain sector has given rise to the commissioning of some new*

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<sup>205</sup> AgForce, Hansard Transcript 16 Apr 2014:6

<sup>206</sup> CHRC, submission 3:4

<sup>207</sup> Goondiwindi Regional Council, Hansard Transcript, 7 Apr 2014:8

<sup>208</sup> CuDeco, Hansard Transcript 16 April 2014:11

*storage assets at rail heads owned by alternative operators. These operators have no access to a train service at present due to scheduling and/or wagons not being made available.*<sup>209</sup>

*In addition, and again consistent with what you heard earlier, these new traders often suffer from small volumes while they are becoming established which means they cannot realise the cost savings for bulk freight rates which are available on trains. The department has been working with companies wishing to gain access to train services but so far no progress has been made. Notable comments from the companies include: the impost of rail line fees, the inability to source a locomotive by purchase or leasing at reasonable cost; as well as difficulties in obtaining enough volume to commit to a regular train service.*<sup>210</sup>

Another stakeholder raised the issue of independent and smaller producers not being able to access train services:

*But it does become much more difficult for independent producers. Unless they can guarantee a train or at least half a train and have somebody come with them, it has become harder and harder to access rail in that regard. Obviously the meat processing sector does contracts with rail, so that is an advantage to them.*<sup>211</sup>

The Department of Agriculture, Fisheries and Forestry summed up issues with agricultural commodities gaining access to rail as follows:

*The grains industry, in particular, and small commodities, small parcels and niche products being able to utilise rail freight is a very difficult problem. Access to that form of transport for those operators is a huge cliff for them to climb, so that is in effect not working at the moment. The containerised grain, as an example, is generally going 100 per cent by road. That is working effectively from a road transport point of view but from a rail transport point of view—*<sup>212</sup>

The Port of Brisbane advised the Committee that if the below-rail availability is not addressed there would be heavy congestion on Queensland's road network over the coming years. The Port's studies have shown, for example, that the new port motorway will be at capacity by 2026, with just conservative trade growth and containers moving on trucks.<sup>213</sup>

Numerous stakeholders pointed to the critical need for increased capacity, for example:

- Competition in above-rail operators is critical to making rail attractive. To encourage more operators there needs to be capacity in the rail systems and an access and regulatory environment that facilitate productivity and innovation.<sup>214</sup>
- The Australian Cotton Shippers Association submitted that it is imperative that a competitive environment is provided to increase the capacity for cotton and cottonseed to move on-rail efficiently and economically.<sup>215</sup>

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<sup>209</sup> DAFF, Hansard Transcript 12 Feb 2014:15

<sup>210</sup> DAFF, Hansard Transcript 12 Feb 2014:15

<sup>211</sup> Heatley, Hansard Transcript 12 May 2104:13

<sup>212</sup> Letts, DAFF, Transcript 12 Feb 2014:18

<sup>213</sup> Port of Brisbane, Hansard Transcript, 25 Feb 2014:8

<sup>214</sup> Port of Brisbane, submission 10:1

<sup>215</sup> Australian Cotton Shippers Association, submission 4:1

- JBS submitted there must be long term guaranteed access to rail path for livestock rail services and flexibility to access additional services across the network based on demand and volume.<sup>216</sup>

### ***Proposed solutions to limited train path capacity***

Many stakeholders also suggested ways to increase train path capacity or better utilise existing capacity, for example:

- The Port of Brisbane submitted that there is a role for freight forwarders / logistics handlers to broker consolidated train loads for a number of smaller operators and the market conditions needed to support this should be examined.<sup>217</sup>
- GrainCorp welcomed the Government's decision to invest \$50 million into the additional passing loops on the Range and is looking forward to working with the Government to build the number of paths available to grain trains – each additional grain train equates to a reduction of 940 grain truck movements.<sup>218</sup>
- GrainCorp also raised the possibility of introducing greater flexibility to the return paths to recognise the seasonal variability of the grain transport task (most is moved in the 3-4 months after harvest). They would like to gain access to additional paths during the peak period to be offset by a decrease in the remainder of the year.<sup>219</sup>

The Department of Agriculture, Fisheries and Forestry has recommended that access fees be rebated, or waived altogether, to incentivise third party operators and that preserved train paths should be tradeable and there be repricing or other arrangements for underutilised rail slots within the preserved agricultural train paths – currently being taken up by the resources sector as the agricultural sector cannot compete.<sup>220</sup>

In relation to grain, AgForce has recommended:

- Facilitation by government of container trains services that can be accessed by more than one grain handler if required. This could be done in conjunction with general freight services and does not necessarily need to be restricted to the grains market.
- The increase of 20-30 pc in net tonnes for trains, on lines that can support the increase such as the Central system. Trains up to 50 wagons long are investigated for future productivity gains.
- Producer representatives are included in grain freight rate negotiations to ensure rates reflect actual cost of freight.
- Allow GrainCorp (in this instance) to sell/trade/swap allocated pathways with other entities if they are unable to be utilised. With the consent of rail track operator and payment for the use of the slot is made to either the rail track operator which is then refunded to GrainCorp or the payment is made direct to GrainCorp with the full knowledge of the track operator.<sup>221</sup>

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<sup>216</sup> JBS, submission 8:2

<sup>217</sup> Port of Brisbane, submission10:2

<sup>218</sup> GrainCorp, submission 15:4

<sup>219</sup> GrainCorp, submission 15:4

<sup>220</sup> DAFF, Hansard Transcript, 12 Feb 2014:16

<sup>221</sup> AgForce, submission 21:4

AgForce has also recommended that the feasibility of a transparent, competitive 'slot trading system' be investigated that more properly reflects the 'supply and demand' nature of agricultural commodity trading.<sup>222</sup>

The Central Highlands Regional Council submitted that equity of access needs to be established to ensure all sectors (that is, agriculture) have an opportunity to benefit.<sup>223</sup>

#### 7.4 Additional strategies for increasing rail capacity in metropolitan areas

##### ***Competing Passenger Demand***

The *Moving Freight* strategy highlights the fact that competing passenger rail demand is a critical issue for freight movement, particularly in the metropolitan area. The metropolitan network provides access to key intermodal rail terminals and the Port of Brisbane is the nexus of the majority of rail freight services to and from northern and western Queensland and interstate.<sup>224</sup>

Subsection 265 (1) of the Transport Infrastructure Act 1994 requires a railway manager to endeavour to bring a passenger service that is delayed back to its scheduled running time. Subsection 266 (3) allows the railway manager to take into consideration relevant matters when complying with subsection (1) and provides examples of relevant matters as a train transporting livestock and train service entitlements for services other than passenger services.

This legislated requirement means that if a passenger train is off schedule, a freight train on the same line will have to wait at the nearest siding to allow the passenger train to come through,<sup>225</sup> often resulting in significant delays to the freight train. TMR advised the Committee:

*What that means is that the customers with freight on that freight train do not get their goods delivered on time. When their freight is affected for on-time performance and on-time delivery, then that is a disincentive for them to use rail because they can go and stick it on a truck and they are not going to have a passenger train bump them in terms of delaying their delivery time.*<sup>226</sup>

The *Moving Freight* strategy noted that currently, passenger rail demands often limit existing rail freight services to off-peak commuter time periods with increasing passenger services likely to limit freight growth opportunities.<sup>227</sup> The Queensland Transport and Logistics Council pointed out:

*Paradoxically, the features that make rail so efficient for the movement of bulk freight – long length, non-stop, high tonnage, medium headway, slower accelerating, stopping and moving trains – make them inefficient in sharing the available rail network with short length, multi-stop, high-frequency/low headway, high accelerating, stopping and moving passenger trains.....*<sup>228</sup>

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<sup>222</sup> AgForce, submission 21:4

<sup>223</sup> CHRC, submission 3:3

<sup>224</sup> TMR, *Moving Freight*, 2013:34

<sup>225</sup> TMR, Hansard Transcript, 12 Feb 2014:4

<sup>226</sup> TMR, Hansard Transcript, 12 Feb 2014:4

<sup>227</sup> TMR, *Moving Freight*, 2013:34

<sup>228</sup> QTLC, Strengthening Queensland's supply chains, 2013-15:41



The Department of Agriculture, Fisheries and Forestry points to the impact on the Port:

*The Port of Brisbane is our principal port for agricultural export in Queensland. .... In the south the rail freight network faces difficulty in having to operate in tandem with the Brisbane suburban passenger train network. This, and other infrastructure limitations with low wagon axle weights, significantly impacts the capacity for the port to increase volumes delivered to port by rail.*<sup>229</sup>

The Port of Brisbane agreed, submitting that passenger priority legislation – peak hour exclusions and other waiting times impact on rail reliability.<sup>230</sup>

*Access to the Port by road is far superior to access by rail. Rail is limited to the low tonnage and short trains. It is also restricted in times due to the passenger priority legislation, which locks freight out in peak periods and recued reliability when an empty passenger train being repositioned receives priority over fully loaded freight trains...*<sup>231</sup>

Aurizon also raised passenger priority as being a significant barrier to lifting productivity:

*...access restrictions for rail freight services operating on metropolitan lines within Brisbane, in recognition of the community priority for passenger services at peak periods during the day. It is noted that where there is a shared metropolitan network for passenger and freight rail services, it will be important that the competing passenger and freight priorities are actively managed to prevent access restrictions impeding further growth in the utilisation of rail freight.*<sup>232</sup>

The Queensland Transport and Logistics Council submitted that a passenger train always receiving priority over a freight train affects rail freight capacity and that unless this can be addressed for some freight movements there will be no opportunity for rail to compete with road in terms of cycle times and reliability.<sup>233</sup>

*The rail sector is... susceptible to regulatory distortions such as the passenger priority which will always prioritise a sick passenger train over a healthy freight train... that will interfere with reliability which, for certain types of cargo, is unsustainable and they cannot use rail for those reasons.*<sup>234</sup>

The Council's *Strengthening Queensland's supply chains 2013-2015* report proposed a framework for a rail network operational efficiency policy that seeks to provide a hierarchy of freight relative to passenger priority. It proposed that groups of freight should be prioritised over passenger services, depending on whether it is peak hour or non-peak hour. The QTLC advised the Committee that such a hierarchy would "improve the efficiency and the reliability of rail freight services which are largely compromised by these regulatory distortions which do not seem to operate on road."<sup>235</sup>

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<sup>229</sup> DAFF, Hansard Transcript, 12 Feb 2014:16

<sup>230</sup> Port of Brisbane, submission 10:10

<sup>231</sup> Port of Brisbane, submission 10:2

<sup>232</sup> Aurizon, submission 7:20

<sup>233</sup> QTLC, Hansard Transcript, 25 Feb 2014:3

<sup>234</sup> QTLC, Hansard Transcript, 7 May 2014:2

<sup>235</sup> QTLC, *Strengthening Queensland's supply chains 2013-2015*:49-51

### **Automatic train signalling**

One of the factors that limits capacity of metropolitan rail lines is train headways. Signalling is used, to amongst other things, keep trains separated so that each train has a length of track in front of it that is clear of other trains, enabling it to brake to rest clear of the train in front. This leads to a line capacity issue in the design of the signalling to enable the requisite number of trains to transit the section of the line. The inverse of the number of trains per hour is called the headway. 5 trains per hour, regularly spaced, equates to a headway of 12 minutes. In practice for a specified headway of 12 minutes the signalling would be designed to give a headway of 8 or 9 minutes, to maintain flexibility.<sup>236</sup>

Aurizon also raised inefficiencies due to out-dated technology as being a significant barrier to lifting productivity and provided as an example, the need to update signalling systems on key rail lines.<sup>237</sup>

The Queensland Transport and Logistics Council's *Strengthening Queensland's supply chains 2013-2015* report suggests that a relatively low cost approach to improving the South East Queensland rail network capacity may be to provide a new automatic train signalling system to reduce train headways, and therefore allow more trains to be accommodated safely on the existing rail network. While the report acknowledges that the cost of installing such a system and retro-fitting the 200 Citytrains is likely to be quite significant, it suggests that it is worth investigating if the result was an increased number of freight trains being accommodated.<sup>238</sup>

Dr Frank Heibel from the Institution of Railway Signal Engineers (IRSE) recently published a paper on the benefits of Automatic Train Control (ATC). He points out that increasing rail capacity "*by building additional railway lines in CBD areas, as planned in Brisbane with Cross River Rail and Brisbane subway, turns into mega projects with very long lead times and pending uncertainties for funding – certainly not a quick fix*".<sup>239</sup> He goes on to state that some of the overall benefits of modern ATC systems are safety; reliability of train operations; capacity – specifically regarding the capability of ATC to exceed the capacity limits of the existing conventional fixed block signalling system; cost of operation; and efficiency – with a variety of potential savings from optimised operations that are achievable with ATC.<sup>240</sup>

The Australian Rail Track Corporation is planning to introduce an Advanced Train Management System which is designed to improve rail network capacity, operational flexibility, train service availability, transit times, rail safety and system reliability. It is a communication based train management system, which will communicate via both voice and data between Network Control Centres and locomotives on the Corporation's National Network. The new train management system is designed to provide the network controllers and train drivers with a very powerful capability to operate trains in closer proximity than ever before and to be assured that they do so safely.<sup>241</sup>

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<sup>236</sup> Hoath Enterprises Ltd, "Mathematics and Railway Signalling", [www.m-a.org.uk/what\\_use/mathematicsandrailwaysignalling.doc](http://www.m-a.org.uk/what_use/mathematicsandrailwaysignalling.doc) <accessed 17 May 2014>

<sup>237</sup> Aurizon, submission 7:20

<sup>238</sup> QTLC, *Strengthening Queensland's Supply chains 2013-2015*:89

<sup>239</sup> Dr Frank Heibel, *Passenger Benefits from Automatic Train Control*, IRSE Australasia Technical Meeting Brisbane, 21 March 2014:1

<sup>240</sup> Dr Frank Heibel, *Passenger Benefits from Automatic Train Control*, IRSE Australasia Technical Meeting Brisbane, 21 March 2014:4

<sup>241</sup> ARTC website, <https://atms.artc.com.au/about/> <accessed 17 May 2014>

## 7.5 Committee comment and recommendations

### Committee comment

The Committee notes there needs to be capacity in the rail system and an access and regulatory environment that facilitates productivity and innovation in order to facilitate above-rail competition.

#### Train path availability

Infrastructure upgrades are the main strategy for increasing the number of available train paths and the Committee welcomes:

- the upgrades occurring on the Toowoomba Range as these improvements will provide up to an additional 20 return paths per week, and
- the new rail loading facility on the Mt Isa to Townsville line which will allow access for two additional trains.<sup>242</sup>

We strongly support strategic Infrastructure improvements, such as the proposed dedicated freight rail line to the Port of Brisbane, that are critical if rail capacity issues are to be addressed.

There are a number of issues relating to the use of preserved train paths including seasonality, lack of available rolling stock, and a lack of train service provision. The Committee is concerned that these paths are not being fully utilised or efficiently utilised for these reasons. We are particularly concerned that the intended outcome of the preserved train path policy has been effectively undermined by a practice where the above-rail provider is able to provide disincentives to agricultural commodities using the paths (such as having no available train) and then, when as a result, the preserved train paths are not booked, seek access to an “available” train path for an alternative, higher paying commodity such as coal.

The Committee is strongly supportive of the retention of preserved train paths to provide some certainty of rail access to the agricultural sector. However, we of the view that the preserved train path regulatory environment needs to facilitate productivity and innovation and to do this it needs to be more flexible, transparent, and provide for slots to be traded where they are contracted and cannot be used.

The Committee is concerned that, if the transfer of Queensland’s regional freight lines to the Australian Rail Track Corporation proceeds, it may impact on the authority of the Government to maintain preserved train paths.

#### Competing passenger demand

The Committee understands that competing passenger train demand is a critical issue for freight movement as it affects rail freight capacity and therefore limits freight growth opportunities. While we agree with the statement made in *Moving Freight* that there is an obligation to ensure delayed passenger services run on time, we believe that further consideration needs to be given to how to balance these needs with the need to get freight to its destination in a timely way.

If a passenger train always receive priority over a freight train it clearly affects rail freight capacity. Unless this can be addressed by giving some freight movement’s priority there will be no opportunity for rail to compete with road in terms of cycle times and reliability in the short-term. We realise that the issue of service conflicts will be resolved in the longer-term when passenger and freight networks are fully segregated by the construction of a dedicated rail freight line in South-East Queensland.

The Committee notes that the Department of Transport and Main Roads has committed to reviewing and clarifying the intent of rail passenger priority and its impacts on freight as an action in the *Moving Freight* strategy. We recommend the Department review whether some efficiency may be

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<sup>242</sup> CuDeco, Hansard Transcript, 16 Apr 2014:10

achieved through the Queensland Transport and Logistics Council's proposal that passenger and freight train hierarchies be developed and used to develop a rail operations trade off decision-making framework.

#### Automatic train signalling

The Committee notes that an automatic train signalling system may provide a value-adding approach to a more efficient use of Brisbane's rail network capacity and recommends that the potential benefits of an automatic train signalling system be investigated.

#### **Recommendation 15 – preserved train paths be retained**

The Committee recommends that the Minister for Transport and Main Roads:

- ensure train paths continue to be preserved for use by the agriculture and livestock industries and to provide rail freight to regional communities
- review the preserved train path legislation and the process for reallocation of “unused” paths to develop a regulatory regime that ensures the intent of the preserved train path system is not undermined in practice
- ensure that, if the transfer of the regional lines to the Australian Rail Track Corporation goes ahead, the State Government retains the authority to preserve access to train paths for the agriculture and livestock industries through a clause in the transfer agreement/lease.

#### **Recommendation 16 – preserved train path review**

The Committee recommends that the proposed new Freight Authority examine ways to:

- make the preserved train path system more innovative, flexible and transparent by identifying underutilized train paths and developing ways to use those pathways more flexibly to ensure agricultural products and general freight is moved on them
- allow train paths contracted in long-term “take or pay contracts” to be tradeable by the party which holds the contract with the above-rail operator with the consent of the freight operator - for example, through the introduction of a slot trading system.

#### **Recommendation 17 – allocation of new train paths**

The Committee recommends that the Minister for Transport and Main Roads ensure there is a transparent process for allocating any additional train paths that result from improved infrastructure such as the upgrades to the Toowoomba Range line.

#### **Recommendation 18 – passenger priority legislation**

The Committee recommends that the proposed Freight Authority ensure the review of the rail passenger priority policy (identified as an action in the *Moving Freight* strategy) include consideration of the development of passenger and freight train hierarchies to inform a rail operations trade off decision-making framework.

**Recommendation 19 – automatic train signalling system**

The Committee recommends that the Department of Transport and Main Roads undertake a cost-benefit analysis of introducing an automatic train signalling system, including an assessment of whether such a system could provide for an increased number of freight trains on the Brisbane metropolitan network.

**7.6 Freight charges and take-or-pay contracts**

The Queensland Transport and Logistics Council submitted “...there is a disconnect and lack of transparency for pricing across rail based agricultural supply chains which may be impacting on the mode’s feasibility.”<sup>243</sup>

Above-rail operators are shifting towards ‘take or pay’ contracts, which are prevalent in the resources sector, for the agriculture sector. ‘Take or pay’ contracts enable the above-rail operator to underwrite their capital investment in their rolling stock and in infrastructure because they have long-term, guaranteed revenue streams but means the above-rail operator takes none of the risk.

The use of ‘take or pay’ contracts in a non-competitive environment can be detrimental to agricultural users because agricultural commodities are seasonal and volumes variable making commitments to long-term transport contracts high risk.

*No-one in the agricultural industry can sensibly sign a long-term take-or-pay contract if their product is determined by weather patterns, for example.*<sup>244</sup>

Current ‘take or pay’ arrangements in the agricultural sector are not transparent and are not flexible leading to a range of issues.

**Case study – Aurizon’s ‘take or pay’ contract with GrainCorp**

Producers were excluded from the ‘take or pay’ contract negotiations between Aurizon and GrainCorp however, pay the freight costs because GrainCorp transfers the full transport cost to the producer.<sup>245</sup> This means that the producer wears the full risk and the full cost of the freight charges and there is no sharing of the risk or the cost down the supply chain.

Smaller grain handlers and exporters are unable to access this arrangement because the contract is only between Aurizon and GrainCorp<sup>246</sup> and the inability of smaller organisations to enter into ‘take or pay’ contracts for rail freight encourages producers to use road where no such contracts are demanded.

There is no apparent incentive for GrainCorp to aggressively negotiate the cost of freight because it bears none of the cost<sup>247</sup> and there is no apparent opportunity to negotiate because Aurizon has an effective monopoly on rail freight as, currently, the only above-rail operator of agricultural freight.

<sup>243</sup> QTLC, submission 9:12

<sup>244</sup> Port of Brisbane, Hansard Transcript, 25 Feb 2014:9

<sup>245</sup> Agforce, submission 21:14-15

<sup>246</sup> Agforce, submission 21:14-15

<sup>247</sup> Agforce, submission 21:14-15

The lack of transparency around how much GrainCorp pays Aurizon for the freight service means there is also no accountability and that there is the prospect that GrainCorp could profiteer through the freight costs charged to producers.<sup>248</sup>

Under the ‘take or pay’ arrangement, GrainCorp pays for train paths even when it is not able to provide a load. In these instances, as QR is the below-rail operator, the path returns to QR’s control and GrainCorp is not able to recoup (by trading or selling the path) costs incurred for the path. Several witnesses stated that they believed Aurizon or QR profiteered from these unused paths by taking the original payment under the ‘take or pay’ contract and then reselling the path to another commodity/user.<sup>249</sup>

*One other point I would just like to make is that currently there is also double dipping taking place in relation to freight. GrainCorp does have a take or pay contract for the cartage of grain on the southern lines to the Port of Brisbane. .... in Southern Queensland this year, because of frost and drought and a number of production difficulties, there will be very little grain actually exported from this state..... If GrainCorp do not use those slots they continue to pay for them. That was the understanding. They knew when they entered into that contract that that was the arrangement. What we have since discovered is we believe Aurizon is actually now reselling—reletting—those slots to other users and charging them as well. We would actually like to see much more flexibility in those users, the original ones allocated. GrainCorp in this instance could be allowed to sublet those slots and recoup some of their cost that they are having to meet to take that take or pay contract arrangement. It is again just blatantly unfair that they are double dipping. GrainCorp do not get any recovery of their cost. They are paying for it. That slot should be reserved for them and if they do not want to use it they should have the right to allow someone else to use it.<sup>250</sup>*

Aurizon has responded to the perception that it is “reselling” contracted train paths and therefore “double dipping” in a letter to the Committee:

*When Aurizon procures a train path from a rail manager (e.g. Queensland Rail), it is effectively a “right” to utilise a path for a particular train. If a train path is not utilised Aurizon forfeits that right. The “right” for agricultural paths is preserved, which means the rail manager is prohibited from allocating available path to other forms of transport i.e. it cannot allocate a freight path for a coal service. Train paths are either contracted, and therefore use it or lose it, or they are ad-hoc. Either way they are a perishable commodity.<sup>251</sup>*

It should however be noted that while Aurizon cannot reallocate the train path, Queensland Rail does have authority under section 266A of the *Transport Infrastructure Act 1994* to reallocate train paths in certain circumstances. If Queensland Rail makes such a decision and consequently Aurizon provides the above-rail service to a coal train (and, inevitably, is paid for providing that service), it may well be perceived by the agricultural community that Aurizon is “double dipping”.

Port of Brisbane submitted that ‘take or pay’ can be applied in a commercial manner that suits all parties in the agricultural industry but it cannot be modelled on the standard coal or minerals ‘take or pay’ arrangements.<sup>252</sup>

<sup>248</sup> Agforce, submission 21:14-15, QTLIC, Hansard Transcript, 7 May 2014:5 and Mr Andrew Earle, Hansard Transcript (St George), 7 April 2014:7

<sup>249</sup> Agforce, submission 21:14-15

<sup>250</sup> Mr Newton, Hansard Transcript, 5 March 2014:4

<sup>251</sup> Correspondence from Aurizon to Committee dated 21 May 2014:1

<sup>252</sup> Port of Brisbane, submission 10:1

**Committee comment and recommendations****Committee comment**

The Committee is concerned that the preference by above-rail operators for standard “take or pay” contracts is having a direct impact on the modal choice of the agricultural sector and that it is a significant disincentive to potential rail use. Even large contractors such as GrainCorp are finding it difficult to fulfil its obligations under its current seven year contract. The Committee is concerned that ‘take or pay’ contracts can be used to, in effect, discriminate against agricultural commodities moving on rail.

The Committee is interested in the more flexible approach applied in Western Australia where a proportion of the contract is “take or pay” to provide the operator with a level of security while allowing more flexibility in terms of delivering the remainder of the contract. The Committee is of the view that above rail operators would be more likely to be more flexible in their approach if there was greater competition in the above rail sector in Queensland. The Committee discusses the many advantages that would result from above rail competition later in this Report.

**Recommendation 20 – haulage contract arrangements**

The Committee recommends that the proposed Freight Authority investigate more flexible rail haulage contract arrangements for the agriculture sector and the smaller mining tasks, and encourage their use by above-rail operators as the Committee is concerned that ‘take or pay’ contracts can be used to, in effect, discriminate against agricultural commodities moving on rail.

**Recommendation 21 – sharing supply chain risk**

The Committee recommends that the Minister for Transport and Main Roads ensure that future government subsidies, support and/or contracts with above-rail operators be made conditional upon the willingness of the above-rail operator to share the supply chain risk and include producers and/or producer representatives in freight cost/charging negotiations.

**Recommendation 22 – transparency of the rail freight charges**

The Committee recommends that the Minister for Transport and Main Roads look at ways to encourage above-rail providers to provide a transparent break down of rail freight charges to the agricultural industry to counteract the perception that profiteering is occurring in relation to the Government’s rail freight subsidies.

**7.7 Road versus rail pricing and heavy vehicle charging**

*Broadly speaking, supply chain participants operate in price distorted modes (road, rail, coastal shipping) leading to uncertain and potentially inefficient modal decisions and inappropriate capital investment by government and industry.<sup>253</sup>*

The absence of heavy vehicle charging that is directly linked to the reform of infrastructure provision for heavy vehicles is likely to favour road transport over rail.<sup>254</sup> Infrastructure Australia has noted there is a potential distortion in road transport infrastructure provision due to the infrastructure

<sup>253</sup> The Supply Chain Draft Pilots Position Paper as quoted in the QTLC Strengthening Queensland’s Supply chains 2013-2015:40

<sup>254</sup> Aurizon, submission 7:15

being supply driven, rather than demand driven. It has further noted that the potential for distortions is greatest in general freight markets with relatively long distance line hauls or high traffic densities. Furthermore, these are on highways and main roads that run parallel to rail lines, including urban ports.<sup>255</sup>

Aurizon submitted that:

*The supply driven approach to road infrastructure provision does result in distortions on long haul routes, and contributes to a high proportion of freight continuing to be transported by road on longer haul routes within Queensland, as well as interstate corridors.*<sup>256</sup>

There have been numerous reports written over the last twenty years on the road rail pricing issues. The Australasian Railway Association in its 2009 submission to the National Transport Council noted:

- *Heavy road vehicles pay only “marginal cost” for use of the [road] network, making no contribution to many shared facilities including road signs and signals, most land acquisition costs, administration, planning and design costs, etc.....*
- *In general, heavy trucks pay marginal cost for use of roads, while rail freight pays average cost plus a profit margin.*<sup>257</sup>

The Australasian Railway Association provided advice to this Committee that the Council of Australian Governments (COAG) Heavy Vehicle Charging and Investment reform process is the one key transport industry reform that has the potential to attract more freight movement to rail.

In December 2013, COAG commissioned urgent work on infrastructure reform including bringing forward the examination of proposed Heavy Vehicle Charging and Investment reform. The Heavy Vehicle Charging and Investment Reform Project Directorate are currently developing recommendations to reform heavy vehicle pricing and road infrastructure investment, consistent with the conclusions of the Productivity Commission.

*The ARA welcomes this assessment and has a view that the current heavy vehicle charging system has numerous deficiencies, which are impeding productivity within the freight and logistics sector for both road and rail.*<sup>258</sup>

The Reform project seeks to build an efficient and sustainable Australian road network for freight now and in the future by:

- ensuring vehicle road charges reflect the cost of road use and infrastructure required to improve access for heavy (high productivity) vehicles to meet the future freight task
- ensuring revenue collected by governments in heavy vehicle charges flows back into improving road services and growing the road network
- facilitating better coordination and consultation between the three levels of government in planning, investing and funding in the delivery of heavy vehicle road infrastructure and services.<sup>259</sup>

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<sup>255</sup> Infrastructure Australia, *National Land Freight Strategy Discussion Paper*, 2011:17 (as referenced by Aurizon, submission 7:15)

<sup>256</sup> Aurizon, submission 7:15-16

<sup>257</sup> ARA, submission to the National Transport Commission: 9 Apr 2009 as quoted by the QTLC, *Strengthening Queensland's Supply chains 2013-2015*:40

<sup>258</sup> ARA, Hansard Transcript, 25 Feb 2014:5

<sup>259</sup> <http://www.roadreform.gov.au/about-project> <accessed on 22 May 2014>



By continuing the work of COAG's previous Road Reform Plan Feasibility Study, the heavy vehicle charging reform has developed a proposed integrated charging, funding and investment framework and is identifying what processes are needed to fully and successfully implement the reforms. The area of reform most relevant to the Committee's current Inquiry is the review of heavy vehicle charging arrangements. The charging reforms have the following goals:

- Heavy vehicle charges should be fair, transparent and sustainable. New charging arrangements are required to better reflect the factors that cause road wear and tear.
- More direct road use charges will assist in developing a closer customer-focused relationship between heavy vehicle users and road providers.
- It also creates a mutual obligation between heavy vehicles (obligation to pay for road use) and road providers (obligation to provide services commensurate with payments received).<sup>260</sup>

Aurizon, in its submission to this Inquiry, recommended the reform of heavy vehicle infrastructure investment and charging should be accelerated and should commence with national highways.<sup>261</sup> The submission provides detailed recommendations on how the reforms should be implemented.<sup>262</sup>

The Queensland Transport and Logistics Council pointed out that while there have been several reviews of the national program of heavy vehicle charging over the last two decades, road pricing reform has not been resolved and remains on the COAG agenda. The report surmised that this might be partly because the contestable market between road and rail is considered to be only about 15% of the rail freight, with factors other than pricing influencing the freight modal choice.

*These factors include flexibility to cater for the type and volume of freight being moved between points, the extent of the two modal landside networks, interstate connectivity, whether the network is open or closed, ability to service customers, availability of service, terminal investments and reliability resilience.*

*To a far greater extent than on the rail networks, heavy road vehicles are able to share the road network with passenger vehicles. Paradoxically, the features that make rail so efficient for the movement of bulk freight – long length, non-stop, high tonnage, medium headway, slower accelerating, stopping and moving trains – make them inefficient in sharing the available rail network with short length, multi-stop, high-frequency/low headway, high accelerating, stopping and moving passenger trains.....*

*Modal pricing appears to be only one of many factors that contribute to a lack of contestability between the road and rail mode.*<sup>263</sup>

The *Strengthening Queensland's Supply Chains* report pointed out key questions for Queensland:

- To what extent is modal pricing contributing to distorting road/rail contestability?
- For which corridors and cargoes does this matter?
- When is it likely to be overcome?
- What can be done in the interim?<sup>264</sup>

The Queensland Transport and Logistics Council concludes that considering the complexity of the national pricing reform issues, noting historical progress over many years and the current COAG

<sup>260</sup> [http://www.roadreform.gov.au/download/fact-sheets/108-G\\_factsheet-reform-options-development-charging/file](http://www.roadreform.gov.au/download/fact-sheets/108-G_factsheet-reform-options-development-charging/file) <accessed on 22 May 2014>

<sup>261</sup> Aurizon, submission 7:5

<sup>262</sup> Aurizon, submission 7:25-26

<sup>263</sup> QTLC, *Strengthening Queensland's Supply chains 2013-2015* report, 2013:41

<sup>264</sup> QTLC, *Strengthening Queensland's Supply chains 2013-2015* report, 2013:41

paradigm, it may be some years before significant pricing reform is delivered, even on those corridors where road rail contestability is evident. *"In these circumstances, it may be prudent to reframe the long-running landside modal contestability issues into a supply chain efficiency issue".*<sup>265</sup>

The Council further argues that it may be more prudent to consider whether there are options for investment to improve rail (and road) freight efficiency in the short term, at least for infrastructure blockages that can be addressed at relatively low cost such as a bridge or culvert with a low load limit and lack of passing loops/pullover bays limiting rail movement efficiency.<sup>266</sup>

The *Moving Freight* strategy stated that the Queensland Government is willing to consider alternative infrastructure opportunities such as the heavy vehicle charging and investment reforms:

*To facilitate broader investment in the freight network, the Queensland Government is willing to consider alternate road, rail and waterway investment opportunities that deliver greater industry supply chain productivity and efficiency returns. For road, this includes contributing to the direction of nationally led road pricing and governance initiatives such as the national Heavy Vehicle Charging and Investment Reform project.*<sup>267</sup>

### **Committee comment and recommendations**

#### **Committee comment**

The Committee is concerned that, the significant inequity in the contribution made by road freight providers and rail freight providers to the cost of infrastructure, leads to a major distortion in the price of rail freight and road freight.

The Committee understands that the work currently being undertaken by COAG on heavy vehicle charging and investment reform may, over the longer term, result in a more equitable contribution by the road freight industry to the massive cost of constructing and maintaining road infrastructure. However, as this reform process is very complex and sensitive it is unlikely to resolve this inequity, and the flow on differential between road and rail freight charges, in the shorter term.

Therefore, while the Committee recommend that the Queensland Government continue to be involved in the national Heavy Vehicle Charging and Investment Reform project, while noting that this policy process cannot be relied on to resolve the immediate pricing issues faced by the rail freight industry in Queensland.

The Committee is firmly of the view rail freight charges can, in the short term, only be addressed by effecting immediate improvements to supply chain efficiency through infrastructure upgrades and other supply chain efficiencies, including those discussed in the next section of this Report.

<sup>265</sup> QTLC, *Strengthening Queensland's Supply chains 2013-2015* report, 2013:42

<sup>266</sup> QTLC, *Strengthening Queensland's Supply chains 2013-2015* report, 2013:42

<sup>267</sup> *Moving Freight*, 2013:43

**Recommendation 23 – National Heavy Vehicle Charging and Investment Reform**

The Committee recommends that the Queensland Government continue working with other governments on the National Heavy Vehicle Charging and Investment Reform project with the long-term aim of achieving more equity in the contribution paid by rail and road freight providers towards the cost of infrastructure and that, in the meantime, the Government take more immediate action to improve the rail freight supply chain through rail infrastructure upgrades and supply chain efficiencies.

## 8 Transport Services Contracts for livestock and regional freight

### 8.1 Transport Service Contracts

Regional (general and industrial) freight and livestock freight is currently subsidised by Government through two Transport Service Contracts in areas where it is not economical on a purely commercial basis. The Transport Service Contracts are negotiated on an efficient price basis to purchase rail services on behalf of government from railway operators.<sup>268</sup>

Both contracts are managed on behalf of the Government by the Department of Transport and Main Roads and are currently with Aurizon. The livestock transport service contract expires in December 2015 while the regional transport freight transport service contract expires in June 2015.

They were established for a five-year period at the point of separation of QR National (subsequently Aurizon) from Queensland Rail to continue to support the sector in terms of ensuring that there was no loss of services.<sup>269</sup> The contracts *“help facilitate the movement of livestock to abattoirs and it also provides funding for general and industrial freight products from regional to urban locations and vice versa”*.<sup>270</sup>

- There is currently no subsidy of non-livestock agricultural freight (cotton, grain, sugar etc.) in Queensland. *“All other agricultural contracts are run on a commercial basis and Aurizon is actively working with customers to provide additional services to meet their needs.”*<sup>271</sup>

#### **Regional Freight Transport Services Contract**

Demand for general freight, transported in containers or in other transport packages, is also an important component of the freight and logistics industry in Queensland. The *Moving Freight* strategy points out that demand for general containerised freight is being driven, to a significant extent, by growth in imports as well as by growth in some Australian produced goods.

There is a Regional Freight Transport Services Contract subsidy provided by the State Government to support to those regional communities both producing and receiving freight. The regional freight contract moves general products (for example, manufactured goods, retail and wholesale distribution of goods and packaged food) and industrial products, by rail and by road, between urban and regional locations.<sup>272</sup> The regions supported include the north-west, central-west and south-west.<sup>273</sup> The current contract is with Aurizon and is due to expire in June 2015.

Because general freight involves the transportation of diverse goods across complex supply chains, it often relies on different forms of transport, mainly road and rail.

The value of the regional freight contract for last financial year was approximately \$140 million facilitating 3,224 rail services (predominantly on the north coast line) and a further 2,756 road services (predominantly inland routes).<sup>274</sup> The Department of Transport and Main Roads has estimated that the regional freight contract will cost around \$103 million this financial year

<sup>268</sup> <http://www.tmr.qld.gov.au/business-industry/Transport-sectors/Rail-services-and-infrastructure/Transport-Service-Contracts.aspx>, <accessed 15 May 2014>

<sup>269</sup> Hansard Transcript, 12 Feb 2014:5

<sup>270</sup> Hansard Transcript, 12 Feb 2014:3

<sup>271</sup> Correspondence from Aurizon to Committee dated 21 May 2014:2

<sup>272</sup> TMR, Hansard Transcript, 12 Feb 2014:3

<sup>273</sup> <http://www.tmr.qld.gov.au/business-industry/Transport-sectors/Rail-services-and-infrastructure/Transport-Service-Contracts.aspx>, accessed 15 May 2014

<sup>274</sup> TMR, Hansard Transcript, 12 Feb 2014: 9

(2013/14). The Department also provided the estimated volumes for 2013 in twenty-foot equivalent units (TEU):

- 149,000 TEU (return services), up and down the North-Coast line, various destinations;
- 3,000 TEU (return services) from Winton to Rockhampton.<sup>275</sup>

While the general and industrial freight is not directly related to the terms of reference for this Inquiry there is an important alignment between agriculture and general freight and some stakeholders raised issues during the Inquiry about the way in which the Regional Freight subsidy has delivered by Aurizon which currently has the contract with the Government.

### **Livestock Transport Services Contract**

The livestock Transport Services Contract is exclusive to rail (that is, no cattle moved by road attract the subsidy). The cost of the livestock Contract last financial year was around \$28 million, which provided 325 rail services from regional locations through to the various abattoirs. It is estimated that the livestock contract will cost \$27 million this financial year (2013/14).

*The livestock service contract operates more along the inland rail lines (North West, Central West and South West)...for movement to the main abattoirs benefitting from the livestock TSC – the Teys abattoirs in Lakes Creek (Rockhampton) and Beenleigh, and the JBS Swift abattoir in Dinmore.*<sup>276</sup>

Estimated 2013 volumes are outlined in the table below (one way loading):<sup>277</sup>

Head of cattle:	From:	To:	Line:
36,000	Cloncurry	Brisbane	North Qld
47,000	Julia creek	Rockhampton	North Qld
20,000	Winton	Rockhampton	Central Qld
59,000	Clermont	Brisbane	Central Qld
38,000	Winton	Brisbane	Central Qld
0	Quilpie	Brisbane	South West Qld

The Department of Agriculture, Fisheries and Forestry advised “.....the rail subsidy is not available for meat processors that are unable to gain access to a siding or a rail service and this creates a competitive disadvantage for them in the price of freight for cattle.”<sup>278</sup>

JBS Australia, one of the key processors in Queensland, submitted that the current livestock rail service arrangements fall short in a number of areas including competitive pricing, incentive to deliver full trains and flexibility in services.<sup>279</sup>

*The weakness of the current LTSC is there is no capacity for the State Government and major customers like JBS to drive improvement in services, negotiate incentives to fill full trains, have flexibility in services and deliver value for money for the State Government through their investment in the LTSC.*<sup>280</sup>

JBS provided the following details about the livestock subsidy:

<sup>275</sup> TMR presentation to the THLGC, 12 February 2014: Slide 7

<sup>276</sup> TMR, Hansard Transcript, 12 Feb 14:3

<sup>277</sup> TMR presentation to the THLGC, 12 February 2014: Slide 7

<sup>278</sup> DAFF, Hansard Transcript, 12 Feb 2014:15

<sup>279</sup> JBS, submission 8:1

<sup>280</sup> JBS, submission 8:7

*Based on discussions with the State Government, there appears to be an imputed subsidy through the LTSC of approximately \$100 per head (based on 225,000 head of cattle transported in 2013). In addition, the livestock producer also pays \$100 per head from loading points such as Cloncurry to Dinmore. What are unknown are the costs to operate, grow the business and implement an improved service for the customers. Unfortunately, in our view as a customer, under the current LTSC there is limited incentive to take costs out or drive efficiencies through increased volumes and flexibility in service deliver.*

*Importantly, we have seen the cost advantage of rail over road diminish over the last 10 years to today, based on LTSC rates rail and road are line ball when also factoring in weight loss of the animal in transport and time delays in transport.*

*We are commercial operators and understand that service providers need to make a profit. However, we are of the view that rail in volumetric long haul point services must be a more cost effective option than road. Unfortunately, the freight rates that we are currently locked into under the LTSC do not reflect this advantage rail has over road.<sup>281</sup>*



Image reproduced with permission from TMR *Moving Freight* page 39

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<sup>281</sup> JBS, submission 8:7

While Aurizon does not release details of its costs due to the information being commercial in confidence, there has been some estimates made on cattle train costs from Quilpie to Brisbane in a report by Divine Agribusiness which assess the combined estimated cost/fee and subsidy is \$128/head, \$2,551/deck, or \$2.90/deck/km for the Quilpie-Brisbane journey. In comparison road freight estimates from graziers put the cost of trucking cattle from the South West into Brisbane at about \$100 to \$130 per head. This includes the road freight part of the journey into Quilpie, as well as the Quilpie-Brisbane leg by road. Owners of trucking customers provided average charge rates of \$1.63/km/loaded deck or at \$84 per head for the trip from Quilpie to Brisbane.<sup>282</sup>

Devine agreed with JBS on the fact that the price differential between transporting livestock by rail and road has narrowed significantly:

*A number of graziers commented that the cost competitiveness of railing cattle from Quilpie is almost gone compared to road freighting. The differential is no longer sufficient when other factors such as transit times are taken into consideration...*

*Graziers are risk conscious, particularly when it comes to market downgrades and animal welfare issues. A truck breakdown results in inconvenience and risk for 6 decks of cattle (120 head) until an alternative freight solution is arranged. A train breakdown results in a full consignment of 800 head being at risk. Sourcing an emergency trucking or spelling option for 120 head is far simpler than for 800 head.<sup>283</sup>*

### **Producer pays**

Several witnesses at public hearings raised concerns that the cost of freight is inevitably 'worn' by the producer but producers are not able to participate in the negotiations and determinations around that cost. As one producer stated:

*As producers, or as AgForce, we are not privy to those discussions, yet the producer has to pay that freight. It is a direct deduction from the grain or the cattle side if we put it on rail, yet we are not allowed to be around the table. We are not invited. We have invited ourselves and we have been told, 'No, under no circumstances can you participate in that discussion', yet we have to pay the bill. So we do not even know—it is \$70 odd a beast, it works out, from Clermont. So we do not know whether they are profiting from that or not. It's the same with rail freight. It's \$25.75 from my local depot. Whether QR gets \$25.75 or whether they get \$15 and GrainCorp put the other \$10 in their pocket, we do not know. I am not suggesting they do, but the fact that we as producers have to pay that freight, I think we should at least be sitting around that table helping to negotiate, and I think that will give people more faith in the rail system and encourage people to use it because they will feel they have some ownership of that deal.<sup>284</sup>*

Other witnesses raised concerns that the subsidy received by Aurizon may not be being passed on to the producers but that the lack of transparency in the pricing structure means that there is no way for a producer to find out how much a freight movement actually costs Aurizon to deliver.

*I have had a number of conversations with asset owners, below-rail operators and above-rail operators. Pricing inputs at an above-rail level are obscured, particularly for livestock commodities where a transport service contract is applied. There is no regulatory mechanism*

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<sup>282</sup> Devine Agribusiness, South West Queensland Livestock Transportation Project, 2013:19

<sup>283</sup> Devine Agribusiness, South West Queensland Livestock Transportation Project, 2013:21

<sup>284</sup> Mr Anderson, Hansard Transcript, 28 Apr 2014:12

*to ensure that the intent of that subsidy is passed on to the processors who effectively consign the trains on behalf of the producers and then further on to the producers.*<sup>285</sup>

JBS Australia, advised:

*Another important point is that we as a user of rail—and, yes, the fact is, as AgForce alluded to or put on the table, the producer pays for the transport service... The price is set under the scheduled services, which are the arrangements between the state government and Aurizon as a provider. In our submission you will clearly see that, assuming that the government through its community service obligation, or its LTSC, puts on the table around \$22 million a year—if that is indeed correct, and I do not know that that is the case—that equates to around \$100 a head for every animal transported in this state. So the state government has a significant investment, but at the same time, as the major processor and with our wide customer base across the state, if we do not get this rail service improved going forward then the risk we see is that we will see failure and we will see ultimately more cattle on road, which is not the outcome that we seek to achieve.*<sup>286</sup>

Aurizon responded to the issues raised in evidence in a letter to the Committee:

*(Livestock) Services are available at subsidised rates per location each week, as agreed in the contract and indicated in the table below. The schedule is widely published. Aurizon may, by agreement with relevant stakeholders, offer additional services to meet specific needs subject to the availability of train paths.*<sup>287</sup>

At the start of each livestock season, Aurizon **publishes** a “Rates Schedule” approved by the Department of Transport and Main Roads (known as Permitted Pricing) **to the Industry** (author’s emphasis) for railing from various locations. The Department also reviews and must approve any changes to pricing.<sup>288</sup>

Corridor	Load Points	Unload Points	Services per week	Annual Capacity	Livestock Season
North-west	Cloncurry	Brisbane (Dinmore/Holmview)	1 (Mar – Apr, Oct- Nov) 2 (May – Sept)	57	Mar to Nov
	Julia Creek	Rockhampton	1 (Mar – Apr, Oct- Nov) 2 (May – Sept)	57	Mar to Nov
Central	Winton	Brisbane (Dinmore/Holmview)	1 (Mar, Nov) 2 (Apr – Oct)	69	Mar to Nov
	Winton	Rockhampton	1 (Mar – Nov)	38	Mar to Nov
	Clermont	Brisbane (Dinmore/Holmview)	1 (Feb) 2 (Mar – Nov)	77	Feb to Nov
South-west	Quilpie	Brisbane (Dinmore/Holmview)	1 (May – Nov)	27	May to Nov
Total				325	Feb to Nov

<sup>285</sup> QTLC, Hansard Transcript, 25 Feb 2014:2-4

<sup>286</sup> JBS Australia, Hansard Transcript, 5 Mar 2014:15

<sup>287</sup> Correspondence from Aurizon to Committee dated 21 May 2014:1-2

<sup>288</sup> Correspondence from Aurizon to Committee dated 21 May 2014:1-2



The Committee sought further clarification from Aurizon at the public hearing on who exactly, in the beef industry, received the 'published' rates schedule. The Committee was advised that:

*The schedule is provided to the key producers: JBS, Teys, NAPCO, AACo, Stanbroke, AgForce, Borthwicks and a range of small and large producers.*<sup>289</sup>

At the same hearing, Mr Sheshadri later confirmed that distribution of the rates schedule to small and large producers depended on JBS and Teys, stating:

*We rely on the processors—JBS and Teys—to facilitate that on our behalf, because they have got the clientele with the smaller ones. So when we say a range of small and larger producers they are our front shop in terms of advertising those—.*<sup>290</sup>

Mr Sheshadri also confirmed that there are no confidentiality provisions which would prevent JBS or Teys (or other recipients) from distributing the rates schedule further.<sup>291</sup>

However, Mr Prue Mackenzie, at the same hearing confirmed that Aurizon is prevented (by confidentiality provisions in its contract with the Department of Transport and Main Roads) from publishing the breakdown of the rates to producers.<sup>292</sup> So while producers may be able to access the rates schedule itself, they will never know how those rates are calculated or broken down (into access fees, subsidy, etc.)

#### **Issues with delivery of the service**<sup>293</sup>

Mr Geoff Kingston from the North Australian Pastoral Company provided the following evidence:

*The lack of flexibility of these slots are based on supply and demand, as you have seen with dry years, and this is limiting the ability of this service to work efficiently under the current TSC. Aurizon obviously receives a subsidy regardless of if the service runs or not at all, and that is seen with the Quilpie line obviously with no livestock moving last year on the Quilpie line due to the dry conditions and the change in internal practices.*<sup>294</sup>

Mr Grant Maudsley provided an example of Aurizon refusing to provide a service:

*We are aware of the transport service contract with Aurizon to provide those scheduled services. I have an example from last year where I tried to run a train off Quilpie late in the year and was told we could not. I understand that the Queensland government contributes to the services to be run and we were told outright that those wagons have been taken off for maintenance. However, it was still within the time frame that scheduled services were due to occur.*<sup>295</sup>

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<sup>289</sup> Aurizon, Hansard Transcript, 4 Jun 2014:3

<sup>290</sup> Aurizon, Hansard Transcript, 4 Jun 2014:7

<sup>291</sup> Aurizon, Hansard Transcript, 4 Jun 2014:7

<sup>292</sup> Aurizon, Hansard Transcript, 4 Jun 2014:3

<sup>293</sup> See also above rail service and competition section of this Report

<sup>294</sup> NAPCO, Hansard Transcript, 5 Mar 2014:20

<sup>295</sup> AgForce, Hansard Transcript, 5 Mar 2014:1

### **Transparency of information/data under the Transport Services Contracts**

The Committee heard numerous concerns about the lack of collection and/or availability of performance data and transparency of pricing in relation to the TSCs.

The Queensland Transport and Logistics Council stated:

*To the best of my knowledge, when the transport service contract was entered into the with the previous government, there were no requirements put upon the incumbent operator to provide any information in relation to their pricing, their data, their movements, the number of trains they cancel, their loading practices – nothing. So, unfortunately, the department I think is a bit hamstrung within this current contract period to collect information from a fully private organisation that has legitimate objections to providing commercial information.<sup>296</sup>*

The Council's submission pointed out that:

*In particular, there does not appear to be readily available information that outlines:*

- *the cost of providing agricultural rail services*
- *how pricing is calculated (i.e. fixed costs, inputs and subsidies); and*
- *the relationship between rail access charges and pricing.*

*In relation to this last point, it is worth noting that Queensland Rail have discretion, through the Access Undertaking lodged with the Queensland Competition Authority, to vary rail access charges. While this is a useful mechanism to reduce costs to incentivise agricultural commodities onto rail, there is no requirement for the above rail operator to pass on any savings associated with reduced access charges.<sup>297</sup>*

Banana Shire Council, recommended that key performance indicators be included in any future Contracts stating:

*I think the only way I can see is having good KPIs around any CSOs you give out. That is probably the simple answer to that.<sup>298</sup>*

### **Future Transport Services Contracts**

The *Moving Freight* strategy states that:

*The existing Government Transport Service Contracts provide certainty until 2015 for livestock and general rail freight services. These contracts were designed to provide equitable access to freight services and facilitate regional development and employment. However, the basis for these contracts beyond 2015 require further monitoring and review to ensure they respond to industry and community needs, deliver value for money, and reflect emerging rail developments.<sup>299</sup>*

JBS made a number of recommendations about the new contracts including:

- direct engagement between the Department of Transport and Main Roads and the major users of livestock rail to ensure a quality, cost effective service is in place under the new Livestock Transport Services Contract post 2015

<sup>296</sup> QTLC, Hansard Transcript, 25 Feb 2014:4

<sup>297</sup> QTLC, submission 9:12

<sup>298</sup> Banana Shire Council, Hansard Transcript, 28 Apr 2014:5

<sup>299</sup> TMR, *Moving Freight* 2013:36

- a pricing structure which reflect rail's competitive advantage over road on long haul, volumetric, point to point services and which does not subsidise less efficient services and loading points
- customers must be incentivised on price to load full trains
- consolidation of services around high volume loading points and better cycling of the available wagons to drive down the fixed costs of the service
- ongoing investment in rail infrastructure, long term guaranteed access to rail paths and flexibility to access additional paths across the network based on demand and volume
- a clear government policy position on arrangements for entry by a new livestock rail provider, including commercial arrangements for access to existing Government owned livestock rail wagons, surplus locomotives and required rail paths across the network
- clear and measureable metrics in relation to costs, reliability, and quality of the service under the Contract and process to drive ongoing service improvement.<sup>300</sup>

The Department of Transport and Main Roads advised that it is in the process of reviewing the current transport services contracts:

*It is fair to say that we have probably learnt a lot from the way those contracts have operated and we are taking those learnings to really help shape what those new contracts will look like. There will need to be a series of discussions coming back through to government in terms of the shape and form, but that work is currently progressing. The one thing that is quite evident in rail is that two years is a heartbeat in rail. You need to start to get on with it. If you need to procure rolling stock and you need to procure wagons, that takes time. So we are doing that work now. We have instigated an expression of interest. We went to market late last year. We have held a series of sessions and we are just progressing through those particular issues at the moment.<sup>301</sup>*

## 8.2 Committee comment and recommendations

### Committee comment

The Committee is deeply concerned to hear repeated evidence from stakeholders raising concerns about the freight service delivered under the Transport Services Contracts. The fact that both Contracts were awarded to only one above-rail operator has effectively delivered this operator a monopoly in the provision of rail freight services for livestock and general freight in regional areas.

We are also disturbed that livestock producers, who ultimately carry the cost of freight transport to the abattoirs, are not provided with a transparent break-down of the freight price structures negotiated between the above rail operator (Aurizon) and the department.<sup>302</sup> This has resulted in many producers being sceptical about whether the subsidy provided by the Government is passed through to them.

The Committee is recommending that, as livestock producers bear the cost of the freight, there should be transparency in the calculation of the charge (that is, the fixed costs, inputs and subsidies) and there should be genuine engagement with the producers when the pricing schedule is being negotiated between the above rail operator and the Department.

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<sup>300</sup> JBS, submission 8:2

<sup>301</sup> Hansard Transcript, 12 Feb 2014:5

<sup>302</sup> Correspondence from Aurizon to Committee dated 21 May 2014:1

The Committee is also concerned that the livestock subsidy only supports the movement of livestock to two major meat processing companies and would like to see options investigated for widening the subsidy to cover the movement of other agricultural commodities and livestock to other destinations.

The Department of Transport and Main Roads is currently undertaking a review of both freight Transport Service Contracts as they are due to expire in 2015. The Committee supports the Department's stated intention to ensure the new generation contracts generate competition for above rail freight by awarding the contracts to more than one above-rail operator; meet industry and community needs; deliver value for money; and reflect emerging rail developments.

The Committee believes that in order to address the serious concerns raised throughout this Inquiry, the new generation contracts need to ensure competition, flexibility (which accounts for scale of operation, commodity and seasonal variations), accountability (through the use of key performance indicators) and transparency.

#### **Recommendations 24 – Livestock Transport Services Contract**

The Committee recommends that the Minister for Transport and Main Roads ensure the subsidy of livestock rail freight through a Transport Services Contract continue and that this subsidy be, at a minimum, maintained at the current levels.

#### **Recommendations 25 – Next generation Livestock Transport Services Contract**

The Committee recommends that the review of the Livestock contract currently being undertaken by the Department of Transport and Main Roads look at innovative ways in which to deliver the subsidy, and ensure that the new contracts:

- be public and transparent and delivered in the most efficient and productive way possible
- ensure competition is generated for above-rail freight business
- include detailed and measurable key performance indicators to enable the Government to determine value for money and to ensure accountability of the subsidy provided
- require the above-rail service provider to provide clear and measurable metrics in relation to costs, reliability, and quality of the service
- include a process to drive ongoing service improvement
- enable greater flexibility and responsiveness to industry, including split loads, smaller trains and the accommodation of services for smaller producers and processors
- be developed in consultation with industry and local government.

#### **Recommendations 26 – A broader agriculture Transport Services Contract**

The Committee recommends that the Minister for Transport and Main Roads investigate the benefits of an additional subsidy for the freight of non-livestock agricultural products (such as grain, cotton, and sugar) where uncompetitive rail freight costs currently push agricultural freight onto the road and that this be funded by the refining of the Regional Freight subsidy (see recommendation 28).

**Recommendations 27 – Regional Freight Transport Services Contract**

The Committee recommends that the Minister for Transport and Main Roads ensure the subsidy for general freight continues until such time as the general freight task becomes competitive and commercially viable through the implementation of strategies recommended in this Report (such as freight co-coordinators and multi-load freight tasks).

**Recommendation 28 – Refinement of the Regional Freight Transport Services Contract**

The Committee recommends that the performance of the current Regional Freight Transport Service Contract be evaluated with a view to refining and focussing the routes subsidised (that is, excluding any lines that can operate on a competitive, commercial basis) and that the next Regional Freight Contract be restricted to rail transport only, where rail infrastructure exists.

**Recommendation 29 – Possible transfer of freight lines to the Australian Rail Track Corporation**

The Committee recommends that, if the transfer of freight lines to the Australian Rail Track Corporation proceeds, the Government ensure that the lease/agreement specifically allows the Queensland Government to continue to subsidise agricultural and regional freight services.

## 9 Linkages to improve the supply chain efficiency

### 9.1 The need to understand agricultural supply chains

The Queensland Transport and Logistics Council argued that a whole of supply chain approach is critical towards improving the productivity of the agricultural sector. The Council pointed out *“typically, inefficiencies occur where components of supply chains interface. In the agricultural sector these inefficiencies manifest where commodities enter the network (loading or unloading) or at modal interfaces (breaking down vehicle combinations or road/rail)”*.<sup>303</sup> Inefficiencies at the interface of these agricultural and livestock supply chains often result in increased costs.

*Typically, government represents freight flows according to the movement of freight on the physical network. This view does not identify the components of the network that commonly interact to service supply chains, nor how and where freight enters and exits freight corridors. It does not discriminate between the parts of the network that are critical to increasing productivity of key economic generators of Queensland, such as the agricultural sector.*

*The QTLC advocates for an alternative view of freight that considers the interaction between all components of supply chains. That is, the movement of freight from the point of production or manufacture to the point of consumption or export, including upstream and downstream inputs and outputs.*<sup>304</sup>

The Port of Brisbane submitted that while infrastructure upgrades are necessary,

*... without the appropriate supply chain operations and government policy settings modal shift back to rail will not occur and inefficiencies that drive up costs will remain. The storage and logistics strategies of the dominant grain and meat players will need to be integrated with rail investment strategies – the focus needs to be both on the physical assets and assessing all the components of the supply chain.*<sup>305</sup>

Aurizon pointed out that greater collaboration and coordination involving all participants in Queensland’s supply chain is required to maximise outcomes for freight customers and end consumers.<sup>306</sup>

*Because Australia’s industry supply chains often require the transportation of products across different combinations of rail, road, sea and air freight, we – as well as industry and the Government – need to pay particular attention to how effectively each part of the supply chain operates and how well it links to other components.*<sup>307</sup>

*Rail freight potentially offers significant efficiency gains when it is used to deliver general containerised freight over longer distances. It is less suited to providing freight services over shorter distances and for transporting smaller quantities. The freight task relies on using many combinations of road and rail transport for meeting particular freight tasks.*<sup>308</sup>

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<sup>303</sup> QTLC, submission 9:4

<sup>304</sup> QTLC, submission 9:3

<sup>305</sup> Port of Brisbane, submission 10:1

<sup>306</sup> Aurizon, submission 7:6

<sup>307</sup> Aurizon, submission 7:9-10

<sup>308</sup> Aurizon, submission 7:15

Agriculture and livestock supply chains are characteristically complex with multiple participants who have indiscrete roles. Some examples of this complexity are provided below:

- large meat processors act as both the freight forwarder (consigning trainloads of cattle for livestock producers) and large scale freight generators (packaged meat) and therefore above rail customers
- large grain traders acts as freight forwarders, booking rail space from other grain traders or merchants and some operate their own terminals.<sup>309</sup>

The Department of Agriculture, Fisheries and Forestry advised the Committee that there are many supply chain enhancement opportunities including more efficient loading and unloading facilities, back-loading opportunities, inland ports, clusters, improved storage facilities and cooperative arrangements to share freight system capacity.<sup>310</sup> A number of these opportunities are discussed below.

The Australasian Railway Association agreed the focus must be on improving the efficiency of the entire supply chain:

*Queensland's agriculture sector has the potential to produce much larger quantities of high quality, clean food and fibre, and to be part of the 21<sup>st</sup> century food bowl that will be needed to meet demand from a growing middle class in Asia and India.*

*The agriculture sector, will, however, require greater investment in supply chains, including storage systems, to ensure there is capacity and efficiency to underpin both future expansion and international competitiveness.*

*In order to efficiently meet this increased demand, an important objective will be to expand the use of rail and to increase the overall proportion of the freight task carried on rail as a key component of an integrated freight network that utilises the respective strengths of rail, road, ports and airports.<sup>311</sup>*

## 9.2 Access to ports<sup>312</sup>

Ports play a critical role in Queensland's supply chains and continuing to improve access to key points is an important challenge and needs to be a key priority. Efficient rail lines, access roads, bulk terminals and intermodal terminals are all critical to the efficient operation of ports.<sup>313</sup> The Port of Brisbane advised:

*Access at the moment to the port is far superior by road than it is by rail... Without an affordable, sustainable and long-term competitive access to export markets, the agricultural industry will not be able to reach its full growth potential or compete with other countries unless this is addressed.<sup>314</sup>*

The Committee is aware that the Port of Brisbane has undertaken significant planning work to help identify improvements that are required to ensure the supply chain through to the Port operates in the most efficient manner possible. This work includes a \$4 million investment to examine the

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<sup>309</sup> QTLC, submission 9:4

<sup>310</sup> DAFF, Hansard Transcript, 12 Feb 2014:13

<sup>311</sup> ARA, submission 14:10

<sup>312</sup> For further discussion on rail access to the Port of Brisbane see section the below rail infrastructure section of this Report

<sup>313</sup> Aurizon, submission 7:16

<sup>314</sup> Port of Brisbane, Hansard Transcript, 25 Feb 2014:8

feasibility of a dedicated freight rail corridor connecting the Port of Brisbane to its key hinterland areas in the West.<sup>315</sup>



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### 9.3 Intermodal terminals and inland ports

The Port of Brisbane submitted that regional intermodal hubs 'inland ports' in the right locations will be vital, to provide consolidation opportunities and these need to be integrated with the entire supply chain.<sup>316</sup>

Aurizon concurred:

*Another potential barrier to developing an integrated network is the failure to maximise the efficient utilisation of intermodal terminals, particularly in regional Queensland. Intermodal terminals have a key role in the integration of the supply chain, allowing freight to be transported efficiently to meet the differing requirements of customers.*

*In addition to allowing integration, intermodal terminals provide value add services, which include:*

- *Logistics coordination points where loads can be combined, reconfigured or split into different parts.*

<sup>315</sup> Port of Brisbane, submission 10:1

<sup>316</sup> Port of Brisbane, submission 10:2



- *The warehousing and storage of freight.*
- *Facilitating customs and quarantine processing and clearance.*

*In providing these services, intermodal terminals help to prevent bottlenecks at ports or on major transport corridors, thus increasing efficiency and productivity.*<sup>317</sup>

The Queensland agricultural economy is dependent upon leveraging efficiencies from a range of complex and variable supply chains. Efficient supply chains require warehousing or freight consolidation and storage facilities, access to containerisation facilities and to efficient loading and unloading facilities such as enabled through intermodal terminals and inland ports. All parts of the export process, from 'paddock to port', must be connected in an efficient, cost-effective and strategic way to minimise handling, packaging and transporting costs and to maximise returns.

An intermodal terminal (also called intermodal or multimodal hub) is a physical location designed and built for the transfer of freight from one transport mode to another, for example, from road to rail. Such terminals are considered essential to increase efficiencies in different commodities' supply chains, to ease the burden on ports and neighbouring areas and to increase the role of rail in freight transport and distribution systems.<sup>318</sup>

An intermodal terminal can be located at major export transport infrastructure (such as sea ports or air ports) where as an inland port is effectively an intermodal terminal located away from sea ports or air ports or borders but ideally, with efficient transport links to those major, international export systems. Inland ports will also often carry out functions associated with ports, such as receiving, processing through customs, inspecting, sorting and consolidating containers going to the same overseas port.

The underlying assumption for intermodal terminals and inland ports is that goods are containerised (into intermodal containers) and can therefore be transferred easily and quickly between road and train vehicles, road and ship, train and ship etc. Another criteria for driving efficiencies in supply chains is the co-location at facilities like intermodal terminals and inland ports, of multiple commodities.

Numerous stakeholders have supported the construction of intermodal terminals or inland ports, citing supply chain efficiencies. The Department of Agriculture, Fisheries and Forestry advised:

*Supply-chain enhancement opportunities include more efficient loading and unloading facilities, back-loading opportunities, improved storage facilities and cooperative arrangements to share freight system capacity, as we just heard in relation to inland ports, clusters, et cetera.*<sup>319</sup>

Aurizon potentially sees itself operating out of major freight hubs that offer economies of scale and facilitate more efficient supply chains.<sup>320</sup>

*In relation to intermodal terminals, we support multi-user and open access arrangements for terminals. This is because multi-user terminals allow competing freight businesses to drive efficiency gains from using different combinations of transport, storage and distribution. Regulatory arrangements for intermodal terminals should be consistent with medium to*

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<sup>317</sup> Aurizon, submission 7:19

<sup>318</sup> <http://www.transport.vic.gov.au/freight/intermodal-terminals>, <accessed 24 May 2014>

<sup>319</sup> DAFF, Hansard Transcript, 12 Feb 2014:13

<sup>320</sup> Aurizon, submission 7:10

*longer term planning objectives in which larger scale, centralised terminals would operate to enable more efficient hub and spoke freight networks for agriculture and general freight. Policy settings should also provide the best business environment for asset owners and operators to, wherever necessary, rationalise terminals that are not fully utilised or which have capacity restrictions.*<sup>321</sup>

The submission points that major freight hubs would offer economies of scale and facilitate more efficient supply chains even though it may result in some contraction in the company's road freight business:

*This approach would deliver efficiencies that would benefit operators, customers and the wider community through lower overall costs. This may involve contractions in some parts of Aurizon's business and in areas of the state. However, at the same time, it would create opportunities for small to medium operators (both current and future) as the relevant freight will still need to be delivered to customers. There is a highly competitive market for transport services in Queensland with an array of medium and small operators to fulfil such tasks.*<sup>322</sup>

The submission from Aurizon argues that the challenges of relatively dispersed populations outside South-East Queensland and distance could be addressed by larger scale hub and spoke models that are based on driving greater efficiencies from freight transport. An effective hub and spoke model would require:

- *a strategic approach to planning major collection and distribution locations; i.e. the most suitable locations for intermodal terminals, including:*
  - *How best to utilise both rail and road freight by capturing the benefits that rail offers with hauling larger loads over longer distances, and that road offers in moving freight over shorter distances.*
  - *The need to reserve corridors and sites for future development.*
- *Coordination to identify requirements for different industries, and to propose arrangements for sharing infrastructure whenever this is possible in order to help reduce costs and ensure efficient links to export markets through ports.*

*Well designed, larger scale hub and spoke models offer the potential for efficiency gains by increasing the volume of the freight hauled between hubs or from other hubs to ports in the case of export freight. This could potentially involve rationalisation and/or expansion of some existing facilities, as well as new developments.*<sup>323</sup>

Aurizon also suggested that general freight customers would stand to benefit from the potential development of larger scale freight handling and distribution networks that generate efficiency improvements – with the potential to share these facilities and that general freight may also be used to partly address some of the challenges of seasonality with potential to share use of rolling stock.<sup>324</sup>

The Department of Agriculture, Fisheries and Forestry pointed out that the whole intermodal terminal, inland port concept also gives rise to the need to consider more shuttle services to transfer freight from the hubs (for example, Emerald and Toowoomba) to the associated ports.<sup>325</sup>

<sup>321</sup> Aurizon, submission 7:25

<sup>322</sup> Aurizon, submission 7:10

<sup>323</sup> Aurizon, submission 7:14

<sup>324</sup> Aurizon, submission 7:14

<sup>325</sup> DAFF, Hansard Transcript, 12 Feb 2014:16

**Prospective sites for intermodal terminals**

Efficient intermodal terminals will be a vital to facilitate the movement of more freight on rail. The location, capacity and arrangements for access and use of intermodal terminals are important considerations to ensure the efficiency of rail networks. The Department of Transport and Main Roads is currently considering a range of sites for intermodal terminals or inland ports:

*..... we are looking at... how we deal with our land use planning activities—our hubs. Where do we locate a hub? Where do you locate a transfer station? Where do you put it close to a railhead? Can you look at providing facilities where containerisation of multi-type goods could occur? Do you put them within the link to a supply chain? What roles do the ports have? Does the port of Mackay have a greater role in what it may do around the central region in terms of how maybe containerised grain or cotton may come out of that? We are definitely exploring those issues but what we cannot dictate to an industry sector is 'you should do that'. Really what we are focusing on is what are the barriers and how do we remove those barriers to allow that activity to occur.*<sup>326</sup>

and further:

*We are working closely with industry to identify opportunities to have things like inland ports, for example. With an inland port you might say, 'Well, how is that going to benefit the rail freight area?' The idea is that we can get, I guess, industry to co-locate at significant hubs. In America, for example, at their intermodal facilities they have warehouses, they have grain silos, they have a whole range of industries all built around a rail hub. It is that type of thinking we need to go down if we are going to be successful.*<sup>327</sup>

The Port of Brisbane suggested that intermodal hubs such as inland ports in the right locations will be vital to ensuring consolidation of opportunities to use a better supply chain.<sup>328</sup>

The Queensland Transport and Logistics Council submitted that when assessed strategically, intermodal terminals can be used to increase rail's competitiveness with road:

*Take, for example, the Toowoomba region where at the moment all those road trains come into Toowoomba and need to break down outside of Toowoomba and reconfigure into B-doubles or whatever, go through Toowoomba, down to the port of Brisbane and things like that. A short haul rail service from the Toowoomba region and an intermodal terminal may go some way towards actually taking those road trains out of the Toowoomba region, and there is a baseload for a rail service right there.*<sup>329</sup>

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<sup>326</sup> TMR, Hansard Transcript, 12 Feb 2014:7

<sup>327</sup> TMR, Hansard Transcript, 12 Feb 2014:11

<sup>328</sup> Port of Brisbane, Hansard Transcript, 25 Feb 2014:8

<sup>329</sup> QTLC, Hansard Transcript, 7 May 2014:6-7

### Toowoomba intermodal terminal – a case study of a private investment proposal

The proposed intermodal west of Toowoomba provides an interesting case study. Many stakeholders have identified Toowoomba as key location for such a terminal, for example:

*In terms of getting a containerised commodity export onto rail, the Toowoomba Range is the obvious first capacity constraint. .... The Port of Brisbane has already, with their inland rail presentations, identified a couple of sites around Toowoomba.*<sup>330</sup>

The Queensland Transport and Logistics Council supports an intermodal terminal in this area:

*Queensland Rail has a maintenance and ballast program that potentially if we were looking at the movement of grain from Toowoomba we could actually look at intermodal terminals that consolidate the grain there. We have to break down the road trains west of Toowoomba anyway. We could consolidate that and move it on to rail at that point.*<sup>331</sup>

Plans are well progressed for the construction of an intermodal centre, InterLink SQ, on a 160 hectare site located 13 kilometres west of Toowoomba. The proponents provide the following assessment of the site as being:

- strategically positioned at the junction of national road and rail networks offering direct links to Brisbane, Roma, Gladstone, Sydney, Melbourne and Darwin
- adjoining the Western Rail Route and is favourably placed to connect to the proposed Inland and Surat Basin Railways
- exceptionally located amongst major transport corridors
- within easy access of important growth regions and ports
- positioned in centre of southern Queensland's most productive agricultural region which produces cotton, grain and beef cattle.<sup>332</sup>

The whole proposal is dependent on the Melbourne-Brisbane Inland Rail creating a more time and cost-efficient rail line down the Range. If the Inland Rail goes ahead, the terminal proposes to offer rail access including private rail sidings, road freight services, efficient intermodal freight movement and related ancillary services.

The proposed location is also ideal for an easy and direct port shuttle service because to the west there is the fast-growing Surat Basin energy and mining region which has successful large-scale projects across power generation and transmission, coal mining and coal seam gas and just over 160 kilometres to the east is the Brisbane Port.<sup>333</sup> The proponents have the support of Port of Brisbane to develop a "port shuttle" service transferring goods to and from the Port via regular rail connections. It also anticipates development of an 'inland port' function whereby containers can pass Australian Quarantine and Inspection Service and Customs inspections on-site and be transferred directly to ship at the port, reducing the freight handling time and costs.<sup>334</sup>

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<sup>330</sup> Mr Phil Ryan, Hansard Transcript, 5 Mar 2014:6

<sup>331</sup> QTLC, Hansard Transcript, 25 Feb 2014:1,3

<sup>332</sup> <http://www.interlinksq.com.au/index.htm>, <accessed 24 May 2014>

<sup>333</sup> <http://www.interlinksq.com.au/about-interlinksq>, <accessed 24 May 2014>

<sup>334</sup> FreightXTerminals, submission 11:1-2

Emerald intermodal terminal – a case study of collaboration between government and industry

The Central Queensland supply chain project is being co-ordinated by the Queensland Transport and Logistics Council and the Department of Transport and Main Roads in collaboration with industry. It aims to identify opportunities to increase the movement of agricultural commodities on rail in and out of the Emerald region through the construction of an intermodal terminal with backloading opportunities. The terminal aims to:

*... operate a standardised logistics platform for fuel going to service the Galilee Basin but also agricultural commodities on the backloading opportunities and, looking at different supply chains, predominantly grain in that respect and the potential for grain to access other markets using that kind of logistics platform.*<sup>335</sup>

The Queensland Transport and Logistics Council advised the Committee that the Emerald project:

*.... is another opportunity because they have identified a key baseload off which they can leverage opportunities for agricultural commodities on the return, lower cost, standardised logistics platform; you do not need to buy any specialist rolling stock, and containerising there. You have a whole bunch of grain operators who are then saying, 'That gives us opportunities to access some other export markets we didn't think we could access.' Strategically, yes, intermodal terminals have a great potential for increasing agricultural commodities on rail.*<sup>336</sup>

GrainCorp concurred:

*... we are actually being squeezed out of Emerald with the urban sprawl. We are looking at developing a greenfield site, which will be a first for a long time in Queensland, just out of town in the industrial area and with that would come, firstly, all of the efficiencies of a modern site and, secondly, augmenting what we do with containers. We are in discussions with department people and Aurizon at the moment. So, yes, that is where we want to go...*

*Again, just keep it in the context that it is preliminary concept work; it is not detailed designs. There is between \$2 million or \$3 million worth of signalling that has to go into a siding, the active protection on the level crossings is \$2 million and we have not handled any grain, we have not put storage up; all we are doing is just trying to get the siding in. As I said, the benefit to the community is that we will have an efficient train that will turn around and will be the full 40 wagons. The cycle time will be up and the utilisation will be good, but the costs on face value again look as though they are prohibitive.*<sup>337</sup>

The Mayor of the Central Highlands Regional Council pointed out that the proposal came about due to the Department's work on the *Moving Freight* strategy:

*Part of that meeting I referred to in February was based around that, and so the vision of the Moving Freight document was for an effective and efficient freight system to improve the competitiveness of Queensland industry in the national and world economy. What has come out of that is they started to look at what they call the Central Queensland inland port concept, and I refer to them also as intermodal freight hubs. An intermodal freight hub was first identified for our area based around Melbourne to Darwin. ....*

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<sup>335</sup> QTLC, Hansard Transcript 7 Apr 2014:2

<sup>336</sup> QTLC, Hansard Transcript, 7 May 2014:6-7

<sup>337</sup> GrainCorp. Hansard Transcript, 7 Apr 2014:7

*One of those things they were looking at was this intermodal freight system based around Yamala, which is a little siding on the eastern side... about 20 kilometres out of Emerald. Currently there is a cotton processing ginnery there owned by a company called Dunavan's. That has since been rejuvenated from this meeting on 21 February, and there was a number of people, companies, organisations looking at it, and I guess it revolves around with the state government involvement around those priorities in that Moving Freight document.*<sup>338</sup>

The Department of Transport and Main Roads also provided the work in Central Queensland as a good example of collaborative work between government and industry:

*For example, ... the Central Queensland forum. We are talking to industry stakeholders up there about whether they would be interested in investing in a facility that could accommodate road trains bringing in freight from arterials into a central location where the road transport could be destuffed and restuffed into containers. It could be that we bring fuel in there, for example, like a fuel train and have fuel containers using common platform trains. If you get enough volume of products, then you will encourage rail to actually invest. The risk for them is they go and buy a train that essentially costs them \$20 million and they only half fill it and it is only used occasionally. It is really about managing their risk and helping them manage their risk through getting enough industry with enough volume to encourage them and motivate them to take on that risk.*<sup>339</sup>

#### Other locations proposed for intermodal hubs

A number of stakeholders identified the need for intermodal hubs in other parts of regional Queensland, including:

- **Goondiwindi** - to containerise cotton bales in regional Queensland and transport them with other commodities directly to the Port of Brisbane.<sup>340</sup>
- **Thallon** – as a major freight hub, drawing both cotton and grain from a larger extended area into northern New South Wales.<sup>341</sup>
- **Charleville or Morgan** – to encourage the use of rail to transport livestock to Oakey or Brisbane.<sup>342</sup>
- **Allora** – to coordinate the transport of containerised grain which is currently moving by road from northern NSW and southern Queensland by rail to the Port of Brisbane and bring back general freight – the rail lines are in existence and there are plans for an inland port facility.<sup>343</sup>
- **Townsville State Development Area** – to gain efficiencies for the whole of North Queensland by co-ordinating freight from Mackay and Cairns as well as from the north west minerals province.<sup>344</sup>

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<sup>338</sup> Mayor, Central Highlands Regional Council, Hansard Transcript, 28 Apr 2014:6

<sup>339</sup> TMR, Hansard Transcript, 12 Feb 2014:p11

<sup>340</sup> Mr Phil Ryan, Hansard Transcript, 5 Mar 2014:6 and Australian Cotton Shippers Association, Hansard Transcript, 5 Mar 2014:7

<sup>341</sup> Mayor, Balonne Shire Council, Hansard Transcript (St George), 7 Apr 2014:3 and Balonne Shire Council submission 20:5-6

<sup>342</sup> Mr Peter Hall, AgForce, Hansard Transcript, 16 Apr 2014:7

<sup>343</sup> GrainX, Hansard Transcript, 14 Apr 2014:1-2

<sup>344</sup> Townsville City Council, Hansard Transcript, 12 May 2014:3

#### 9.4 Warehousing/storage depots

Many agricultural industries have used on-farm, or centralised bulk storage facilities over many decades. Aurizon pointed out that storage capacity for some agricultural products has continued to grow, utilising new technology for the storage of perishable food products. *“Examples of good practice can inform the potential for further improvements in agricultural storage more generally”.*<sup>345</sup>

Aurizon goes on to explain that storage at warehousing hubs creates an opportunity to allow a more even flow of products to market. Many food products, even those that are perishable, can be stored as a way to address fluctuations in supply, and reduce the impact on market prices of a rapid increase in supply in a concentrated period. Some food products, and almost all fibre products, can be stored for significant periods of time and transported in regular quantities throughout the year thus smoothing out peaks and troughs in supply and transportation.<sup>346</sup>

The Mayor of Balonne Shire Council also saw the advantage of upland warehousing:

*Other economic opportunities in line with the Queensland Plan vision would evolve with the establishment of an upland warehousing hub, enabling the storage of essential inputs for farming enterprises, that is, fertiliser, chemicals, fuel, et cetera, thus having the potential to reduce the farmers’ input costs.*<sup>347</sup>

Mr Brimblecombe agreed:

*There is definitely an opportunity to warehouse on a regional basis and that can be for a period of time. We have seen warehouses, particularly cotton lint warehouses, and cotton seed for that matter as well, store up two or three months worth of commodity. That comes down to the end user contract arrangement. But, yes, the short answer is yes you can warehouse upland and be very efficient when you move it on to port.*<sup>348</sup>

GrainCorp submitted that it is currently developing plans to improve operation of its up-country grain storage network – focussing on maximising rail efficiency by investing to increase grain out-load speeds at key sites and increasing cycle time efficiencies. A preliminary analysis by GrainCorp indicates there would be benefit in investing to improve rail out-loading capability at a number of key sites in Queensland.<sup>349</sup>

Aurizon recommended that there be multi-use and open access arrangements for terminals as multi-user terminals allow competing freight businesses to drive efficiency gains from using different combinations of transport, storage and distribution.

*Regulatory arrangements for intermodal terminals should be consistent with medium to longer term planning objectives win which larger scale, centralised terminals would operate to enable more efficient hub and spoke freight networks for agriculture and general freight. Policy settings should also provide the best business environment for asset owners and operators to, wherever necessary, rationalise terminals that are not fully utilised or which have capacity restrictions.*<sup>350</sup>

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<sup>345</sup> Aurizon, submission 7:13

<sup>346</sup> Aurizon, submission 7:13

<sup>347</sup> Mayor, Balonne Shire Council, Hansard Transcript (St George), 7 Apr 2014:3

<sup>348</sup> Mr Brimblecombe, Hansard Transcript (St George), 7 Apr 2014:5

<sup>349</sup> GrainCorp, submission 15:3

<sup>350</sup> Aurizon, submission 7:25

**Committee comment and recommendations****Committee consideration**

The Committee concurs with the numerous witnesses and submitters to this inquiry who have recognised the significant opportunities and efficiencies available through intermodal/multimodal terminals, inland ports and warehousing facilities. It is clear to us that a strategically planned series of inter-connected storage or consolidation hubs effectively linked to intermodal terminals and/or inland ports across the major arterial freight routes (that is, along the south-west, central-west, north-west and coastal lines) is critical to leveraging efficiencies from the supply chain and to liberating the economic power of agriculture.

The Committee recognises that industry is the major stakeholder and beneficiary of such infrastructure and must therefore 'take the lead' in any such plans but also recognises the role of government as not only a planning partner but also as a crucial co-ordinating and facilitating partner.

**Recommendation 30 – Planning strategically-located, inter-connected hubs**

The Committee recommends that the proposed Freight Authority work urgently with industry stakeholders (across commodities) and relevant local governments along the key agricultural freight routes to:

- identify optimal locations and linkages for a series of warehousing and intermodal terminal or inland port solutions
- engage and co-ordinate with interested stakeholders to identify and remove barriers to progressing these projects.

**9.5 Containerisation**

Containerisation offers significant efficiencies in transporting agricultural products by rail. There has been a shift away from bulk freight of grain and cotton (including cotton seed) to containerised lots. However, while containerisation may provide some supply chain efficiencies, both containerised grain and containerised cotton and cotton seed are experiencing a significant shift away from rail to road transport. The Port of Brisbane advised:

*Some of the key numbers that we found during our studies over the past three years is a modal shift from 85 per cent of agriculture on rail down to 15 per cent today and declining. The container modal shift has gone from 15 per cent some six years ago to less than five per cent today.*<sup>351</sup>

The Department of Agriculture, Fisheries and Forestry confirmed that containerised grain "... is generally going 100 per cent by road. That is working effectively from a road transport point of view but from a rail transport point of view..."<sup>352</sup>

The Port of Brisbane pointed to the fact that the deregulation of the grain market has seen a shift towards containerised products to provide more market flexibility but because the rail system with 15.75 tonne axle weight cannot accommodate this resulting in higher truck volumes.<sup>353</sup>

<sup>351</sup> Port of Brisbane, Hansard Transcript, 25 Feb 2014:8

<sup>352</sup> DAFF, Hansard Transcript, 12 Feb 2014:18

<sup>353</sup> Port of Brisbane, submission 10:2



Several witnesses are strongly supportive of the work currently underway on the Toowoomba Range including the tunnel lowering work, which will allow high-cube, nine-foot-six containers to travel through to the Port and may attract more containerised freight onto rail.<sup>354</sup>

A shift away from bespoke wagons to multi-purpose or multi-use wagons is necessary to achieve efficiencies in the supply chain, for both the above-rail operator (who loses income when bespoke wagons lie idle during the off-season of particular commodities) and for the producer.<sup>355</sup> Container wagons are flat wagons (also known as flat beds and have a flat, usually full-length deck with little or no superstructure) specially fitted with securing equipment for transporting ISO containers (standardised reusable intermodal containers).

*... with the movement of grain it is possible to use a container type rail wagon to carry containers for general freight or for grain in containers, but those same sorts of wagons could carry a container that can carry bulk grain just to the port. It would be very easy to have that sort of a vessel of bulk grain sitting on that same train that could be quickly unloaded at the port. It would work just about the same way as the current bulk grain wagons actually and then that rolling stock could be utilised a lot more fully than just having either container trains or bulk grain trains.*<sup>356</sup>



Image courtesy James McNerney  
Australian Model Railway Magazine

<http://www.austrains.com.au/gme-gmx-wagons.html>

It is necessary to co-locate several sympathetic products and industry sectors in the supply chain around a central hub in order to achieve the efficiencies of scale and to derive the returns from investing in containerisation facilities. The Government and the Queensland Transport and Logistics Council are currently engaging industry in a range of discussions to gauge interest in investing in intermodal terminals or hubs which could include containerisation facilities.

This idea is supported at a range of locations by producers of a range of commodities (cotton, grain and boxed beef): Some examples are provided below:

Mr Phil Ryan:

*In terms of getting a containerised commodity export onto rail, the Toowoomba Range is the obvious first capacity constraint. The next capacity constraint is to have some sort of an intermodal hub that is going to be able to containerise cotton bales in regional Queensland. .... I would suggest that Goondiwindi is another very important location, particularly if you look at the amount of cotton that is produced in South-West Queensland and the Gwydir Valley that can come to the port of Brisbane.*<sup>357</sup>

<sup>354</sup> See the below rail infrastructure section of this Report for further discussion of these upgrades.

<sup>355</sup> See also the above rail service and competition section of this Report for further discussion on this issue.

<sup>356</sup> Mr Newton, Hansard Transcript 5 Mar 2014:3

<sup>357</sup> Mr Phil Ryan, Hansard Transcript, 5 Mar 2014:6

Mr Paul Brimblecombe:

*We are also exploring the opportunities to containerise on site at the ginnery and take away the congestion on the port. We know we have a magnificent Port of Brisbane and fantastic facilities that can handle substantial throughput, but there are opportunities for us out in the country to be able to utilise containerisation facilities, pack the containers out in the country, put them on the rail or road, send them straight into the Port of Brisbane a couple of days before the vessel leaves and load the vessel and go. It is just creating efficiencies that we can see to help the return for the primary producer... cotton seed as well, Mr Chair, is becoming a very significant commodity that is traded on the global market..... Here we are talking directly with end users, talking in partnership with our traders as well, and we have created this niche position for the Australian cotton industry and we need to continue to capitalise on it, containerising both cotton lint and cotton seed on site or at an upland warehouse and then shipping those containers direct to port straight onto the vessel and gone.<sup>358</sup>*

Mayor Maguire, Central Highlands Regional Council:

*The inland port concept obviously is about having an area where a lot of the containerisation and staging for freight can happen, and you referred before to industries that might use it. The cotton industry is certainly one that would be looking at it; obviously the grain sector as well. So there is ample opportunities for that... we think there are fantastic opportunities around the containerisation and the staging of the freight.<sup>359</sup>*

Currently, GrainCorp transports its grain in bulk to the Port of Brisbane where it has storage facilities. The grain is then containerised on site with inverters. However, GrainCorp is also currently considering inland containerisation.

*We are looking at developing a greenfield site, which will be a first for a long time in Queensland, just out of town in the industrial area and with that would come, firstly, all of the efficiencies of a modern site and, secondly, augmenting what we do with containers.<sup>360</sup>*

GrainX has leased the old GrainCorp silo and siding with container loading facilities at Allora and is proposing an inland port:

*The GrainX business is based at Allora on the eastern Darling Downs and has a 20,000 tonne storage capacity with rail access and container loading facilities ... The main component of this project is an inland port, or intermodal hub, depending on what jargon the trend is at this stage. This inland port is located also at Allora and the site is 35 hectares in size, or 80 acres in the old terms, and provides massive storage and handling capability for bulk products such as grain, which is about 150,000 tonnes, and huge warehousing capability in a container park similar in size to what you would have find at the Port of Brisbane. This facility was approved by the Southern Downs Regional Council last year and fronts its own private branch line of some six kilometres in length, which I also control via a long-term lease from the state government.<sup>361</sup>*

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<sup>358</sup> Mr Brimblecombe, Hansard Transcript, 7 Apr 2014 (St George):4

<sup>359</sup> Mayor Maguire, Central Highlands Regional Council, Hansard Transcript, 28 Apr 2014:6

<sup>360</sup> Mr Doggett, 7 April GrainCorp transcript:6

<sup>361</sup> GrainX, Hansard Transcript 14 Apr 2014:2



<http://www.accuweigh.com.au/Projects-News/Industrial-Weighing-Systems-Optimise-Grain-Filling-in-New-South-Wales-282.aspx>

Oakey Abattoir is also looking at moving its containers onto rail:

*However, for Oakey going forward, I see a great opportunity for moving containers. Currently, we move 80 to 100 containers a week down the highway. With a siding there, it is consistent; we know they are going to be there every week. There is an old siding facility there as outlined. I believe that with an upgrade of that there would be far more benefit for Oakey. It would take a lot of trucks off the highway and use that consistently... In a four-year plan the numbers would double from where we are now. So we would be talking 200 containers a week. I could see that would be of great benefit to Oakey to have that siding there for containers more so than cattle... At the moment we have already started on our own container park to deal with the logistics internally. As I said, if we could get something on site it would be perfect for us. We would be able to load direct from plant.<sup>362</sup>*

### **Committee comment and recommendations**

#### **Committee comment**

The Committee recognises the significant increased capacity that can be facilitated for the agriculture industry through increased containerisation (of cotton, cotton seed, grain and boxed beef as well as possibly other commodities), the use of container wagons, the development of intermodal terminals and other hubs with containerisation facilities and access to inland containerisation facilities closer to the harvesting/production points.

We note that several potential sites have been suggested for such facilities and recognise that the inclusion of containerisation facilities in future intermodal terminals, inland ports and warehousing hubs in certain, strategically identified locales is critical to increasing the supply chain efficiencies for certain commodities.

The Committee further notes that the implementation of a number of the recommendations made in the below-rail infrastructure section of this Report are necessary to facilitate the axle-load limits and tunnel heights needed to rail transport standard commercial containers.

<sup>362</sup> Oakey Abattoir, Hansard Transcript, 7 Apr 2014:1-2

**Recommendation 31 – containerisation facilities**

The Committee recommends that the proposed Freight Authority engage with industry to identify optimal locations for co-locating containerisation facilities with planned intermodal terminals, inland ports and warehousing hubs.

**Recommendation 32 – containerised freight**

The Committee recommends that the Infrastructure Taskforce, in considering the recommendations in this Report, identify those infrastructure upgrades that will facilitate increased rail transport of containerised freight and ensure that this is factored into the process of prioritising infrastructure projects.

**9.6 Loading/unloading*****Intermodal vs. rail***

The efficiency of agricultural supply chains is dependent upon fast loading and unloading of usually large volumes of agricultural freight. Rail freight is inevitably brought to the railhead by road resulting in intermodal transport which, by definition, adds handling. As TMR puts it:

*Door-to-door delivery is a big advantage. With the rail operators, typically in a model service it would be a trucking company that would pick up, say, a container of goods and they would take it to an intermodal yard, stick it on a train, rail it to its destination and then it would be unloaded from the train, put back on a truck for delivery to its ultimate point. So it is handled three times. The road freight operator only handles it once, and that is quite an attractive feature for a lot of customers.<sup>363</sup>*

In order for intermodal transport to compete with road freight transport (which loads once and unloads once), the efficiencies in loading and unloading must be as lean as possible.

***Current loading and unloading facilities***

The Brisbane multimodal terminal can load and unload with extreme efficiency and the Committee heard that there is tremendous capacity at this terminal, which is not being exploited. As the Australian Cotton Shippers Association stated:

*In Brisbane we have the multimodal terminal. It is there, it is underutilised but it is a fantastic facility. We can put a train in there, get it stripped and reloaded and out within three hours. You cannot do that in Sydney. You have to go into each individual terminal. Brisbane already has an advantage at the portside. It is just about getting the point-to-point traffic to utilise what that facility can allow us to do.*

**CHAIR:** *Are you saying in Brisbane you can unload in three hours but not in Sydney?*

**Ms McDonagh:** *Yes, because you are going into one terminal that is on the island. In Sydney you have to go to three terminals with one train so the efficiency is a lot less.<sup>364</sup>*

However, the loading and unloading facilities around the State have fallen into disuse and/or disrepair over many years making rail extremely costly to load and unload and uncompetitive in the freight transport marketplace. The Committee heard that Oakey<sup>365</sup>, Cloncurry, Winton, Julia Creek<sup>366</sup>,

<sup>363</sup> Mr Damian Colclough, 12 February transcript:3

<sup>364</sup> Australian Cotton Shippers Association, Hansard Transcript, 5 Mar 2014:9

<sup>365</sup> Oakey Abattoir, Hansard Transcript, 7 Apr 2014:2

<sup>366</sup> Mayor Daniels, Hansard Transcript, 16 Apr 2014:2

Ayr and Home Hill<sup>367</sup> (to name a few) have experienced the closure of rail stations as well as the removal or inoperability of loading and unloading facilities including cattle yards, ramps and gantries for containers. The need to shunt after loading a certain number of wagons in Cloncurry and Winton makes loading utterly inefficient and in Julia Creek, the Committee heard that loaded wagons are shunted with a tractor and a Toyota.

### ***Investment in loading and unloading infrastructure***

Future investment in loading and unloading infrastructure has to be seriously considered, discussed with industry and planned.

Industry shifts from rail to road freight transport require significant change and investment to loading infrastructure. These decisions are not made lightly and so decisions about rail infrastructure upgrades need to consider the impacts on loading and unloading infrastructure. The Australian Sugar Industry Alliance Ltd stated:

*While rail freight is preferred, in recent years the mills in the Mackay region, for example, have progressively moved to road transport of raw sugar due to the rising cost of public rail freight services. Such decisions are not taken lightly, as they often require significant changes to loading infrastructure at the mills...It is therefore important that future decisions by Aurizon regarding upgrading rail infrastructure need to consider the flow-on impacts to loading and unloading infrastructure at sugar mills and making collaboration with industry important in ensuring sustainable long-term solutions.*<sup>368</sup>

However standardisation of loading facilities within industry sectors has the potential to generate enormous efficiencies in supply chains. In its submission, Wilmar Sugar states:

*Rolling stock types in the Burdekin are of a different configuration to those in Mackay due to different loading and unloading facilities. Standardise loading and unloading facilities at Proserpine and Mackay Harbour with the Burdekin to allow common rolling stock.*<sup>369</sup>

Speed of loading and unloading cattle is critical to the livestock industry. As NAPCO stated:

*Examples of those are straight-through loading, where you can pull up the train and load 42 or 44 decks of cattle without having to shunt that train around, because you have the ability to open one trailer into the next...That would immediately reduce the time taken to load trains, which is very critical because, when you look at the trains that are coming in from western Queensland that come down the coastal line or through to Brisbane, there is only a short window of opportunity because you have to work in with the Citytrain network... Timeliness is very critical. By the time we would load cattle out of the Channel Country to come through our feedlot at Dalby, they can be in the pen and on feed in under 48 hours, well within the time frame of that bacteria still to be functioning properly. If we were to put those cattle on rail out of Quilpie, in 48 hours they would still be standing in Quilpie, because you cannot just deliver them the day that the train is going to load; you actually have to take them there and spell them beforehand. So as a user of rail, I do not see Quilpie as a growth centre for us.*<sup>370</sup>

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<sup>367</sup> Mayor Lewis, Hansard Transcript, 12 May 2014:10

<sup>368</sup> Australian Sugar Industry Alliance, Hansard Transcript, 5 Mar 2014:11

<sup>369</sup> Wilmar Sugar, submission 19:3

<sup>370</sup> Mr Geoff Kingston, 5 March transcript:21

### **High volume loading and unloading**

Efficiency in agricultural supply chains is dependent upon the movement of large volumes of freight so loading and unloading facilities need to enable these volumes.

The Committee heard of a cooperative of Canadian farmers which has invested in shuttle load facilities and rolling stock enabling them to load a grain train in under two hours<sup>371</sup>. Queensland's old Grainco facilities take around 12 hours to load a train whereas GrainCorp's new, "super depots" (as they are called) are able to load and turn around a train in less than two hours. These "super depots" are enabling high volumes of grain to be stored in less numbers of depots creating tremendous efficiencies for rail freight immediately.<sup>372</sup>

The necessity to move large volumes to achieve supply chain efficiencies also applies to livestock. As JBS stated:

*We need high-volume loading points to fill full trains. As a processor, we know the issues around not having volume. It does hit hard in terms of your cost to operate and your fixed cost base. We need to have these high-volume loading points priced accordingly... One of the things we do not want to see is a return to inefficient services where we are not moving the volume required and also where we are not pricing to get the full trains from a loading point in volumetric terms... To load the train is one thing; the other important issue is obviously to unload it. In the case of Dinmore, we invested significant money in the late 1990s to be able to have the infrastructure to move full trains off the mainline between Ipswich and Brisbane... the only unloading points once you come off from Quilpie are either Dinmore or Beenleigh. There is that factor.<sup>373</sup>*

### **Backloading on baseloads**

Supply chain efficiencies also include recognising backloading opportunities by leveraging the baseloads of the resources sector. The resources sector is better able to pay for the movement of its goods and there are numerous inputs to that sector that agriculture could backload off eg. in Central Queensland, where fuel is the baseload, there is an opportunity to backload grain. QTLC has also identified potential opportunities to backload off the salt coming out of the coal seam gas industry and QRs maintenance and ballast program.<sup>374</sup>

The Cubbie Group also identified backloading as an opportunity stating:

*... The major inputs for the cotton industry, we talked about those inputs, and also inputs for the grain industry. There are substantial fertiliser requirements, so there are substantial backload requirements, and then even more so relocating containers back in upland warehouses.<sup>375</sup>*

Identifying these opportunities requires a mind shift and requires greater planning and coordination.

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<sup>371</sup> Mr Chris Hood, GrainX, 14 April 2014:4

<sup>372</sup> Mr Peter Anderson, 28 April transcript:10

<sup>373</sup> Mr John Berry, JBS, 5 March transcript:15-17

<sup>374</sup> QTLC, Hansard Transcript, 7 May 2014:6

<sup>375</sup> Mr Paul Brimblecombe, Hansard Transcript (St George), 7 Apr 2014:5

**Committee comment and recommendations****Committee comment**

The Committee recognises the importance of efficient loading and unloading to agricultural supply chains and was surprised to learn that so much of Queensland's agricultural loading and unloading infrastructure was obsolete, dilapidated, or has been abandoned.

The Committee considers it is critical to ensure investment in this infrastructure and understands that the industry needs to see concrete future plans (for below-rail infrastructure, for intermodal terminals, warehousing hubs, etc.) in order to invest in upgrading their own facilities and infrastructure. As previously stated, the Committee believes that the Government must work far more vigorously to facilitate and finalise plans for major agricultural infrastructure developments and upgrades and to communicate more regularly and clearly to industry stakeholders in order to enable industry planning and investment.

We recognise the value of freight consolidation/warehousing hubs in leveraging supply chain efficiencies and make several recommendations in the intermodal terminal section of this Report.

The Committee recognises the idle potential in backloading agricultural inputs and outputs off other industries' baseloads and believes that freight task coordination is vital to realising this latent capacity. We have made several recommendations in the freight task coordination section of this Report.

**Recommendation 33 – loading and unloading infrastructure**

The Committee recommends that the proposed Infrastructure Taskforce:

- work with industry to identify loading and unloading infrastructure which can be brought back "on line" quickly and economically and to work urgently to re-open those facilities
- facilitate discussions and planning with the agricultural industry to urgently develop and agree plans for the upgrade of loading and unloading infrastructure.

**9.7 Rolling stock innovation**

Currently Aurizon, the only provider of above-rail services for agricultural product in Queensland, is operating with bespoke rolling stock, meaning that wagons are built to carry only one type of commodity, for example, livestock, sugar or grain. Such rolling stock limits interoperability and utilisation because the wagons can't be used to haul anything else out of the commodity's season and there is significant cost in having rolling stock lying idle off-season.

As the Department of Transport and Main Roads stated:

*... historically rail freight providers like Aurizon have bespoke rolling stock for industry's needs. In other words, they will build a cattle wagon that can only carry cattle. They will build a sugar wagon that can only carry sugar and grain wagons that only carry grain. When you are out of season with those particular products, then those assets are idle and it is a huge cost to the company. When you are not getting that return on your investment, it is quite challenging to continue to want to play in that sort of environment... Grain, livestock and sugar are transported in purpose-built wagons, whereas cotton is a containerised shipping container on rail. As I mentioned before, the agricultural products business is livestock and, to a lesser extent, grain and cotton and it is a very seasonal business. You could have a train set*

*worth millions of dollars work for six months and then set down for six months not able to be used anywhere else. That is a big challenge for the rail and agricultural business.*<sup>376</sup>

The Department of Agriculture, Fisheries and Forestry concurred stating:

*It is simply not practical or economically viable to have rolling stock lying idle for long off-season periods. Again, that was covered by my colleagues in Transport and Main Roads.*<sup>377</sup>

With Aurizon's claim that its rolling stock is currently nearing the end of its economic life, there is an opportunity to invest in innovative rolling stock solutions moving forward.

*The rolling stock owned by Aurizon is nearing the end of its economic life. The locomotives are also old, unreliable and expensive to maintain. There is an opportunity to review the design of rolling stock, locomotives and loading and unloading infrastructure to develop a more efficient and sustainable rail solution.*<sup>378</sup>

Technological advances and innovations in rolling stock (for example, multi-use wagons), are now, however, enabling opportunities for new operators to enter the market and for greater efficiencies to be achieved for potential operators:

*The other technological improvements that we are currently seeing are around rolling stock and multiuse type wagons. One day they are a cattle wagon and another day they are hauling either grain or fuel. Those particular technological improvements in terms of rolling stock are also enabling operators to consider how they enter the market. The biggest cost is at entry point. How can we simplify or make that easier is difficult. The other difficulty we find is that every rail operator wants to make a profit within five years. That has obstacles and challenges. It is not simple.*<sup>379</sup>

Multi-use wagons can carry a range of different, high volume goods interchangeably.

Other options include the use of flat-bed rail cars (container wagons), designed to take a range of containers, which would enable the rolling stock to be far more productive:

*... with the movement of grain it is possible to use a container type rail wagon to carry containers for general freight or for grain in containers, but those same sorts of wagons could carry a container that can carry bulk grain just to the port. It would be very easy to have that sort of a vessel of bulk grain sitting on that same train that could be quickly unloaded at the port. It would work just about the same way as the current bulk grain wagons actually and then that rolling stock could be utilised a lot more fully than just having either container trains or bulk grain trains.*<sup>380</sup>

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<sup>376</sup> TMR, Hansard Transcript, 12 Feb 2014: 4, 6

<sup>377</sup> DAFF, Hansard Transcript, 12 Feb 2014:13

<sup>378</sup> Mr David Langham, Hansard Transcript, 5 Mar 2014:11

<sup>379</sup> TMR, Hansard Transcript, 12 Feb 2014: 10

<sup>380</sup> Mr Wayne Newton, Hansard Transcript, 5 Mar 2014:3



**Committee comment and recommendations****Committee comment**

The Committee recognises that there are significant opportunities to achieve supply chain efficiencies through the technological developments of rolling stock and that these must be more intensely investigated by industry. We also understand that there are currently numerous barriers to industry investing in new rolling stock.

The Committee notes that investment in rolling stock is a significant commitment for a private company and one which is made based on an assessment that the investment can be recouped. In order for the private sector to make such a commitment, it must understand what market opportunities it currently has, and be able to realise the market opportunities made possible by forward plans. As previously stated, the Committee believes that the Government must work far more vigorously to facilitate and finalise plans for major rail infrastructure developments and upgrades and to communicate more regularly and clearly to industry stakeholders in order to enable industry planning and investment.

**Recommendation 34 – rolling stock investment**

The Committee recommends that the proposed Freight Authority develop, finalise and communicate clear forward plans for rail freight investment in Queensland to facilitate private investment in new, efficient rolling stock opportunities, vital to generating above-rail competition.

**9.8 Freight train co-ordination*****Freight co-ordination across agricultural commodities***

Numerous stakeholders have recommended the employment of regional rail freight coordinators to facilitate full loads, organise wagons and to better coordinate, and reallocate where necessary, available train across commodities and across supply chains:

The Department of Agriculture, Fisheries and Forestry recommended the Committee “...*consider installing regional transport coordinators to assist industry to develop better transport and logistics options—a north, central and south approach might be useful.*”<sup>381</sup>

AgForce also saw a need for a dedicated supply chain co-ordinator, “....—*someone who is specifically tasked with doing that job and growing that business—and that is probably very important on the southern line, which is the one that is most challenged.....*”<sup>382</sup>

The Port of Brisbane submitted that the role of freight forwarders / logistics handlers to broker consolidated train loads for a number of smaller operators and the market conditions needed to support this should be more closely examined.<sup>383</sup>

There was significant support for the co-ordination to facilitate the movement of mixed loads on one train service:

*So rather than have a train that takes grain containers and another train that takes cotton containers, we need a coordinated approach to make it economically viable to have a train*

<sup>381</sup> DAFF, Hansard Transcript, 12 Feb 2014:16

<sup>382</sup> AgForce, Hansard Transcript, 5 Mar 2014:2

<sup>383</sup> Port of Brisbane, submission 10:2

*that takes containers of whatever commodity needs to be shifted...it needs to be a coordinated approach.*<sup>384</sup>

Mr Vaughan Johnson, MP explained how freight co-ordinators could assist with synchronisation of a mixed freight train service:

*The real fact of the matter is if you had a viable operation running where you had coordinators... to coordinate your livestock, coordinate your freight, work that coordination program out of, say, Acacia Ridge, or wherever it is loaded in Brisbane to coordinate with a load out of Rockhampton to blend those trains that come this way, your train out of Brisbane going west will probably be blended in Toowoomba with goods there. If you had it synchronising at that level—which it is not now—and had players operating it...*<sup>385</sup>

The Queensland Transport and Logistics Council provided the following summation of why co-ordination is required to improve supply chain efficiencies:

*Within a Queensland context we would be looking at a collaborative model, not necessarily a regulatory model, that sought to coordinate across largely disparate agricultural supply chains—grain, cotton, cotton seed, lint, livestock—and look at how they coordinate together to just fill trains to the interface with loading points, the interface with the port, .....the transparency of the data, looking at capacity, looking at opportunities for investment...*

*..... and I just think that you would identify a lot of inefficiencies that could be addressed. And some of those limitations of the agricultural supply chains, like seasonality and unclear volumes and their inability to go into take-or-pay contracts, may be ameliorated if you could look more broadly at how another supply chain can pick that up at a different time of the year... In relation to the point you just made about available paths, again not to be too biased, signpost the value of a supply chain coordinator who can actually reconcile the characteristics of the freight moving verses the paths that are available.*<sup>386</sup>

Aurizon also looked at the potential of addressing seasonal fluctuations by considering further improvements to co-ordination between different agricultural industries and potentially, general freight, that use the same or similar freight transport systems:

*The focus of these considerations would necessarily be on whether large scale and more efficient freight handling, storage and distribution networks can be developed on a commercially sustainable basis. ... It is submitted that this would necessarily involve an approach to freight infrastructure planning that requires greater coordination of freight network developments.*

*In the absence of effective coordination, smaller producers would be more likely to focus on the particular requirements of their operations, rather than industry wide requirements. Freight infrastructure and operational developments could also be undertaken in response to immediate pressure facing one particular operator or set of operators. It would be more beneficial to the requirements of freight customers if planning and development is undertaken in accordance with a more strategic industry or multi-industry assessment of short, medium and longer term requirements.*

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<sup>384</sup> Mr Peter Anderson, Hansard Transcript, 28 Apr 2014:10-11

<sup>385</sup> Mr Vaughan Johnson MP, Hansard Transcript, 29 Apr 2014:11

<sup>386</sup> QTLC, Hansard Transcript, 7 May 2014:4-7

*A further challenge is the need to coordinate state and national freight development planning.*<sup>387</sup>

### **Livestock freight co-ordination**

The livestock supply chain has its own challenges due to the complexity of moving live beasts across large distances using multiple transport modes to diverse destinations. The current livestock Transport Services contract only applies to the transport of livestock to abattoir by train which accounts for only 10% of livestock movements across the State.<sup>388</sup>

Currently, large meat processors such as JBS and Teys act as de facto coordinators of cattle loads to their abattoirs even though there is no contract between Aurizon and the processors to provide this service. Aurizon does not play any role in livestock train co-ordination other to organise the train service requested by the large meat processors - “an individual grazier cannot “cold call” Aurizon for a train or mixed vendor service”.<sup>389</sup>

Aurizon confirmed to the Committee that they only provide livestock services arranged through the large processors (JBS and Teys) to their abattoirs:

*Let's say a grazier wants to run a 36-wagon cattle train. The first thing we will ask him is does he have a slot with the abattoirs – either JBS or Teys – and that dictates which corridor he is going to run with.... Then if it is within the master train plan.... it is not an issue. If it falls outside that booking period we work with our below-rail partners.*<sup>390</sup>

The Cloncurry Shire Council provided the following insight into how the system works:

*I think it is basically agreements between the processors and the agents and the producers that determine when and how the trains travel. So I would suggest that someone being an agent might ring the processor and say, you know, 'Have you got an a price for a thousand bullocks?', and he might say, 'Yep', and he would say, 'When can you get them together?', and then I think the processor then basically organises the wagons and tells the producer or the agent or whoever is going to load the train that that train will be there at a certain time and that is what happens.*<sup>391</sup>

Devine Agribusiness recently undertook a “South West Queensland Livestock Transportation Project” on behalf on the South West Regional Economic Development Board partners – the Shire councils of Quilpie, Balonne, Bulloo, Murweh and Paroo. The project undertook an examination of issues relating to livestock transport and rail freight on the South West line and found that interaction and information flows between the grazier, the abattoir and the train operator are critical to increasing the patronage on cattle trains.<sup>392</sup> The project identified the following key issue in relation to the livestock freight task:

*Conversations with participants along the freight task indicate that the communication and coordination across these three groups has deteriorated significantly over the years. To the*

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<sup>387</sup> Aurizon, submission 7:13-14

<sup>388</sup> See section 8 of this Report for further discussion on the Livestock TSC

<sup>389</sup> Devine Agribusiness, South West Queensland Livestock Transportation Project, 2013:16

<sup>390</sup> Aurizon, Hansard Transcript, 4 Jun 2014:15

<sup>391</sup> Mayor Daniels, Cloncurry Shire Council, Hansard Transcript, 16 Apr 2014:5

<sup>392</sup> Devine Agribusiness, South West Queensland Livestock Transportation Project, 2013:6

*point where we heard “it’s just too hard” when asking about the main impediments to cattle train use.<sup>393</sup>*

The Devine project talked to graziers and reported that there is a general lack of understanding about how the cattle train system works:

*...when graziers were asked “who do you talk to about cattle trains” many graziers didn’t know. Some recalled years ago reps from QR talked regularly to graziers to discuss mustering programs and prospective rail use to see if things could be scheduled and coordinated. Some graziers talked to their “Works” (abattoirs they supply to) and they make the arrangements for the grazer. Some graziers and others involved in cattle and freight transport still refer to the cattle train operator as QR.<sup>394</sup>*

AgForce confirmed that Queensland Rail used to employ a cattle coordinator who worked ‘in the field’ to coordinate the livestock freight task:

*We need to be able to allocate those (train) services elsewhere and better utilise them. Queensland Rail used to have one bloke that did that, but he was always run off his feet. I think it is a job for two or three people.<sup>395</sup>*

Mr Vaughan Johnson, MP pointed out that the appointment of livestock co-ordinators is critical to getting more livestock on rail:

*If I can just say in relation to that field operator or field manager, it is absolutely paramount for the ongoing viability, not only of the business itself, for the free flowing of the business, and also the coordination of cattle trains. As you understand yourself, you have got to coordinate road trains to be able to get those cattle to the railhead, whether it is in Winton or Longreach, or Quilpie or Clermont, or Cloncurry or Julia Creek. When Cliff Cammack and David Rathbone were doing that it used to go like clockwork, but now no-one is doing it and the business is falling to pieces.<sup>396</sup>*

### **Committee comment and recommendations**

#### **Committee comment**

The Committee considers that freight task coordination, across lines and across commodities is vital to driving supply chain efficiencies for Queensland’s agricultural sector. We recognise that effective coordination has the potential to address a wide range of issues that have been raised during this Inquiry. Freight coordinators must have access to freight data and information and must be permitted to coordinate across multiple commodities and work closely with above-rail operators.

The Committee understands that a co-ordinator was employed in the past to facilitate the livestock freight task and is of the view that this role is essential to increase supply chain efficiency and enable primary producers to use more train services. In order to get more agricultural commodities onto rail it is critical that producers not have to individually book a whole train and that graziers have more options than having to rely on services organised by the large abattoirs.

<sup>393</sup> Devine Agribusiness, South West Queensland Livestock Transportation Project, 2013:6

<sup>394</sup> Devine Agribusiness, South West Queensland Livestock Transportation Project, 2013:14

<sup>395</sup> AgForce, Hansard Transcript, 16 Apr 2014:6

<sup>396</sup> Mr Vaughan Johnson, Hansard Transcript, 29 Apr 2014:7

We are therefore recommending that freight task co-ordinators be employed and that priority be given to co-coordinators on the Western/South Western/West Moreton system and the Central Western system.

The Committee believes that there is an urgent need for several such coordinators, each dedicated to a specific rail system and who work in concert with each other to coordinate load consolidation across lines.

The Committee recommends that those who benefit from the co-ordination should contribute towards the cost and therefore producers and/or industry representatives, above rail service providers and Government should jointly fund the positions.

In the future, with the advent of strategically planned and positioned intermodal terminals, inland hubs and freight consolidation hubs, coordinators will be well positioned to drive even greater efficiencies by coordinating the movement of freight between these facilities, along the supply chain.

#### **Recommendation 35 – freight task co-ordination**

The Committee recommends that the Department of Transport and Main Roads urgently engage with industry to:

- identify which rail systems would benefit from the appointment of a freight task coordinator, and that priority be given to employing a co-ordinator for the Western/South Western/West Moreton system and the Central Western system
- determine an appropriate joint funding model ensuring that those who benefit from the co-ordination contribute towards the cost, that is producers and/or industry representatives, above-rail service providers and Government
- ensure that any necessary government funding be made immediately available to appoint the freight co-ordinator positions
- facilitate the arrangements and access to information necessary to ensure coordinators have full visibility of the supply chain in their own rail systems and in connecting systems
- ensure that co-coordinators are vested with the appropriate authority to undertake the co-ordination task and facilitate train services.

## 10 Above rail service and competition

### 10.1 Issues with the above rail service provided to the agriculture and livestock industries

Currently, Aurizon is the only provider of above-rail services for agricultural freight in Queensland. This virtual monopoly has arisen largely as an artefact of the privatisation of QR National in 2010 and the subsequent awarding of the livestock and general freight transport services contracts to one above-rail service provider - Aurizon.

The Queensland Transport and Logistics Council submitted that the lack of competition in the above rail market, along with the limitations of the rail network is eroding the competitiveness of rail for the movement of livestock and agricultural commodities.<sup>397</sup>

The Port of Brisbane submitted that:

*Competition in above-rail operators is a critical factor to making rail attractive to users. To enable and encourage more operators there needs to be capacity in the rail systems and an access and regulatory environment that facilitates productivity and innovation.*<sup>398</sup>

Stakeholders from all over the State have provided substantial evidence to the Committee that the current service provided by the above-rail operator to the agriculture industry is non-existent (even where rail lines exist) or insufficient, inefficient, unreliable and inflexible.

The Department of Agriculture, Fisheries and Forestry recently undertook consultation with the agricultural industry to identify the perceived impediments to using rail. They included the removal of services or reduction in scheduling, the closing of sidings, poor reliability, price increases, lack of co-ordination and marketing of rail services and lack of flexibility.<sup>399</sup> It should be noted that while one of these factors is related to poor infrastructure, most of the impediments alluded to by the agriculture industry are related to the service provided by Aurizon.

#### ***Lack of interest/commitment to agricultural freight provision***

Under current arrangements there is no prospect of competition in the above-rail, agricultural business as only one operator, Aurizon, owns rolling stock fit for narrow gauge in Queensland and Aurizon is also contracted to provide the Livestock and Regional Freight Transport Service Contracts by the Department of Transport and Main Roads.

Evidence presented by stakeholders clearly suggests that they believe Aurizon has little commitment to the agricultural freight sector and little interest in investing in and growing the agriculture rail freight business because the resources sector offers a higher-value, reliable commodity. The evidence provided is too voluminous to detail, however some examples are provided below.

Mr Neil Bruce submitted:

*Since the split up and sale of QR I have noted that QRN/Aurizon have deliberately gone out of their way to discourage any rail based business other than the transportation of coal. The general freight business and grain business are suffering...*<sup>400</sup>

<sup>397</sup> QTLC, submission 9:1

<sup>398</sup> Port of Brisbane, submission 10:1

<sup>399</sup> DAFF, Hansard Transcript, 12 Feb 2014:14

<sup>400</sup> Mr Neil Bruce, submission 6:1

The Banana Shire Council advised:

*We have met with Aurizon, but that was more an update what was going on with the coal lines, not so much about general freight. Because they are really focused—as I say, if it's not black and about that big, they are not interested... We have been pretty much told in no uncertain terms that they weren't that interested. This is going back several years.*<sup>401</sup>

Mr Peter Hall from AgForce:

*One of the key problems is that there has been no desire within whoever has the contract to grow the business. They get paid regardless for services on that line. Whether they run those services or not, they are still getting paid for it. There has been no desire whatsoever by them to do that, and we need somehow to address this. We need to encourage a desire, or reword the contract, or whatever it takes so that the people participating—or whoever accepts that contract—has to grow the business and be paid accordingly... I probably don't need to tell you, but you are obviously aware that the Quilpie line has 27 services. It has not been utilised since 2012, yet those trains and crews are getting that full share of the money under their services contract. We need to be able to allocate those services elsewhere and better utilise them.*<sup>402</sup>

### ***Lack of competition diminishes service delivery under the Transport Services Contracts***

The Queensland Transport and Logistics Council raised concerns about the monopoly of the subsidised above-rail, agricultural freight market facilitated by the awarding of contracts to only one above-rail operator stating:

*Are we going to just give one proponent a transport service contract? Is that competitive and, if not, do we need to look at maybe a rebate or some form of subsidy that actually enables multiple proponents to apply for the transport service contract.*<sup>403</sup>

AgForce further commented on the need to generate greater above-rail competition stating:

*Until now the tender process for this contract has been a pretty small book. I did hear the latest one opened things up quite a bit and I have also heard that there are other companies willing to get more efficient because they can see some real money to be made out of this business so I think what we need to do is open the book up and see who wants to compete for this and see if there is some money to be made in this place.*<sup>404</sup>

### **Aurizon working to improve services**

Aurizon, on the other hand, advised that it is working hard to improve services:

*We are working hard to improve services for the agriculture industry, such as in 2013 Aurizon commenced the cattle haulage season early at local farmers' request and ran an additional 27 services to support local demand in the north and central west rail corridors. Aurizon increased volumes and trains on the north coast line to support local farmers, running additional trains from Brisbane to Gladstone and Rockhampton to support the abattoirs in Rockhampton. We are constantly working hard to try to review our asset design for sugar*

<sup>401</sup> Banana Shire Council, Hansard Transcript, 28 Apr 2014:4

<sup>402</sup> AgForce, Hansard Transcript, 16 Apr 2014:6

<sup>403</sup> QTLC, Hansard Transcript, 25 Feb 2014:2-4

<sup>404</sup> AgForce, Hansard Transcript, 16 Apr 2014:8

*transport, including siding upgrades, to ensure a sustainable and mutually beneficial operation.*<sup>405</sup>

When the Chair of the Committee asked Aurizon why they thought there was a general perception in the agriculture industry that Aurizon was trying to wind up its agricultural service Aurizon responded:

*Firstly I would like to say that Aurizon acknowledges that we have much work to do in this space. What we have done recently is combine our intermodal and bulk businesses under the one vice president in marketing and in operations to try and consolidate how we think about generalised freight and agriculture. We have not had a marketing function which has gone and targeted individual small producers... that has changed in the last 12 months*<sup>406</sup>.

When pressed about the unreliability of cattle services, which are reportedly cancelled, or never on time, Aurizon responded:

*The point you have made ... is valid. Operational reliability is one of the challenges Aurizon is grappling with on that line, and that requires us to interact with below-rail partners as well. So we have been working collaboratively where we can to find low hanging fruit.*<sup>407</sup>

### **Rolling stock ownership as a barrier to competition**

A significant barrier to above-rail competition lies in the fact that Queensland Rail narrow-gauge, rolling stock was transferred to QR National (now Aurizon) upon its float in 2010. The Department of Transport and Main Roads advised that "...When Aurizon separated from Queensland Rail they took a lot of that rolling stock which had been in play for many years."<sup>408</sup>

Mr Wayne Newton, President, AgForce Grains elaborated at the 5 March 2014 hearing stating:

*One of the main problems there is that basically the current provider has a de facto monopoly—not a legal one, but a de facto one simply because they have really the only rolling stock that suits the narrow gauge in Queensland. That is one reason we must try to open up our network to competition from other providers and the most obvious one would be to get standard gauge to Toowoomba and hopefully, with the growth in the resources industry in the Surat Basin, beyond that, because that would immediately allow some of the providers that currently operate in New South Wales and Victoria to be able to move up into Queensland and compete. It would make a huge, huge difference to the competition space.*<sup>409</sup>

The Australian Cotton Shippers Association observed that:

*...the ability to attract competition on rail is hampered by the equipment needed to fit the track profile. It is imperative that a competitive environment is provided to increase the capacity for cotton and cottonseed to move on-rail efficiency and economically.*<sup>410</sup>

In its submission, AgForce agreed, stating:

*Aurizon were reportedly 'gifted' the grain rolling stock in the privatisation process. This makes it difficult for any other parties to tender for future service agreement for grain as they would likely have to invest in new narrow gauge rolling stock to fulfil the contract.*<sup>411</sup>

<sup>405</sup> Aurizon, Hansard Transcript, 4 June 2014:3

<sup>406</sup> Aurizon, Hansard Transcript, 4 Jun 2014:5

<sup>407</sup> Aurizon, Hansard Transcript, 4 Jun 2014:6

<sup>408</sup> TMR, Hansard Transcript, 12 Feb 2014:4

<sup>409</sup> Mr Wayne Newton, Hansard Transcript, 5 Mar 2014:4

<sup>410</sup> Australian Cotton Shippers Association, submission 4:1

<sup>411</sup> AgForce, submission 21:14



Mr Chris Hood, GrainX, also concurred:

*... Therefore, the only option available is for a new operator to begin from scratch and purchase brand-new locomotives and rolling stock with a purchase price of up to \$8 million per train unit. This is done in southern states. However, the risk is lessened by virtue of common gauge and rail, meaning that they have broader geographic operating area to cover their risk—in other words, New South Wales, South Australia and Victoria.*<sup>412</sup>

#### Ageing rolling stock

The rolling stock owned by Aurizon, effectively the only rolling stock available for agricultural freight, has been in use for many years and TMR has been advised by Aurizon that much of the stock is 'life-expired' (that is, reached or reaching the end of its useful life), requiring significant investment to replace:

*One of the challenges that Aurizon is presenting to us is that that rolling stock is starting to reach the end of its economic life, so that means that a decision has to be made at some point in the next few years as to whether they are going to reinvest in that rolling stock or not invest in that rolling stock at all.*<sup>413</sup>

#### Disposal of old rolling stock

Potential start-up businesses cannot buy rolling stock from interstate because other states' rolling stock is not fit for narrow gauge and stakeholders have advised the Committee that Aurizon is disposing of old rolling stock as scrap metal or selling it overseas but is certainly not making it available to potential local competitors. Given that investment in rolling stock to enter the industry/market represents the biggest cost at the entry point for a rail operator (every rail operator wants to make a profit within 5 years<sup>414</sup>), this tactic could be considered to be anti-competitive.

Mr Chris Hood, GrainX, advised that:

*We now face a world where the only trains that can physically carry the goods are up to 50 years old and the rolling stock is nearly at the end of its life, if available at all. In fact, agricultural rolling stock such as grain wagons have recently been—in the last couple of years, anyway—sold to scrap metal merchants and chopped up. Again, I know, because I tried to rescue them without success. We face a situation where the sole provider of this rolling stock is not interested in providing a serious service to the agricultural sector, yet will not sell rolling stock to other newcomers to allow them to operate for fear of future competition. Again, I know, because I have been down this track also... my line to them basically was, 'You must have redundant locomotives and so on and so forth that you get rid of.' I was assured there was not. I then produced a magazine that I bought off the rack in the newsagent showing 25 of them heading off to Vietnam. So there was not a lot of credence placed in that... They own the only rolling stock that will run on these lines. To sell the rolling stock to anyone else effectively makes them a competitor. Even though they may be a small competitor, I think their concern probably is where does that small competitor go to or who does he sell out to or whatever it is. To my knowledge, to this day that attitude is the same. There has certainly been a lot of rolling stock that has either been crunched up and turned into scrap metal or been exported overseas with*

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<sup>412</sup> GrainX, Hansard Transcript, 14 Apr 2014:3

<sup>413</sup> TMR, Hansard Transcript, 12 Feb 2014:4

<sup>414</sup> TMR, Hansard Transcript, 12 Feb 2014:10

*fairly stringent selling conditions or buying conditions on them to make sure that they do not end up back here in the hands of somebody else.*<sup>415</sup>

Mr Neil Bruce also submitted that:

*... Worse still QRN/Aurizon have a policy of scrapping wagons and locomotives or selling them to overseas buyers. This prevents anyone wanting to become a small operator from low cost entry into the rail industry but ensures that QRN/Aurizon have no competition for "train paths" for their coal trains.*<sup>416</sup>

Mr Wilkins advised that some rolling stock that is still viable is being offered as scrap:

*To go further with you, in the photos there is a picture I took at Winton when I was out there last week of all the containers on the railway line. They were the ones that used to go to the Burdekin. I also have there a letter from Queensland Rail trying to sell them to me for scrap... They are trying to sell them to me now for scrap. In the last two years, two of the bridges collapsed with white ants, and we lost so many containers. If they destroy those containers and we have another accident, Queensland Rail is not going to replace them. They are actually stainless steel lined, because sulphur contains salt so they do not deteriorate. Outside looks a bit rough but inside is beautiful; they are a bloody good container. We have got 11 acres sitting out there at Winton right on the railway line where we load, and we would love to unload at least some of them and stockpile them on our property free of charge in case there is ever another accident. Railway is not going to replace those containers; they are too dear. We would love to do that, otherwise they have offered them to me at a thousand dollars a container for scrap.*<sup>417</sup>

Aurizon advised the Committee that while it is selling surplus and life-expired rolling stock to international operators or as scrap metal, the disposal of rolling stock is open to competitive tender:

*Upgrading and improving rollingstock productivity are fundamental to Aurizon's current transformation program. The company has made significant progress in combining better work practices and modern equipment with newer and fewer locomotives and wagons to improve efficiencies and supply chain performance. In recent years, Aurizon has sold surplus and life-expired rollingstock to international rail operators or as scrap metal. All parties interested in purchasing surplus rollingstock are welcome to make competitive offers to Aurizon's procurement team.*<sup>418</sup>

### **Other issues with attracting above rail competition**

The Department of Agriculture, Fisheries and Forestry pointed out that challenge in attracting operators to the above rail market coincides with the licensing of higher volume, heavier carrying capacity vehicles, the upgrade of many regional roads to facilitate movement of these new, greater capacity vehicles and a simultaneous limited investment in the upgrade of State rail infrastructure to accommodate modern rolling stock.<sup>419</sup>

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<sup>415</sup> GrainX, Hansard Transcript, 14 Apr 2014:3-4

<sup>416</sup> Mr Neil Bruce, submission 6:1

<sup>417</sup> Mr Rob Wilkins, Hansard Transcript, 12 May 2014:20

<sup>418</sup> Correspondence from Aurizon to Committee dated 21 May 2014:2

<sup>419</sup> DAFF, Hansard Transcript, 12 Feb 2014:15

Narrow gauge lines

*At the same time we have a narrow gauge network which limits the ability of major operators in other states to come into Queensland and operate their trains. To buy consist you are looking at \$10 million to \$15 million. That said, I believe the way that we can increase the above-rail competition, first of all, is that we have an arrangement—it is not horses for courses. At the end of the day, rail becomes more desirable when the cost is lower relative to the efficiency and reliability. We can reduce the cost if we reduce the high fixed costs of whoever is operating the service. There may be an opportunity to look at how we get some rolling stock for whatever commodity that is and things like that that are available. Again, we do not know the state of that rolling stock that currently exists and how we might utilise it.<sup>420</sup>*

Cost of maintenance

The Port of Brisbane pointed out that below-rail maintenance costs also drive up costs, stating:

*The high maintenance costs of the current below-rail systems being circa 1860s build means that it becomes a highly expensive option to use rail at the moment as well.<sup>421</sup>*

Limited train path access

Much greater train path capacity and much greater access to rail paths would need to be facilitated and available to above-rail operators to enable a new business to compete. The Port of Brisbane pointed to a need for increased capacity “... to enable and encourage more operators there needs to be capacity in the rail systems and an access and regulatory environment that facilitates productivity and innovation.”<sup>422</sup>

And further:

*.... Dr Michael talked about 112 rail paths coming from the west, seven of which are unused. Seven is not enough for a private enterprise to even consider investing in new rolling stock to compete at that level. Whilst there is some capacity for new investment in above rail, there needs to be a hell of a lot more capacity in order to entice private investment to invest. Until the below-rail systems are addressed to create more rail paths, I would suggest we will still end up with a single operator on that line and unable to compete.<sup>423</sup>*

Lack of information and data on the freight task

The Queensland Transport and Logistics Council advised that a lack of transparency/availability of commercial information makes it extremely difficult, if not impossible, for potential businesses to enter the above-rail market, stating:

*In relation to above-rail capacity, there are significant impediments to any operator entering the Queensland system, not in the least that one operator at the moment has all the commercial knowledge... They unilaterally receive a subsidy for that... Until the administration of any incentives is also looked at as well as what those incentives are I believe it will be very challenging to increase above-rail competition in this space... I know with the actual expression of interest that recently came out for the movement of livestock—the livestock transport service contract—all operators who submitted to that did not have background, commercial knowledge about the number of services, what time they ran, what the demand was, what the seasonal shifts were—any of those factors. We tried to help them*

<sup>420</sup> QTLC, Hansard Transcript, 7 May 2014:6

<sup>421</sup> Port of Brisbane, Hansard Transcript 25 Feb 2014:9

<sup>422</sup> Port of Brisbane, submission 10:1

<sup>423</sup> Port of Brisbane, Hansard Transcript 25 Feb 2014:9

*as best we could with that information. In summary, the impediments to above-rail relate less probably to capacity and more to the impediments to getting into that space.*<sup>424</sup>

## 10.2 Facilitating above rail competition - one approach to ensure better service

### **Opportunities in relation to delivery of the Transport Service Contracts**

The Department of Transport and Main Roads advised that the review of the contracts opens up opportunities to reshape the new contracts and look at increasing competitiveness:

*The most significant opportunity that we will have in the coming years is the review of the transport services contracts and how we shape and frame those particular contracts. At present the contract is a subsidisation for a particular above rail operator. That is a single above rail operator. We are determined to look at increasing competitiveness and competition into the rail market by bringing new operators into it and working out what other models we can look at, such as should subsidisation occur at the producer end as opposed to the above rail operator end and other things like that.*<sup>425</sup>

### **Opportunities in relation to below-rail infrastructure**

Both the QTLC and the Port of Brisbane agree that investment in below-rail infrastructure is critical to increasing above-rail competition, stating:

*... the condition and limitations of the rail network and the current level of investment into rail infrastructure does not provide an incentive for other operators to enter the market.*<sup>426</sup>

*Competition in above-rail operators is a critical factor to making rail attractive to users, but to enable and encourage more operators there needs to be investment in the rail systems and an access and regulatory environment that facilitates productivity and innovation.*<sup>427</sup>

### **Opportunities in relation to rolling stock availability**

One option currently under consideration by the Department of Transport and Main Roads is whether to acquire state-owned rolling stock to facilitate greater above-rail competition:

*... we may consider that the state acquires rolling stock and an above rail operator just has to acquire a locomotive to actually come to do a hook and pull. You can probably get a locomotive out of China for between \$4 million and \$6 million. That is still a lot of money, but not as expensive as \$14 million to \$15 million to do a whole consist... The other technological improvements that we are currently seeing are around rolling stock and multiuse type wagons. One day they are a cattle wagon and another day they are hauling either grain or fuel. Those particular technological improvements in terms of rolling stock are also enabling operators to consider how they enter the market... What we are seeing with some of the technological advancements in rolling stock and wagons is that that barrier is becoming less. The issue is that these guys have significant investment in existing rolling stock and they are going to want to write down that asset as much as possible before they buy new fleet.*<sup>428</sup>

<sup>424</sup> QTLC, Hansard Transcript, 25 Feb 2014:3

<sup>425</sup> TMR, Hansard Transcript, 12 Feb 2014:8

<sup>426</sup> QTLC, submission 9:10

<sup>427</sup> Port of Brisbane, Hansard Transcript, 25 Feb 2014:8

<sup>428</sup> TMR, Hansard Transcript, 12 Feb 2014:10

A number of witnesses, at the public briefing and hearings, have given support to the idea of the Government becoming involved as an owner of rail rolling stock including the Department of Agriculture, Fisheries and Forestry.<sup>429</sup>

JBS recommended:

*A clear Government policy position on the arrangements for entry by a new livestock rail service provider, including commercial arrangements for access to existing Government owned livestock rail wagons, surplus locomotives and required rail paths across the network.*<sup>430</sup>

Mr Neil Bruce also supported this idea stating:

*A small rail operator that has established interchange agreements and freight rates with main line operators has a much better chance of forwarding freight by rail than, say, an individual farmer. This benefits the small operator as well as the large operator and retains this freight to the rail industry. I believe that this type of operating model would serve the agricultural and livestock industries in Queensland very well. However, the destructive nature of the split up and sale of Queensland Rail needs to be arrested by some form of government legislation and assistance that will enable surplus above rail rolling stock of Aurizon to be quarantined for short line uses in lieu of scrapping sales to overseas buyers and caveats preventing local use and operation. I need to stress that this is not taking business away from larger operators; it is about asking the government to create the environment needed for this type of partnership that works for both parties, the rail industry and rural communities.*<sup>431</sup>

### 10.3 Committee comment and recommendations

#### Committee comment

The Committee was deeply concerned to hear repeated evidence from stakeholders raising concerns about the freight service delivered by the above-rail service provider. The fact that the rolling stock was transferred, and both freight Contracts were awarded, to only one above-rail operator has effectively delivered this operator a monopoly in the provision of rail freight services for livestock and general freight in regional areas.

The Committee supports the Department of Transport and Main Road's stated intention to try and facilitate above-rail competition and considers this a critical factor in addressing the significant issues currently being encountered in agricultural rail freight. We believe there are a number of factors which must be urgently addressed in order to generate competition including the terms of the new generation Transport Services Contracts; the provision of access to rail paths for new above-rail providers; and the availability of critical commercial information necessary for new entrants to assess the viability of services. Recommendations to assist in addressing these issues have been made in previous sections of this Report.

The Committee believes that it is critical for the Government to facilitate private operators' access to rolling stock and has noted the suggestions made by the Department of Agriculture, Fisheries and Forestry to facilitate this access.<sup>432</sup> The Committee also believes that there needs to be improved communication and co-operation between above-rail operators and the below-rail manager.

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<sup>429</sup> DAFF, Hansard Transcript, 12 Feb 2014:16

<sup>430</sup> JBS, submission No. 8:2

<sup>431</sup> Mr Neil Bruce, Hansard Transcript, 25 Feb 2014:14

<sup>432</sup> DAFF, Hansard Transcript 12 Feb 2014:16

Additionally, the Committee considers that it may be necessary for the Government (through Queensland Rail) to re-enter the rail freight business in the short term by providing rolling stock and services for agricultural freight until such time as private operators are able to provide the services.

The Committee was disturbed to learn that surplus and 'life-expired' rolling stock (which some witnesses have stated still has years of utility) is being sold internationally or disposed as scrap metal but is not being made available to alternative operators in Queensland. We believe that the Government should use whatever levers it has available to it, for example under the contracts it has with the above-rail operator, to compel Aurizon to give preference to Australian buyers of excess or unwanted stock where the offer is competitive.

#### **Recommendation 36 – facilitation of above rail competition**

The Committee recommends that the Minister for Transport and Main Roads investigate the following options for facilitating above-rail competition for agricultural freight in Queensland:

- leasing or other commercial arrangements that facilitate access to locomotives and rolling stock to alternative operators
- the waiving of, or rebate of, line access fees to incentivise third-party operators
- opportunities for Queensland Rail to operate hook and pull arrangements for private operators
- leasing rail stock owned by Queensland Rail to private operators
- opportunities for local government authorities to be involved in running train services allowing them to underwrite, lease or even own rolling stock; and be involved in the operation of associated infrastructure such as yards, loading facilities and depots.

#### **Recommendation 37 – Queensland Rail consider re-entering the freight business**

The Committee recommends that the Minister for Transport and Main Roads assess the benefits of Queensland Rail re-entering the agricultural and general rail freight business, in the short term, through the provision of both the rolling stock and above-rail services until alternative operators are ready to provide services.

#### **Recommendation 38 – rolling stock**

The Committee recommends that the Department of Transport and Main Roads:

- undertake an independent assessment of the remaining useful life in the existing Aurizon rolling stock and investigate options for purchasing back the rolling stock at the end of the current Transport Service Contracts or when/if Aurizon plans to decommission any of its current rolling stock
- ensure that any rolling stock bought back under these circumstances be made available to third party, above-rail operators under commercial leasing arrangements.

#### **Recommendation 39 – rolling stock disposal**

The Committee recommends that the Government use whatever levers it has available to it, for example under the contracts it has with the above-rail operator, to compel Aurizon to give preference to Australian buyers of excess or unwanted rolling stock where the offer is competitive.

**Recommendation 40 – freight data for alternative above rail service providers**

The Committee recommends that the Minister for Transport and Main Roads ensure that potential new operators are provided with freight data and future freight needs modelling as well as transparency of any relevant Queensland Rail charges, and any other relevant charges, to ensure they have access to the information necessary to develop an adequate business plan.

**Recommendation 41 – train path allocation for alternative rail service providers**

The Committee recommends that the Minister for Transport and Main Roads ensure that sufficient train path allocations are made available to third-party, above-rail operators to enable them to compete in the market.

**Recommendation 42 – improved communication between above and below rail operators**

The Committee recommends that the Freight Authority investigate ways to ensure there is improved communication and co-operation between above and below rail operators.

## 11 Data and information availability

As noted at the beginning of this Report, the Committee has been hindered in undertaking this Inquiry by the lack of available agricultural freight data at both a commodity level and at a road and rail corridor level and is also concerned that the lack of accurate, up-to-date data makes managing and monitoring the freight system extremely difficult and limits the ability of the Government to undertake modelling on future needs.

AgForce referred to this issue as limiting its submission:

*Whilst every effort has been made to provide the Committee with a comprehensive Submission, the following limitations are noted:*

- *Lack of access to commercially sensitive data held by service providers (Aurizon) and service contractors (Meat processors and GrainCorp).*
- *Lack of current freight flow data as a whole that captures the complexity of agricultural supply chains within Queensland.*<sup>433</sup>

Queensland's "Moving Freight" strategy highlighted the critical need for freight information and data as an input to managing and monitoring the performance of the freight system, including maintaining the system to a 'fit for purpose' standard and building new infrastructure. However, the strategy concluded that access to this data is limited:

*While governments have broad access to information about elements of the system they lack the detailed information about the level, nature and timing of freight demand across all modes to accurately inform specific system and corridor needs. This information is generally available, to and held by, industry as a result of commercial negotiations with customers.*

*There have been instances where industry has a shared freight data and information for the benefit of freight decision making. However, industry's willingness to share information has been limited due to intellectual property and commercial-in-confidence issues.*<sup>434</sup>

The Queensland Transport and Logistics Council confirmed that there are a number of gaps in the freight data available and that much of the rail freight mapping data is time-dated or not available due to a commercial-in-confidence rationale.<sup>435</sup> The Council summed up this issue: "*...with a shift further towards the privatisation model of freight services, commercial-in-confidence clauses are probably the single greatest enemy to the data that the State maintains on freight movements and the value of freight movements.*"<sup>436</sup>

The *Strengthening Queensland's Supply Chains 2013-2015* report spells out the critical importance of data collection and analysis:

*It is important to understand and map supply chains and freight flows in order to identify critical freight infrastructure and blockage points, and plan for the forecast growth to provide infrastructure, minimise impacts on communities and invest for better outcomes.*

<sup>433</sup> AgForce, submission 21:5

<sup>434</sup> TMR, *Moving Freight*, 2013:48

<sup>435</sup> QTLC, *Strengthening Queensland's supply chains 2013-2015*:29

<sup>436</sup> QTLC, Hansard Transcript, 7 May 2014:1



*A number of TMR sources present freight flows in Queensland, however, many of these are now out of date and do not report corridor level information on the freight volume being moved.*<sup>437</sup>

The Council points out that limited freight data is an issue in all States other than NSW. It reports that Transport for New South Wales has overcome data weaknesses in its draft “Freight and Ports Strategy” which uses robust freight data to determine the policy and investment that enables industry to invest with more confidence.<sup>438</sup> *“NSW has developed a Strategic Freight Model which can be used to determine freight capacity constraints by transport mode, both now and in the future; provide inputs for cost benefit analysis and investment decision making and provide inputs for regional planning.”*<sup>439</sup>

The Council suggests that the model could also be used to prioritise key freight routes, assist with their incorporation into local government planning schemes, and inform the planning of freight infrastructure. It further advised that the model was reportedly developed within a 12-month timeframe at a relatively low cost of well under \$1 million.

While Queensland does not have an equivalent strategic freight model, the Council argues that the Government has the capacity to leverage existing data and models to develop a similar model which would deliver the same benefits, including providing 10 and 20 year forecasts of road and rail demand.

The Queensland Transport and Logistics’ Council has recommended that the Queensland Government give high priority to developing a whole-of-Queensland Strategic Freight Model of at least equivalent capability to the NSW Strategic Freight Model and it has provided detailed suggestions for how the model should be developed.<sup>440</sup>

The Council acknowledges the concerns industry may hold regarding the release of commercial information and suggests that these concerns be managed by giving consideration to whether a Queensland Strategic Freight Model should be developed within government or hosted by a third party such as the Council itself, the Centre for Transport, Energy and the Environment, CSIRO or a university, provided the entity has demonstrated freight modelling capability and approved governance process.<sup>441</sup>

The Council has also suggested the Department of Transport and Main Roads could leverage its existing data by undertaking the following actions:

- collecting and using data from other agencies such as the Department of State development, Infrastructure and Planning, the Department of Agriculture, Fisheries and Forestry, and the Department of Natural Resources and Mines as well as local governments and the private sector for key mining and agricultural industries to improve the development and availability of consistent and reliable freight movement information
- work with the New South Wales and Northern Territory agencies to determine the road and rail freight flows crossing the Queensland border

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<sup>437</sup> QTLC, Strengthening Queensland’s supply chains 2013-15:26

<sup>438</sup> QTLC, Strengthening Queensland’s supply chains 2013-15:29 and 34

<sup>439</sup> QTLC, Strengthening Queensland’s supply chains 2013-15:37

<sup>440</sup> QTLC, Strengthening Queensland’s supply chains 2013-15:37-38

<sup>441</sup> QTLC, Strengthening Queensland’s supply chains 2013-15:38

- develop a rail freight map that specifies volumes and flow (similar to the road freight map).<sup>442</sup>

The Committee heard about the innovative use of existing data in a recent initiative by the Department of Agriculture, Fisheries and Forestry, the Federal Government and the Northern Territory and Western Australian governments who have commissioned CSIRO to develop a logistics tool exclusively for the northern livestock industry, for the first time utilising movements recorded in the National Livestock Identification System. The tool incorporates data from over 50,000 properties, 88,000 origin-to-destination combinations and over 1.5 million recorded vehicle movements on primary, secondary and other roads.

*The logistics tool can be used by both government and industry to identify pinch points in regional transport areas, as well as plot transport flows across the state. It can be used by businesses, such as meat processors, to identify where freight efficiencies can be found and also used to prioritise essential infrastructure requirements for the movements of livestock into the future.*<sup>443</sup>

### 11.1 Committee comment and recommendations

#### Committee comment

The Committee understands that there is only limited freight data available and that this is mainly due to intellectual property and commercial-in-confidence issues. The committee is sympathetic to the concerns industry may have regarding the release of such information.

However, the Committee is seriously concerned that the current lack of freight data makes it difficult for government to understand and map supply chains in order to identify critical freight infrastructure and blockage points, and plan for the forecast growth in the agricultural sector. Improved data collection and analysis is critical to understanding, managing and influencing agricultural supply chains.

The NSW Strategic Freight Model appears to provide a solution to this issue and was reportedly implemented in a short time-frame and at a relatively low cost. The Committee supports the suggestion made by the Queensland Transport and Logistics Council that industry may co-operate with providing data confidentially to a third party such as a university with approved governance processes and then for that entity to undertake the necessary freight modelling to enable government and the private sector to plan for forecast growth.

We also support the proposal that the government departments leverage existing data by working together with other government agencies, local government and the private sector. An example of this innovative use of data is the Department of Agriculture, Fisheries and Forestry's work with other governments to facilitate the development of a logistics tool by CSIRO. This tool uses existing National Livestock Identification System data to plot livestock transport flows across the state, identify where freight efficiencies can be found and to prioritise essential infrastructure requirements for livestock movements into the future.

<sup>442</sup> QTLC, Strengthening Queensland's supply chains 2013-15:29

<sup>443</sup> DAFF, Hansard Transcript, 12 Feb 2014:14

**Recommendation 43 – strategic freight model**

The Committee recommends that the proposed Freight Authority oversee the development of a Queensland Strategic Freight Model as a priority so as to improve:

- the Government’s capacity to understand and map supply chains and freight flows, identify critical freight infrastructure and blockage points, and plan for the forecast growth in agricultural commodities
- the information available to third parties such as above rail service providers, industry representatives, and infrastructure proponents.

**Recommendation 44 – collection of data**

The Committee recommends that the proposed Freight Authority investigate using an independent third party (such as the Queensland Transport and Logistics Council or a university) to collect and analyse the commercial in confidence data from the freight industry to inform the Strategic Freight Model.

**Recommendation 45 – leveraging existing freight data**

The Committee recommends that the proposed Freight Authority work closely with relevant government agencies, local governments and the private sector to leverage existing freight data with the aim of developing a rail freight map that specifies volumes and flow across the State (similar to the Department of Transport and Main Road’s road freight map).

## Appendices

### Appendix A – List of Submissions

Sub #	Submitter
1	MAA Livestock and Property Pty Ltd
2	Quilpie Shire Council
3	CHRC – Central Highlands Regional Council
4	Australian Cotton Shippers Association
5	The North Australian Pastoral Company Pty Limited
6	Mr Neil Bruce
7	Aurizon
8	JBS Australia Pty Limited
9	QTLC – Queensland Transport and Logistics Council
10	Port of Brisbane Pty Ltd
11	Freight Terminals
12	Queensland Murray-Darling Committee
13	Nick Montague
14	Australasian Railway Association
15	GrainCorp Operations Limited
16	Oakey Abattoir
17	Maranoa Regional Council
18	Barcoo Shire Council
19	Wilmar Sugar
20	Balonne Shire Council
21	AgForce Queensland
22	Australian Sugar Industry Alliance Limited
23	Kym C Jerome – Regional Organisation of Communities of Cape York
24	Banana Shire Council

## Appendix B – Witnesses at public briefing and public hearings

**Witnesses at public briefing held in Brisbane, Wednesday 12 February 2014****Department of Transport and Main Roads**

Mr Sal Petrocchio, General Manager, Roads, Rail and Ports, System Management Branch  
 Mr Damian Colclough, Executive Director, Freight, Ports and Governance Unit

**Queensland Rail**

Mr Glen Doyle, Regional Manager Supply Chain South, Access and Business Strategy  
 Mr Andrew Matthews, Acting Executive General Manager, Access and Business Strategy

**Department of Agriculture, Fisheries and Forestry**

Mr Malcolm Letts, Executive Director, Regions and Industry Development  
 Dr Beth Woods, Deputy Director-General

**Witnesses at public hearing held in Brisbane, Tuesday 25 February 2014****Queensland Transport and Logistics Council**

Dr Rebecca Michael, CEO

**Australasian Railway Association**

Mr Bart Mellish, Manager, Freight Policy

**Port of Brisbane Pty Ltd**

Mr Peter Keyte, General Manager, Trade Services

**Thiess Australia**

Mr Rob Moffat, Development Manager, Rail

**Private Capacity**

Mr Neil Bruce

**Witnesses at public hearing held in Brisbane, Wednesday 5 March 2014****AgForce**

Mr Grant Maudsley, Transport and Infrastructure Committee  
 Mr Wayne Newton, President, AgForce Grains

**Australian Cotton Shippers Association**

Ms Eimear McDonagh, Chair  
 Mr Phil Ryan, Director

**Cotton Australia**

Mr Michael Murray, Queensland Policy Manager

**Australian Sugar Industry Alliance Limited**

Mr David Langham

**Canegrowers (Member of ASA)**

Mr Jonathan Pavetto, Policy Officer

**Australian Sugar Milling Council (Member of ASA)**

Ms Jacqui Willcocks, Executive Officer, Policy and Government Relations

**JBS Australia Pty Ltd**

Mr Brett Campbell, Livestock Manager

Mr John Berry, Director, Regulatory and Corporate Affairs

**The North Australia Pastoral Company Pty Ltd**

Mr Geoff Kingston, General Manager, Growing and Marketing

**CSIRO**

Ms Jen Baxter, Executive Officer, Environment Group

Dr Andrew Higgins, Principal Research Scientist

**Witnesses at public hearing held in Toowoomba, Monday 7 April 2014**

**Oakey Abattoir Pty Ltd**

Mr Pat Gleeson, General Manager

**Goondiwindi Regional Council**

Councillor Graeme Scheu, Mayor

**Toowoomba Regional Council**

Councillor Mike Williams, Deputy Mayor

**Witnesses at public hearing held in Toowoomba, Monday 7 April 2014**

**GrainCorp Ltd**

Mr Angus Trigg, Director, Government and Media Relations

Mr Kevin Doggett, Development Manager, Business Improvement

**Witnesses at public hearing held in St George, Monday 7 April 2014**

**Cubbie Group**

Mr Paul Brimblecombe, Chief Executive Officer

**Thallon Grains**

Mr Andrew Earle, Partner

**AgForce**

Mr Bill Willis, Southern Inland Queensland

**Balonne Shire Council**

Councillor Donna Stewart, Mayor

**Witnesses at public hearing held in Charleville, Tuesday 8 April 2014****Murweh Shire Council**

Councillor Denis Cook, Mayor  
Mr John Nicholson, Economic Development Officer

**Victoria Downs, Morven**

Mr Will Roberts, AgForce Member

**RJ Loveday Transport Pty Ltd**

Mr Dick Loveday

**Witnesses at public hearing held in Brisbane, Monday 14 April 2014****GrainX Australia**

Mr Chris Hood, Chief Executive Officer

**Witnesses at public hearing held in Cloncurry, Wednesday 16 April 2014****Cloncurry Shire Council**

Mayor Andrew Daniels

**CuDECO Ltd**

Mr John Green, Logistics Manager

**AgForce**

Mr Peter Hall, Cattle Vice President

**Carpentaria Rail**

Mr David Fletcher, Chief Executive Officer

**Witnesses at public hearing held in Rockhampton, Monday 28 April 2014****Banana Shire Council**

Mr Vaughn Becker, Councillor  
Mr Ray Geraghty, Chief Executive Officer  
Mr David Snell, Councillor

**Central Highlands Regional Council**

Mr Peter McGuire, Mayor

**AgForce**

Mr Peter Anderson, Central Queensland Regional President  
Mr Frank Murray, Central Queensland Regional Manager

**Witnesses at public hearing held in Longreach, Tuesday 29 April 2014****Barcoo Shire Council**

Mr Ian Groves, Councillor and AgForce Cattle Director

**Gregory Electorate Office**

Mr Vaughan Johnson MP, Member for Gregory

Ms Nicki Heslin, Electorate Officer

**PJ Ballard**

Mr Peter Ballard, Town Carrier, Longreach

**Witnesses at public hearing held in Townsville, Monday 12 May 2014****Townsville City Council**

Mr David Lynch, Manager, Economic Development and Strategic Projects

**Australian Livestock and Rural Transporters Association**

Ms Liz Schmidt, President

**Burdekin Shire Council**

Councillor Bill Lewis, Mayor

**Private Capacity**

Mr Don Heatley, North Queensland Cattle Producer

**Charters Towers Regional Council**

Mr Ramon Jayo, Director, Planning and Environment

**Mirriwinni Lime Pty Ltd**

Mr Rob Wilkins

**Witnesses at public hearing held in Brisbane, Monday 26 May 2014****Department of State Development, Infrastructure and Planning**

Mr Steve Kanowski, Chief Economist, Executive Director, Infrastructure Policy and Planning

**Witnesses at public hearing held in Brisbane, Wednesday 4 June 2014****Aurizon**

Ms Prue Mackenzie, Vice President Marketing

Ms Allyson Madsen, Stakeholder Relations Manager

Mr Ravi Sheshadri, Key Account Manager



## Statements of reservation

**DESLEY SCOTT MP**

SHADOW MINISTER FOR COMMUNITY SERVICES AND CHILD SAFETY

SHADOW MINISTER FOR MENTAL HEALTH

SHADOW MINISTER FOR WOMEN AND SENIORS

SHADOW MINISTER FOR MULTICULTURAL AFFAIRS

MEMBER FOR WOODRIDGE

PO Box 15057, City East QLD 4002

[reception@opposition.qld.gov.au](mailto:reception@opposition.qld.gov.au) (07) 3838 6767

Mr Howard Hobbs  
Chair  
Transport, Housing and Local Government Committee  
Parliament House  
George St  
Brisbane QLD 4000

Dear Chair

**Statement of Reservation: Report on Rail freight use by the agriculture and livestock industries**

I write to lodge a Statement of Reservation concerning the Transport, Housing and Local Government Committee's report on rail freight use by the agriculture and livestock industries.

The Opposition broadly supports the sentiments of the Committee's report. Better ways of delivering infrastructure, planning and management of rail freight is highly desirable and the economic benefits for Queensland are obvious.

We remain concerned, however, that not enough attention is being paid at present to the impact that increasing rail freight movements have and will have on urban population centres throughout the state. There are obvious issues with respect to noise and dust emissions that need to be actively addressed. As rail freight movements increase, these issues will become more pronounced.

We also question whether providing increased and additional subsidies for agricultural rail freight is affordable at a time when the Government is proposing \$33bn worth of asset sales.

Further, given that the Federal Government has signaled its future intention to privatise the Australian Rail Track Corporation (ARTC), the Queensland Opposition would not be supportive of moves to transfer freight lines to the ARTC while there remains a prospect that those rail lines could ultimately be disposed of through an asset sale.

Yours sincerely

A handwritten signature in black ink that reads "Desley C. Scott".

Desley Scott MP  
Member for Woodridge

16 June 2014



Howard Hobbs MP  
Chair of the Transport, Housing and Local Government Committee  
Parliament House  
George Street  
BRISBANE QLD 4000

Dr Mr Hobbs,

**Statement of reservation re final report and recommendations arising from the committee's inquiry into rail freight use by the agriculture and livestock industries**

On behalf of the Palmer United Party (Queensland) I wish to notify the committee of our reservations regarding the final report to be tabled following the above mentioned inquiry. Particular concerns and issues as relevant to the report and recommendations will be provided at a later time in accordance with procedures.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Carl Judge".

Carl Judge MP  
Member for Yeerongpilly