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Mark Curry  
A/G Executive Director  
Freight Logistics Marine  
Dept. of Transport

## **Victorian Rails Access Regime Consultation Paper**

### **The Victorian Farmers Federation**

The Victorian Farmers Federation (VFF), Australia's largest state farmer organisation and only recognised consistent voice on issues affecting rural Victoria, welcomes the opportunity to comment on the National Penalties Framework.

Victoria is home to 25 per cent of the nation's farms. They attract neither government export subsidies nor tariff support. Despite farming on only three per cent of Australia's available agricultural land, Victorians produce 30 per cent of the nation's agricultural product. The VFF represents the interests of our State's dairy, livestock, grains, horticulture, flowers, chicken meat, pigs and egg producers.

### **Introduction**

The VFF appreciates the opportunity to comment on the Victorian rail Access Regime Consultation paper.

Farmers, particularly those in the grains industry rely on the rail network to efficiently transport produce to export terminals. Rail is the only viable means of assembling large cargoes at port throughout the export year. Rail provides the scale of movement required to deliver sufficient grain to port in the time frame necessary to avoid substantial costs being added to industry and grain growers.

There have been considerable changes in the rail industry and the grain industry since the State Government decisions to buyback the under-wheel infrastructure in 2007. It is extremely important that the rail system is both invested in appropriately to be suitable for the task, and to ensure access to the under-wheel asset encourages competition and use, especially considering the environmental benefits train freight offers over truck freight. Rail provides the most efficient and environmentally sensitive way to move large volumes of grain to port destinations. It is also extremely important for rail pricing to remain competitive with road.

### **Comments on the Consultation Paper**

#### **Conflict resolution**

A notably source of conflict and loss of productivity for the sector is the relegation of bulk freight as a lesser priority over passenger service. There is a very real **public benefit to** keeping bulk freight food production on rail. As outlined in Appendix One following this letter there are many non-market reasons to ensure as much bulk freight is moved by rail. Access regime, dispute resolutions process and access pricing have a direct impact of the attractiveness of using this form of

transportation. There are some very clear reasons to re-prioritise rail back to bulk freight and need for public investment/subsidising Rail infrastructure.

There is also appears to be a conflict of interest to have V/Line managing the below rail network and also being the above rail regional passenger operator which has priority over freight. This includes the adverse impact passenger priority can have on efficient freight operations to the detriment of the policy to maximise freight n rail. While we do not operate trains seeking access, this perceived conflict of interest is a concern to farmers. Inefficient use of the freight supply chain ultimately becomes a cost born by the farmer who producers the product to be exported.

## **Competition**

A focus of the Access regime should be to foster competition in not only the freight industry but should also for healthy competition at either end of the supply chain. There is a strong link to the access to upcountry silos, access to export position and the ability of grain marketers to compete for farmers' grain. Rigorous competition on the rails is good for farmers and regional Victoria.

A concern of the VFF is the potential for highly vertically integrated businesses that have the ability to exclude some businesses, without rail access there is a the very real potential for a vertically integrated supply chain owned and controlled by a single company that does not promote competition.

We acknowledge that section 5(b)(iii) of the Competition principles Agreements states:

*(iii) not allow a vertically integrated access provider to set terms and conditions that discriminate in favour of its downstream operations, except to the extent that the cost of providing access to other operators is higher;*

Since the access provider is not a grain handler this concern is reduced, but it does remain a concern with regard to the conflict of interest with the passenger service mentioned earlier in this submission.

Also, it is worth discussing if the rail sidings at up-country silos or at Port position should be 'declared' assets subject to the access regime. This may facilitate access from other potential grain marketers and facilitate competition in the purchase, transport and export of grain from Victoria. Based on the competition principle stated in the paper which is "...where access to a facility is essential to facilitate competition and it is not feasible to economically duplicate the facility...", there appears to be reason to consider these sidings to be subject to the Access regime.

As mentioned previously, the VFF's primary interest with the VRAR is its ability to facilitate competition. The ability for an up-country silo operator to excluding a competitor from using their rail siding would concern us from the competition perspective. We would have similar concerns in cases where regional container terminals have an ability to reduce competitors' efficiency due to strategic asset ownership and unfair access arrangements.

## **The Need for the Access regime**

The fundamental question of this review is to determine if an access regime is needed in Victoria, in light of recent developments in the rail industry and the general move to National consistency with regulation.

There is obviously no easy answer to this question especially since the State government has taken over ownership of the non ARTC freight network but the VFF feels that there appears to be evidence supporting a light-handed Access Regime. The benefits of a light handed approach would be to provide certainty to the access seekers and also outline recourse for dispute resolution, depending on the type of regime chosen.

Thank you for the opportunity to comment and if you wish to discuss further please contact Steve Sheridan, Grains Manager (03 9207 5534)

Kind regards,



**Peter Tuohey**  
President  
Victorian Farmers Federation  
M: 0428 952 425  
Email: [ptuohey@vff.org.au](mailto:ptuohey@vff.org.au)

## Appendix One: The Policy goal of moving more freight by Rail

While the reason for government support for increasing the rail share of freight movement may be beyond the scope of this issues paper, we feel it is important to at least mention. Appropriate policy and pricing settings for rail access is required to ensure ongoing use of the network by exerting competitive pressure on the truck freight especially considering the triple bottom line benefits to rail; below is a brief listing of non-competition reasons for government support for access.

### Environmental Impacts

The environmental advantages of rail over road for long haul grain transport cannot be overlooked. Rail is generally deemed to be more energy efficient, with less greenhouse effect impacts and neighbourhood noise issues. A typical truck emits roughly three times more nitrogen oxides and particulates than a locomotive on a ton-km comparison<sup>1</sup>. This clearly makes the rail option much more environmentally friendly over rail. Also, according the National Greenhouse Gas Office<sup>2</sup>, road use is by far the largest contributor to greenhouse gases within the transport industry while rail is considerably lower.

**Estimated Greenhouse Gas Emissions (2005) – CO<sub>2</sub> equivalent (Gg)**

Gas Source	CO <sub>2</sub>	CH <sub>4</sub>	N <sub>2</sub> O	Total
Road	68,795	457	1,398	70,650
Rail	2,115	2	19	2,136
Civil Aviation	5,086	1	49	5,136
Domestic Aviation	2,282	127	12	2,421
Other	46	0	0	46

Notes: CO<sub>2</sub> carbon dioxide; CH<sub>4</sub> methane; N<sub>2</sub>O nitrous Oxide

The issue of greenhouse gas emissions and their impact on climate variability are clearly an important issue for Victorians. Since large trucks can emit more than three times the N<sub>2</sub>O and particulates than rail coupled with the fact road transport is already the largest contributor of greenhouse gases, there should be a concerted effort to use the rail network as much as possible. A policy supporting the current share of rail freight over road and encouraging the move of road freight on to rail will assist the existing government policy on reduction of greenhouse gases.

Local amenity is also highly relevant to townships located on road routes used by trucks, particularly since most wheat belt towns and many ports are not serviced by truck by-passes, whereas railways typically skirt towns. Rail movements are also far less frequent than truck movements. In addition, the existing wood chip industry relies heavily on road transport for movement to port. This is already causing a large amount of traffic and road damage. Adding any amount of grain road freight will only exacerbate the existing conditions. This will impact both regional areas and metropolitan areas surrounding the ports.

<sup>1</sup> EPS U.S. figure.

<sup>2</sup> Australian Greenhouse Gas Office, National Greenhouse Gas inventory 2005, <http://www.greenhouse.gov.au/inventory/2005/pubs/inventory2005.pdf>

### **Cost Shifting**

The gradual abandonment of the rail network in favour of road transport will transfer infrastructure costs from the state government tier to local government via road maintenance bills. This transfer will also largely land on the state road maintenance budgets as much of the additional traffic will be travelling on State run roads.

### **Freight price stability**

The existence of rail services at the local level is seen as providing a cap on the level of road freight pricing offered. Road hauliers need to price their services competitively with the rail freight price to win business. This is particularly important in more distant regions where road freight would be very expensive in the absence of a network rail freight regime. The absence of back-loading opportunities and minimal competition for trucking companies in these areas would lead to freight increases and high variation in prices on a 'spot' market for trucking.

### **Harvest clearance**

Rail has always been used to assist growers in busy seasons at harvest time. If a silo is filling more rapidly than expected with a particular grade or variety, a trainload can be transferred either to a 'sub-terminal' such as Murtoa or Dunolly or to port, thus allowing local growers to continue delivering to their silo of choice. The alternative is to leave grain on farm, where it is exposed to weather or short term storage quality risks, or to deliver to a more distant silo at a greater cost. The cost of any trucking tends to increase at harvest time, so the use of a rail service for this purpose can be vital to a grower community.

### **Road safety**

The pressure on the road network from increasing the volume of grain being transported by road will be substantial. For every one million tonnes of grain to be exported this year by road, the task would require a minimum of 25,000 B-double movements, travelling 15 million kilometres (Or 50,000 one-way trips). In a situation where rail is not supported by government, leading to all export supplies sent to port by road, the result would be over 80,000 B-doubles on the road with a truck delivery at a port every 2.4 minutes. And this is not even considering deliveries of non-grain exports. The impact of this traffic on rural roads and highways would be dramatic in terms of accidents as well as road maintenance costs.