



SAFC

SOUTH AUSTRALIAN FREIGHT COUNCIL



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12 May 2017

Attn: Inquiry into SA Bulk Grain Supply Chain Costs
Essential Services Commission of South Australia
GPO Box 2605
Adelaide SA 5001

Via electronic submission

Dear Sir / Madam

RE: Inquiry into SA Bulk Grain Supply Chain Costs.

On behalf of the South Australian Freight Council's (SAFC) Executive Committee and Membership I thank you for the opportunity to comment during the initiation phase of the Inquiry into SA Bulk Grain Supply Chain Costs.

As you may be aware, SAFC is the State's peak, multi-modal freight and logistics industry group that advises all levels of government on industry related issues. SAFC represents road, rail, sea and air freight modes and operations, freight services users and assists the industry on issues relating to freight logistics across all modes.

SAFC supports the commission of this enquiry on the basis that it may offer insight into where elements of the grain supply chain can be improved to deliver lower costs and enhanced profit to farmers, and increased benefit to the state. We encourage ESCOSA to be forward looking and to focus on where efficiencies can be delivered for the future – it is here that the greatest benefits will be delivered for all supply chain parties.

The importance of the grain supply chain to South Australia cannot be understated – and neither should its complexity.

Each year some 3000 SA grain growers deliver grain to approximately 90 up country receival sites, to be transported by two modes (road and rail) to eight export ports, as well as other locations for domestic use.

The grain logistics system needs to be able to handle significant variations in volume – from drought years to bumper harvests such as the 2016/17 season (where 11.1 million tonnes was produced). Export volumes (production minus domestic use) have varied from as large as 7.5 million tonnes to as low as 1.9 million tonnes over the last decade.

This massive potential volume variation is a significant cost to the system. The infrastructure that must be available to service a bumper year must still be maintained and paid for in years of lower yields, where it may not be used at all.

Over the past decade the importance of rail in the grain logistics task has declined, which is a concern. This has occurred due to deteriorating track conditions, which in turn have reduced maximum axle loads and train speeds.

Investment in regional grain rail networks is a tough business proposition for any track owner. In the rail industry large, dependable volumes are usually required in order for

companies to have the confidence to make multi-million dollar investments. In supporting other industries such as mining, rail companies are able to rely on long term contracts with guaranteed volumes to provide surety for their infrastructure investments. As noted above, that surety of volume and hence return is simply not possible for grain lines.

As such, rail's modal share of the grain export task is declining, which places increased load (and cost) on the publically owned road network; and increases associated safety risks. We ask that the Commission look to options for increasing rail's share of the grain transport task, particularly on the Eyre Peninsula which has existing lines and production volumes that on average may support such a system.

As ESCOSA undertakes the requirement to examine bulk grain export supply chain costs we note that comparison with costs in other jurisdictions involving other supply chains and supply chain players, while initially seeming an enticing option, may not deliver accurate results and could skew further analysis that relies upon it. Grain Producers SA recently made this point in an article, noting that differences in infrastructure, availability of transport and transport agreements, regulations, as well as overall differences in storage and handling infrastructure all affect the outcome (<http://grainproducerssa.com.au/latest/news/location-differentials-vary-across-australia/>).

SAFC will follow this inquiry with interest, and looks forward to further participation. We note the Treasurer's instruction does not include a specific requirement for ESCOSA to consult publically on its draft report, but would welcome the opportunity to do so either formally or informally.

Should you wish to discuss any element of this submission further, please feel free to contact me on (08) 8447 0664 or via email knapp.evan@safreightcouncil.com.au.

Yours Sincerely,



Evan Knapp

Executive Officer, SA Freight Council.