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Vashti Maher
Senior Economist
The Essential Services Commission of South Australia

By email: escosa@escosa.sa.gov.au

27 March 2020

Dear Ms Maher

RE: South Australian Rail Access Regime Review

Grain Producers SA (GPSA) is the peak industry body for South Australian grain growers. GPSA is non-political and represents producers to government, the community and industry, including grain marketers, exporters, storage and handlers, researchers and farm input suppliers.

We develop and implement policies and projects that promote the economic and environmental sustainability of South Australian grain growing businesses.

We welcome the opportunity to provide this written submission to the Essential Services Commission of South Australia (Commission) on the South Australian Rail Access Regime Review.

As the peak industry body for South Australian grain growers, I confirm that GPSA would be willing to provide further comment prior to the Commission forming a view as to whether or not the regime should continue from 31 October 2020 for a period of five years.

If you have any queries, please don't hesitate to contact me on 1300 734 884.

Yours sincerely



Caroline Rhodes

Chief Executive Officer

Submission by Grain Producers SA (“GPSA”) in response to the Essential Services Commission of South Australia’s Rail Access Regime Review

- 1. What factors have led to the movement away from rail transport in favour of road? Are these factors likely to be permanent, or could market or regulatory changes lead to an increase in demand for rail?*

South Australia’s Eyre Peninsula has lost access to rail freight for bulk grain commodities, following the loss of a similar service in SA’s Mallee region in 2015.

Until its close, the Eyre Peninsula Railway was operated by Genesee Wyoming Australia (‘GWA’) to service a sole customer -Viterra- in transporting bulk grain commodities from receival sites along the Peninsula to Viterra’s port terminal in Port Lincoln.

Viterra publicly cited concerns with the condition of the railway line and other operational restrictions on the line that resulted in a loss of cost-efficiency when compared to road freight. Viterra have also publicly stated that they would seek to re-utilise rail freight for bulk grain commodities if that mode of transport was later found to be more efficient than road freight.

Following a study on the future of freight transport on the Eyre Peninsula, the South Australian Government identified a package of road upgrades as the best option to ensure efficient movement of grain in the region by road freight. It is expected that, when completed, these works will alleviate impacts from the transition away from rail, in addition to delivering greater community-wide benefits.

It is therefore apparent to GPSA that the key reason for the abandonment of rail transport on the Eyre Peninsula in favour of road freight is the cost efficiencies and flexibility that road freight provides. It is unlikely that market or regulatory changes would have a sufficient impact on the EP railway except where those changes positively affected operational restrictions.

GPSA also notes that large portions of the railway were in poor condition, resulting in speed restrictions to 85% of the railway. According to publicly available documents, some parts were restricted to between 20-30km/h, further exacerbating cost inefficiencies when compared to road freight. In addition, the efficiency of the end-of-line port facilities was limited by the necessity of breaking up trains in order to accommodate them in the marshalling area.

- 2. For which declared rail infrastructure services is competition sufficient that parties would reach competitive access arrangements in the absence of the regime?*

As stated in GPSA’s 2015 submission to the ESCOSA 2015 South Australian Rail Access Regime Review, GPSA believes the Access Regime has in part enabled railways to operate for longer than would be the case in an unregulated marketplace. The Access Regimes requirement of

open communication makes for an orderly marketplace where an opportunity for new entrants to consider and be considered for rail access is afforded. Put simply, the Access Regime keeps the players open and honest in their approach, including in pricing negotiations.

- 3. To what extent do parties rely on the access regime in negotiations for access to declared rail infrastructure services? Please specify the rail lines for which access was sought, and any difficulties in gaining access. What other benefits does the access regime deliver?*

GPSA has no relevant information to offer in relation to this question.

- 4. What are the direct and indirect costs of the access regime? Please provide qualitative or quantitative evidence.*

GPSA has no relevant information to offer in relation to this question.

- 5. To what extent would the national access regime apply to intrastate rail infrastructure services in the absence of a state regime? What would be the costs and benefits of regulating access arrangements through the national regime?*

The benefit of regulating access through the national regime depends on the impact of the compliance cost borne by stakeholders that operate across multiple regimes.

- 6. What is the value in continuing the access regime as insurance in the event that demand for rail transport services increases?*

GPSA supports the continuation of the South Australian Access Regime to enable effective, and more efficient access negotiations to ensure railway access arrangements are fair for all parties

- 7. What would be the costs and benefits of introducing a mechanism for stakeholders to seek to have rail infrastructure services declared or excluded from the access regime, and what form should it take (for example, should coverage be included in the periodic review of the access regime)?*

What would be the risks (if any) if it was to expire?

In GPSA's 2015 submission to the ESCOSA 2015 South Australian Rail Access Regime Review, noted that the rising cost of rail would make rail more uncompetitive and hasten its demise given the characteristics of single user stranded railway lines.

The absence of Access Regime's may impact on use of the rail network for the efficient movement of grain across the State to support exports, regional businesses and associated employment.

8. *What other changes could improve the efficiency or effectiveness of the current regime? Please explain with reference to the costs and benefits that would accrue to each relevant party.*

GPSA suggests that Government undertake a comparison between South Australia's current regime and the changes implemented as a result of a review of the Western Australian Railways (Access) Code 2000.