

GRAIN RAIL FREIGHT IN AUSTRALIA



As wheat exports begin to increase, through a better season, rail freight is beginning to emerge as an issue for Australia's grain industry.

Over recent years Australia's rail freight capacity to transport grain from silo to port has not been fully utilised.

Benefits of rail freight

Rail transport is a high volume transport option and has economic, social, safety and environmental benefits.

Ports are geared to receiving grain by rail not road, and grain delivered by rail allows storage times, at port, to be kept to a minimum.

However, competitive forces and a rationalisation process within the grains industry has increased grain tonnage being transported by road.

Some of the issues

The common issues surrounding the quality of the rail freight service in Australia include:

- > carbon emissions; road versus rail
- > closure of rail lines adding traffic pressure to roads, with additional costs to all road users
- > different rules for train and crews in each State, stemming from different authorities/local councils
- > reduced maintenance of rail infrastructure causing trains to run at slow speeds and at reduced tonnage
- > delays on single lines, where passenger and grain trains wait to pass at sidings and cross loops.

If Australia is to build a sustainable grain freight industry to assist in competing effectively in the global market, there are lessons which can be learnt from systems which already work effectively overseas.

Lessons from the USA¹

The USA has been a deregulated market for some time, and systems have evolved to even out the seasonal demands for grain shipment.

To manage and overcome many supply chain issues an increased emphasis has been placed on forward planning, with 'scheduled' shipments up to 12 months in advance.

Longer term forward planning has assisted grain shipments, creating a situation where there is less rail capacity available for un-planned transactions.

Forward planning has lead to:

- > an auction mechanism for rail services
- > cost premiums for shipping during seasonal peaks
- > penalties (rail demurrage) for late, reduced or non-performance
- > ability to trade rail slots (guarantees/obligations).

Premiums for booking rail vary from month-to-month and are seasonally based. This system tends to provide an incentive to defer shipping until a more cost effective month. Prices reflect the seasonality, volatility and total export tonnage on a yearly basis.

Demurrage is traditionally applied to ship chartering. It works on penalties/bonuses for loading and unloading slower/faster than the times allowed in the contract.

In the USA, demurrage is now more aggressively being applied to grain rail shipments. This has resulted in a faster turnaround of trains and a more reliable service.

A 'hub and spoke' model (refers to trucks inbound to the hub, and rail shuttles outbound) is utilised to further increase the timeliness of rail movements.

A 'hub and spoke' model reorganises the way grain is received, stored and transported to port. Rail shuttles now dominate the grains industry in the USA, these shuttles move grain from the 'hub' to the port terminal.

Strong long-term commitment is required with support from industry, Government and rail operators for viable solutions to grain rail freight in Australia.

Further information

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¹ Dr. W. Wilson, Grain Logistics Conference, 2 April 2009, Sydney .