GEM OF THE WEST

100% AUSTRALIAN OWNED

MANILDRA GROUP

Commitment to Excellence

1st July 2022

Transport for NSW
PO Box 973
Parramatta NSW 2124
Online: yoursay.transport.nsw.gov.au/hub-page/pamareview

Dear Sir/Madam

Review of the Ports and Maritime Administration Act 1995 (Act) and Port Botany Landslide Improvement Strategy (PBLIS) Freight Policy and Regulatory Reform

Thank you for opportunity to make a submission in response the proposed recommendations to change the Act and PBLIS outlined in the June 2022 Options Paper.

Manildra Group

Established in 1952, family-owned Australian the Manildra Group is a world-renowned manufacturing company, producing superior food and industrial products in regional New South Wales. We partner with thousands of Australian wheat, sugar, and canola farming families – some for many generations – to produce a range of products for the nation and globe. We own and operate state-of-the-art manufacturing sites, employing more than 1,000 people nationally.

Rail and Road the backbone of Manildra Group

For almost seven decades, Manildra Group has been producing and coordinating deliveries of our Australian-made and grown food and industrial products to the nation and globe. We export, 365 days a year, and today we are one of the largest exporters of value-added products through Australia's biggest container port at Botany, New South Wales.

We export our products to more than 26 countries including Manildra Group's flours, bakery premixes, industrial and beverage-grade ethanol, industrial and food-grade starches, vital wheat gluten, syrups, oils, sugars, and animal stockfeeds. Underpinning this is Manildra Group's domestic and international customers and their growing appetite for our 100 per cent Australian-grown and made range of food ingredients and industrial products.

Manildra Group's extensive network of domestic rail and road transport assets are the backbone for bringing our finest Australian-grown and made food ingredients and industrial products from wheat farms to customers.

Underpinning this global transport network, our Australian family-owned agribusiness operates

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our own rail yards and rolling stock — including shunting locomotives, flour wagons and container wagons — throughout regional NSW.

Further afield, working with our main line rail provider Pacific National, our fleet is expanded by a further grain wagons, container flat wagons, and main line locomotives that take grain from farmers across NSW, Victoria and South Australia directly to our flagship Manildra Flour Mill and Shoalhaven Starches facilities — from where a diverse range of end-products are returned by rail and road to Port Botany for export, or nationwide distribution.

Today, we remain the largest single rail freight user on the NSW regional network and Manildra Group underpins our regional economy and communities by providing a pathway for the export of our food and industrial products. Regional commodities represent around 50% of container exports through Port Botany where over 80% of this freight is consigned by rail.

Regional Export

The export of regional commodities through Port Botany is dependent on a competitive and reliable rail supply chain. Unfortunately, as identified in the Options Paper, rail's share of export containers to Port Botany is declining. This reduction is not *only* due to "a lack of coordination among the many public and private organisations that make up the Port Botany supply chain".

The other drivers for this decline, as outlined in this submission, are:

a) Increasing cost of rail with each organisation along the supply chain imposing additional charges and restrictions that disadvantage rail from regional areas into Port Botany and in particular the ever-increasing stevedore infrastructure levies and container booking systems; and

b) New train operating arrangements that preferentially advantage import containers over export containers from regional areas. This has become more prominent recently with industry seemingly trying to push regional operators into IMT's to benefit certain stakeholders who have an interest in multiple legs of the supply chain.

In this submission we outline the key issues we are face in response to each of the recommendations for Option D (for rail at Port Botany) and our proposed suggestions. We urge the NSW Government to consider these views to support the growth of agriculture in NSW and minimise the ongoing loss of exports and to mitigate the cost to the exporters who are already competing in international "local" markets.

Recommendation D19: Remove regulated rail booking fee structure

Manildra Group *strongly opposes* the removal of regulation of rail servicing and booking fees that will allow the port stevedores to set fees and service fees. This move will only further increase the cost of rail transport and port charges with no security of benefits flowing to regional exporters.

Background

Port stevedores are recouping an increasing portion of their revenue from terminal access vs quayside charges that negotiated with shipping lines. These access charges are not a fee for service but are used by port stevedores, using their market power, to shift their costs (like a tax) on all the transporters into the port who are in no position to negotiate these charges.

These access fees (including VBS charges) place a burden on regional exporters in three ways:

- Firstly, they are exponentially increasing faster than CPI. These charges have increased by 600% since 2017 vs 10% for inflation.
- Secondly, recipients of these charges who are managing the landside supply chain are not always able to fully pass on these higher costs.
- Thirdly, these charges add additional administrative burden as they must be funded and passed through from the transporter to the owner of the goods being transported. It must be noted that our company as an exporter cannot pass these costs on as we are already competing with local competitors in the overseas market, so we are already disadvantaged with the higher cost to freight not only to port but also for the cost to ship overseas.

In 2012 the government introduced a 36 lift per hour mandate for the transfer of containers off trains onto stevedore terminals and this mandate was to be reviewed 12 months from implementation. Ten years later and we cannot see where a review has been performed and the same 36 lifts per hour mandate remains in place. On our sites we already do over 60+ lifts per hour servicing our trains and we are aware the empty container parks in Sydney are doing more than 60+ lifts per hour.

<u>Proposed approach</u>

We propose the NSW Government retain regulatory control of port rail charges. While we acknowledge the NSW Government does not have jurisdiction over other terminal access charges (including VBS charges for road transport) imposed by port stevedores, there is a case to maintain the status quo to ensure regional exporters are not further compromised.

We propose NSW Government apply its regulation to only allow changes in rail lift fees in conjunction as part agreed operational and service improvements that deliver a net tangible reduction in overall cost to NSW regional exporters.

The reasons for this use of regulation are follows:

- Regional exporters are not able to negotiate fair and reasonable rail lift charges with port stevedores. If the rail lift charges are deregulated, it is most likely the port stevedores will increase these fees to a similar level as the VBS for road transport, an increase of over 100%. Furthermore, regional exporters will be exposed to above inflation escalation in these charges, as demonstrated by VBS charges that have increased by 20% per annum since their introduction in 2013. (Source ACCC).
- Rail transport into the port already pays additional access surcharges. Currently trains into Port Botany pay, in addition to the tariff track access fees, up to $1,000 in surcharges to ATRC (Botany track access price) and Sydney Trains (Enfield marshalling yard fee).
- If the current regulated rail lift charges are maintained the port stevedores will still actively seek to attract regional export business by rail given the importance of this business for their shipping line customers.
- Finally, we believe the mandated 36 lifts per hour for the stevedore operation from rail to terminal should be increased to improve port capacity.

Recommendation D20: Rail data transparency

Manildra Group *supports* the need for more information on stevedore window use, performance, and container tracking.

There is also a need, as outlined in the Issues Paper, for more information and visibility on the use of rail transport into Port Botany to support improved decision making, that could include:

- Separately showing the use of rail transport for export and import containers,
- Use of (direct) rail transport into port stevedores by regional exporters which is critical to our cost footprint; and
- Use of (indirect) road transport for transferred containers from rail transport for the last mile by regional exporters due to inability to access the port stevedore. In our case we already operate direct to stevedore via rail and return backload with empty containers through a Port Botany empty park but when containers are rejected at a stevedore for whatever reason we transfer the export container/s via road ex the empty park.

This information should be made public through Transport for NSW open data portal along with the other Port Botany shipping information.

Recommendation D21: Improve governance frameworks to align public infrastructure managers with the port rail task

Manildra Group *supports* the need for ARTC and Sydney Trains to be aligned with the port rail task. However, we argue that the NSW Government should take a leading role to ensure outcomes are delivered between these two government parties.

Background

The ownership of rail track by multiple owners creates complexity and additional cost that disadvantage regional exporters. For example, our trains from Manildra must traverse across 3 different track access regimes into Port Botany.

Most regional export trains into Port Botany use track owned by the CRN (UGL), ARTC (DIRN, Regional and MFN) and Sydney Trains. This imposes a significant burden to navigate through different train path rules, operating arrangements, and different fixed and variable access fees between each track organisation. The major implication is the amount of track possessions requiring the rail track to be shut and our experience realizes each of the networks do not interface well. A good example of this is that over the past 8-week period over May and June 2022, there have been 4 weekends where we could not operate our rail services into the port.

Proposed approach

The following structural changes in track access rates and arrangement are required to ensure a competitive and reliable regional rail service into Port Botany:

- Moving to a consistent and competitive end-to-end tack access fee structure between the track providers for regional exporters to avoid the additional cost of paying for different fixed and variable fees as you move between the different track owners.
- Fair access and cost to mandatory paths for regional exporters, to support a reliable service, that considers the seasonal nature of the export task. The current system favors coal and

domestic trains over regional export trains who can pay the high fixed cost for mandatory paths for the full year.

- Provision of train paths through Sydney Trains (and ARTC) that enable the even spread of regional trains in Port Botany to avoid bunching around coal and passenger train paths.
- Removal of rail surcharges into Port Botany that applied above the tariff track access fee:
  - ARTC access fee into Port Botany
  - Sydney Trains access fee into the Enfield Marshalling Yard.

Recommendation D22: Encourage voluntary arrangements between private sector participants to improve rail coordination

Manildra Group does *not support* the recommendation that voluntary arrangements among private organisations will improve coordination in the port-rail supply chain. There is a need for the NSW Government to lead this process to ensure the delivery of a coordinated outcome that works for regional exporters.

<u>Background</u>

Rail transport into Port Botany for regional exporters is dependent on having access to suitable port stevedore windows. Unfortunately accessing port windows for rail has become more difficult given the need to manage following complex operating constraints:

- Linking port windows between multiple port stevedores, each who have their own commercial interests, for a regional export train and particularly given some parties operate their own metropolitan and regional services,
- Matching port windows time to train paths from regional areas, that operate up to 500km from the port, with allowances for train delays,
- More efficient management of the many rail network track possessions which restrict regional operators meeting fixed and mandatory port windows,
- Reduced availability of port windows with increased focus on import and metropolitan trains, and
- Managing changing port stevedore receival cut offs with changes in shipping schedules which has become a serious issue in the last 18 months.

Given the above issues an increasing portion of regional export containers are now forced to be transferred through container parks and using road transport for the last mile. This places a significant additional cost on regional exporters of around $300 per container for lifts, road transport and additional VBS fees.

<u>Proposed approach</u>

We propose the NSW Government should put in place a process to centrally manage the allocation of port stevedore windows to rail providers. This role could be managed by NSW Ports based on clear guidelines that equitably accommodate the requirement of regional exporters.

Recommendation D23: Examine additional future rail options

Manildra Group does *not support* the ability of supply participants to deliver future options to improve the interface/coordination that will benefit regional exporters. There is a need for the NSW Government to take a more active role in this process to deliver outcomes that do not disadvantage regional exporters.

Background

There is a push by NSW Ports and port stevedores for only dedicated 600 metre trains into a port stevedore that these trains must handle two-way export and import loaded containers. The move to this operation will lead to a position where regional exporters will not have cost-effective and direct access to port stevedores.

While we understand the rationale of this new operating model, the benefits of this operation appear to flow to import containers while regional exporters are disadvantaged given:

- Regional exporters must operate 900-1,200 metre trains to be cost efficient and competitive vs road transport. It is not commercially viable to operate 600 metre trains from regional areas to Sydney.
- Regional exporters are being forced to break trains or transfer containers through other rail yards (in our Case Enfield) into 600 metre trains. Port Botany Yard is constructed with its track and signalling arrangement to take over 1200 metre rail services.
- In addition, there is a push by some port stakeholders to move Regional Rail Services to Sydney IMT's to then shuttle exports to the port which will severely impact regional exports not only with increased costs but will remove the aspect of regional rail service port presence which needs to be protected.

Proposed approach

We do not agree with the model outlined in the Issues Paper there is a need for the NSW Government to impose criterion on participants to ensure there is an equitable allocation of capacity at the port so regional exporters are not disadvantaged. In our case we enter the port precinct with over 600 export containers each week and then we transfer 600 empty containers ex the port precinct to our manufacturing sites. In this case we cannot be considered inefficient on this basis.

- We consider our regional services be grandfathered at the port, particularly as we are the largest individual exporter through the port of Botany and provide so much regional employment and economy to the state of NSW.

We look forward to your favorable consideration to our suggestions outlined in this submission. If you have any questions or wish to further discuss this submission in further detail, please reach out to myself or Mark Owens on 0418 458 220.

Yours sincerely,

John Honan
Managing Director