Business that's short and sweet must be taken on by the low-cost operators

Main interest: A Queensland Rail coal train on its way to Macalister, west of Dalby. QR's overheads do not allow it to compete effectively for marginal business such as sugar or even grain

John Hoyle

ONE of Queensland's leading sugar producers, Mackay Sugar, announced this year it would abandon rail haulage of sugar from its Marian mill, west of Mackay, to the Port of Mackay.

Usually such an announcement would not attract much attention except from rail supporters lamenting the loss of yet another freight flow from rail to road and local residents expressing anger about more trucks on their roads.

However, this announcement was interesting because Mackay Sugar revealed that Queensland Rail's freight division, Australian Railroad Group, in renegotiating its contract with Mackay, had lifted its rates by a reported 60 per cent. Needless to say, after recovering from the shock, Mackay Sugar told QR-ARG to go away and the company set about converting its Marian mill loading facilities from rail to road transport.

Now, in fairness to QR, it should be said that the Marian sugar haulage is not exactly textbook rail freight business.

It is a haul of only 41km (rail sometimes finds it harder to compete with road over short distances) and it is seasonal, meaning that locomotives and wagons are not used all year. And it is certainly the sort of rail business that should be in the realm of a low-cost, short-line operator, not a high-cost, high-overhead company such as QR.

Soon after the Marian sugar business was lost the local media reported that QR-ARG was negotiating with another sugar mill, Proserpine, and offering a new contract with a substantial increase in freight rates, understood to be again about 60 per cent, for haulage of sugar to Mackay's port.

The Proserpine mill went public about the rail freight rate increase and suddenly there was a local political controversy.

After the Marian mill decision, Mackay residents realised that if the Proserpine mill switched to road transport there would be even more trucks on the Bruce Highway.

Enter local politician Tim Mulherin, in the middle of the Queensland election campaign, who said QR-ARG was a business in competition with road transport and rail operator Pacific National that must make a return on its investment.

Proserpine Sugar chief executive John Power said Mulherin's comments would be acceptable if another rail operator, such as Pacific National, could obtain QR's rolling stock used for the sugar business.

The then Opposition leader, Lawrence Springborg, entered the fray, saying QR's rate increase made no sense and it was madness to push freight from rail on to road.

A few days later Proserpine Sugar announced that QR-ARG had made a new offer that was now acceptable to the company, and the sugar haulage from the company's mill would remain on rail for another three years, subject to finalisation of negotiations.

This local controversy illustrates perfectly the wider issues facing QR and raises questions about its direction. On the one hand it is trying to be a commercial company deriving an adequate return on its investment, hence its need to lift its freight rates in this instance. On the other hand, it is answerable to its sole shareholder, the Queensland Government, and there is no doubt political pressure, fuelled by local concerns about increased trucks on the Mackay region's roads, prompted QR-ARG to reduce its rate offer to Prosperpine Sugar.

Now, again in fairness to QR, the sugar producers don't have to answer to two masters. Their sole focus is maximising returns to shareholders or cane growers, but they are pretty adept at mobilising political opinion when it suits them. But there are wider and more serious issues for QR and its future. The sugar business is a good example of a rail freight flow that should be the province of a low-cost rail operator. QR's high overheads simply do not allow it to compete effectively for marginal business such as sugar or even grain. It is showing little interest in any rail business other than coal, minerals and containers.

The rest is all too hard and, for an organisation such as QR, too expensive. It has reluctantly increased the number of grain trains running on the network after Agforce complained bitterly and community resentment surfaced when it was revealed large numbers of trucks were hauling grain to Brisbane because there were not enough grain trains available.

QR would like to get out of livestock haulage; it is a marginal business, but for political reasons it still runs cattle trains.

It is the only rail operator in Australia still in this business.

Queensland's economy cries out for low-cost, short-line rail operators of the type that exist in many parts of the US and Canada. But, QR, as the manager of track access, has a vested interest to discourage competition to its operations. It says it is not afraid of on-rail competition and that its network access area is ring-fenced from its commercial above-rail operations, but nobody in the rail business believes this.

Even a large rail operator such as Pacific National had to fight its way into Queensland.

It is no surprise that there are unconfirmed reports within the rail industry that the Queensland Government may remove the network access area out of QR into Queensland Transport or even to the Commonwealth's Australian Rail Track Corporation. Hopefully, such a move will allow lower-cost rail operators to move into the state.

They will not be able to stop every contestable freight flow moving from rail to road, but they could provide rail in Queensland with a new direction that seems to be needed at the moment.

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