



# RTBU

RAIL, TRAM & BUS UNION AUSTRALIA

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Senate Standing Committees on Rural and Regional Affairs and Transport  
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## SUBMISSION REGARDING SHIPPING LEGISLATION AMENDMENT BILL 2015

The Rail, Tram and Bus Union represents around 35,000 workers in the rail freight and public transport industries across Australia. We thank the Senate for this opportunity to comment on the Shipping Legislation Amendment Bill 2015.

### BACKGROUND

Australia's rail freight industry is separated into two broad segments: the transport of bulk goods (primarily coal, minerals and grains) and the transport of non-bulk or intermodal goods. Non-bulk or intermodal interstate freight involves the transportation of containerised freight (which is carried in shipping containers loaded into rail wagons), and general freight (which includes items that are not suitable for packing into containers. Much of the non-bulk freight task relates to retail goods.

The primary alternative to rail freight is road transport – although in most cases non-bulk goods carried by rail are also carried on road for at least part of the journey (hence the term 'intermodal'). Indeed, increased competition from road transport has steadily reduced the proportion of non-bulk interstate freight transport by rail.<sup>1</sup> Rail is most competitive in the non-bulk intermodal freight sector over long distances, such as the Melbourne-Perth and Melbourne-Brisbane corridors, where rail can leverage economies of scale. Rail carries 57% of non-bulk freight between the eastern states and Perth, and 35% of non-bulk freight between Melbourne and Brisbane.<sup>2</sup>

The non-bulk freight comprises about 20% of the total rail freight industry, and is worth approximately \$1.72 billion.<sup>3</sup>

<sup>1</sup> IBISWorld, *Rail Freight Transport in Australia (Risk Rating Report)*, May 2015, p3.

<sup>2</sup> Bureau of Infrastructure, Transport and Regional Economics, *Road and rail freight: competitors or complements?* (Information sheet 34), p6.

<sup>3</sup> IBISWorld, *Rail Freight Transport in Australia (Industry Report)*, February 2015, p11.

## IMPACT OF PROPOSED REFORMS ON RAIL FREIGHT INDUSTRY

The Regulatory Impact Statement (RIS) for the Coastal Shipping Bill did not conduct any modeling to quantify the effects of the proposed changes to coastal shipping on the rail freight industry. The RIS states that:

*The preliminary impact assessment did not model the transfer of freight from the road and rail sectors to coastal shipping and assumed the potential for transfer from land to maritime transport would be low, even in a market with reduced shipping costs. This is because many shippers could already access the lower cost services through the existing system.<sup>4</sup>*

Contrary to the assertions made in the RIS, however, the RTBU believes that there is a significant potential for modal shift from rail to coastal shipping. To put it simply, foreign-flagged ships operating on coastal shipping routes for up to six months of the year will be competing directly with the domestic transport and logistics sector. They will also have the advantage of being able to use vessels as de-facto warehousing facilities at peppercorn rates. This advantage will undoubtedly attract a significant proportion of the inter-capital city non-bulk transport, particularly for retailers who do not require just-in-time logistics solutions. Vessels based in flag-of-convenience countries such as Liberia, with third-world labour conditions, are able to utilize third-world cost structures. Clearly, this is not a level playing field, and Australian employers in the transport and logistics industry who employ Australian employees, adhering to Australian workplace standard and paying tax to the Australian Government will be at a major disadvantage. The omission of these important economic impacts constitute a major flaw with the RIS.

The view that foreign-flagged vessels are a substitute for domestic rail freight services is not limited to the RTBU or the rail industry. The Institute of Public Affairs (IPA), for example, argues that “encouraging foreign ships to operate in Australian waters provides flexibility to the country’s transport requirements”<sup>5</sup>. According to IPA any increase to coastal shipping costs “could see substitution towards road and rail and alternate modes of transport”<sup>6</sup>, therefore it stands to reason that a reduction in the cost of coastal shipping would have the reverse effect. IPA even claims (in arguing in support of coastal shipping deregulation) that such a modal shift away from road and rail is one of the selling point of the proposed reforms, as they would be beneficial in the “alleviation of land transport bottlenecks”.<sup>7</sup>

Information from rail freight operators and freight clients has indicated that around 10 to 12 per cent of volume of intermodal freight currently transported by rail may shift to foreign-operated coastal shipping services in the short term. The RTBU

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<sup>4</sup> Regulatory Impact Statement, Coastal Shipping Reform, p58.

<sup>5</sup> Chris Berg & Aaron Lane, *Coastal Shipping Reform: Industry Saviour or Regulatory Nightmare*, Institute of Public Affairs, December 2012, p9.

<sup>6</sup> IBID, p25.

<sup>7</sup> IBID, p9

believes that this would be a conservative estimate of the potential modal shift arising from the proposed legislative changes.

**RTBU analysis has found that a 10% reduction in the volume of non-bulk freight could lead to the loss of around 300 jobs in the non-bulk rail freight sector in the short term.**

Advice provided to the RTBU from employers in the rail freight sector has supported the RTBU's assertions in relation to the short-term jobs impact of the proposed changes. Moreover, the RTBU understands that the long-term impact could extend to around 1,000 jobs in the sector over the next 20 years.

### **IMPACT OF PROPOSED REFORMS ON REGIONAL AREAS**

Our members working in intermodal rail freight overwhelmingly live in regional areas.

Intermodal freight depots are located in regional communities such as:

- Townsville;
- Taree;
- Newcastle;
- Parkes;
- Dubbo;
- Broken Hill;
- Port Kembla;
- Dimboola;
- Port Augusta;
- Kalgoorlie;
- Merriden;
- Cairns and
- Alice Springs.

Projected job losses in the intermodal rail freight sector would therefore be felt most acutely in these regions. The loss of direct jobs would be compounded by flow-on effects along the supply and logistics chain, potentially affecting thousands of jobs in local communities along the country's major rail corridors.

## CONCLUSION

The RTBU is concerned that the proposed changes to coastal shipping laws contained in the Coastal Shipping Bill will have a serious impact on non-bulk rail services. Around 300 jobs could be at the risk in the immediate term, increasing to over 1,000 direct jobs over the next 20 years. There will be further indirect job losses to industries services the rail freight sector, and in regional communities based around freight hubs. Regional communities along the Melbourne-Perth and Melbourne-Brisbane rail corridors will bear the brunt of these economic consequences.

The Federal Government is currently pursuing a major upgrade to rail freight infrastructure in the Melbourne-Brisbane corridor – known as the Inland Rail project. The changes to coastal shipping will condemn this project to becoming a stranded asset before it is even built.

In short, the RTBU believes the Shipping Legislation Bill 2015 is a bad deal for the rail industry, for regional communities, and for the Australian economy.

Bob Nanva  
**National Secretary – Rail, Tram and Bus Union**