



The Hon Warren Truss MP
Deputy Prime Minister
Minister for Infrastructure and Regional Development
PO Box 6022
House of Representatives
Parliament House
Canberra ACT 2600

13 January 2016

Dear Mr Truss,

Re: Competition in the Rail Freight Industry

I write to you regarding the Rail, Tram and Bus Union's concern that major investment in Australia's rail freight industry is at risk of being lost.

The proposed acquisition of Asciano Pty Ltd (Asciano) by Brookfield Asset Management (Brookfield) would create a strong national vertically-integrated transport and logistics company.

Previously, the RTBU has noted that the proposed takeover would present competition issues, and these issues have also been well documented by the Australian Consumer and Competition Commission. These issues, however, could be addressed through effective regulation – in particular, through the establishment of a robust and transparent national rail access regime covering all infrastructure.

The current state-based rail access system, with ad-hoc referral arrangements to the ACCC, is fragmented and inconsistent. Indeed, the RTBU has argued that rail access in Australia is a “dog’s breakfast”, and the lack of national consistency may hold back the rail freight industry.

Brookfield, understandably, has responded to the ACCC's concerns by revising its takeover proposal. It has tabled an alternative proposal to the ACCC that would see Asciano's rail freight business, Pacific National, divested to an independent third party.

This alternative proposal is similar to a rival hostile takeover proposal by Qube Holdings, Global Infrastructure Partners and Canada Pension Plan Investment Board, which would see Asciano carved up into its constituent parts. This alternative proposal is, in our view, a poorer outcome that may weaken Pacific National and ultimately weaken competition in the rail sector.

Asciano's main competitor in the rail industry – Aurizon – already runs a vertically-integrated operation, with both above-rail and below-rail assets. The RTBU believes a merged Brookfield-Asciano entity, operating in an environment with strong national oversight by the ACCC, could better compete on an equal footing with Aurizon.

Brookfield obviously cannot change the regulatory environment. That is a job for government. The Coalition government has repeatedly claimed that Australia is “open for business”.

Rail, Tram & Bus Union Australia *The Power of Union*

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RTBU

However, Asciano is at risk of being ripped apart because the regulatory environment is not up to the job of allowing world-class vertically integrated businesses to develop where there are few other growth opportunities in Australia.

I urge you to address this situation as a matter of priority. Australia needs a nationally-consistent, robust and transparent rail access regime as soon as possible.

Thank you for your consideration and I look forward to your reply.

Yours sincerely,

Bob Nanva
NATIONAL SECRETARY

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