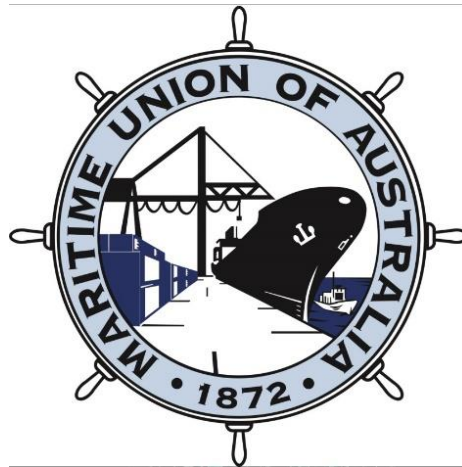


Maritime Union of Australia (MUA)

Submission

Independent review of Inland Rail



11 November 2022

Authorised by:

Paddy Crumlin, National Secretary

Maritime Union of Australia

A Division of the Construction, Forestry, Maritime, Mining and Energy Union

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About the Maritime Union of Australia

The Maritime Union of Australia (MUA) is a Division of the 120,000-member Construction, Forestry, Maritime, Mining and Energy Union (CFMMEU) and an affiliate of the 20-million-member International Transport Workers' Federation (ITF).

The MUA represents approximately 14,000 workers in the shipping, stevedoring, offshore oil and gas, port services and commercial diving sectors of the Australian maritime industry. The MUA is also part of an Offshore Alliance with the Australian Workers Union (AWU) that jointly organises workers across the Australian offshore oil and gas industry.

Introduction

We welcome the opportunity to make a submission to the Independent Review of Inland Rail. The review is timely because the Federal Government announced on 20 October 2022 the establishment of, and terms of reference for, a Strategic Fleet Taskforce (SFT), a key transport policy election commitment of the Australian Labor Party.

Establishment of the SFT implements one plank of Labor's 2022 shipping policy election commitment made on 3 January 2022¹, the other key component being 'to close loopholes in the existing regulatory framework to help rebuild Australian shipping'.

The terms of reference require the SFT to, inter alia, undertake an assessment to identify such matters as the preferred composition of the proposed fleet; the types of cargo that could be moved; industries likely to use the fleet; and importantly, routes on which vessels could operate commercially.

The blue highway is already functional, does not require a subsidy and there are no ongoing maintenance costs

Given that the Melbourne to Brisbane freight corridor is the highest cargo volume route that is contested by all three major freight transport modes, with which Inland Rail will compete, it is expected that the SFT will regard that corridor as a high priority for strategic fleet ships.

The sea transportation route is already operational and with the exception of investment in ports, did not require a single dollar of taxpayer funds to create. The blue highway is essentially a free asset and is already delivering a cost effective service for non-time sensitive freight, both break bulk and containerised freight.

That contrasts to the \$14.5 billion in equity and \$300 million in grant funding has already been committed by the Australian Government to deliver Inland Rail, and which will continue to grow if it is to deliver a port to port service like sea freight transportation.

We note that the report of the Senate Inquiry of September 2020 into the 'Management of the Inland Rail project by the Australian Rail Track Corporation and the Commonwealth Government', estimates of

¹ ALP, *Labor Will Create a Strategic Fleet to Protect Our National Security and Economic Sovereignty*
<https://anthonyalbanese.com.au/media-centre/labor-create-strategic-fleet-protect-national-security-economic-sovereignty>

final cost were reported as high as \$20 billion. That is a huge subsidy being borne by Australian taxpayers, relative to the zero subsidy required for the blue highway corridor.

We submit that the review should be critically examining the ARTC business case assumptions that were relied upon in its 2015 business case. Virtually all the demand assumptions on which its volume and costs assessments were made are now outdated, such as inflation, cost of capital, construction costs and thermal coal demand.

The ARTC freight demand projections actually make the case for a commercially viable short sea shipping freight transportation option at no cost to government

In relation to freight demand, the report said that *“The main categories of freight in the north–south corridor expected to comprise the market for Inland Rail are manufactured (non-bulk) products, bulk steel, paper, coal and grain. No bulk freight movements have been identified that traverse the whole of the Melbourne to Brisbane corridor, with goods predominantly containerised (or palletised) and generally classified as non-bulk.”*²

That is the very cargo that is non-time sensitive and is highly suitable for sea transportation. Table 1 uses the ARTC freight volume projections to show the number and frequency of ships that could efficiently cater for the projected freight volumes, without any need for new national infrastructure investment.

Table 1: Inland Rail Business Case projections for Melbourne-Brisbane-Melbourne trade – 2014-15 to 2069-70 – adapted by MUA to show TEUs and ships required to transport the forecast volumes

Year (decades)	2014–15	2024-25	2029-30	2039-40	2049-50	2059-60	2069-70
Total (thousand tonnes)	0	3,195	4,008	5,674	7,906	10,522	13,986
TEUs (@ 12 tonnes per TEU)	0	266,250	334,000	472,833	658,833	876,833	1,165,500
No of shipments pa (5,000 TEU ship)	0	53	66	94	131	175	233
No of shipments per week	0	1	1.23	1.8	2.5	3.4	4.4
No of ships required (based on a 5,000 TEU ship)	0	1	1-2	2	2-3	3-4	4-5

Source: MUA, adapted from Table 7.2 (Melbourne to Brisbane combined north and southbound forecast inter-capital tonnes (thousand tonnes and market share)) in ARTC Business Case 2015,

² ARTC, *Business Case 2015*, <https://inlandrail.wenginepowered.com/wp-content/uploads/2020/07/business-case-2015.pdf>

<https://1worpv3xudfc4dl40l1hi7fz-wpengine.netdna-ssl.com/wp-content/uploads/2020/07/business-case-2015.pdf>

Note 1: If Inland Rail were to capture some or all of the projected freight from Perth and Adelaide bound for Brisbane and vice versa, these number would increase. Estimates are from 1,258,000 tonnes in 2014-15 to 4,712,000 tonnes in 2069-70 (Adelaide); and from 636,000 tonnes in 2014-15 to 2,690,000 tonnes in 2069-70 (Perth).

Note 2: There is no breakdown as to whether this freight is export bound or capital city bound.

If the ARTC forecasts are close to actual, showing that by 2024-25 Inland Rail will be transporting around 266,250 TEUs pa, we could expect the volume in 2022 to be at around 150,000-180,000 TEUs pa. The data in Table 2 shows that in 2018-19 the number of TEUs carried between Melbourne and Brisbane on foreign registered ships authorised by a Temporary Licence (TL) under the *Coastal Trading (Revitalising Australian Shipping) Act 2012* to be 7,705 TEUs, which could be predicted to have grown (based on past growth rates of around 16% pa) to around 11,400 TEUs by end 2021-22.

Table 2: Containerised freight carried on Temporary Licences

Coastal Trading Licensing System (2013-14 ^b to 2018-19)											
Financial year	Melbourne to Fremantle	Sydney to Fremantle	Brisbane to Fremantle	Melbourne to Brisbane	Brisbane to Sydney	Adelaide to Fremantle	Barrow Island to Fremantle	Melbourne to Adelaide	Fremantle to Barrow Island	Fremantle to Melbourne	All routes under temporary licence ^a
Containerised freight ^c (TEUs)											
2013-14	30 117	19 987	3 447	3 423	3 038	1 452		1 402			64 954
2014-15	27 523	23 814	1 864	5 569	3 692	1 378		1 598			67 929
2015-16	27 845	26 051	5 569	5 516	2 463	1 144	1 538	614	601	202	75 625
2016-17	28 198	23 993	7 768	5 136	101	1 178	5 947	402	2 225	120	76 168
2017-18	29 710	25 110	9 252	6 263	407	1 470	632	495	269	941	76 040
2018-19	28 881	29 680	9 156	7 505	308	2 019		336		1 799	82 225
Voyages under temporary licence where containers were carried (number)											
2013-14	189	147	60	28	42	51		49			630
2014-15	186	135	51	28	49	53		45			630
2015-16	196	149	51	26	22	52	9	37	9	12	716
2016-17	196	145	50	41	3	51	24	33	24	16	642
2017-18	152	130	42	32	15	50	2	29	3	15	554
2018-19	153	148	49	28	19	53		18		23	603

^a "All routes" include the top ten routes under permit and temporary licence where containers were carried and other routes under permit or temporary licence not listed separately (where containers were carried).

^b 2012-13 trade is excluded as the CLTS and permits system both operated in 2012-13, meaning the 2012-13 CLTS figures may underestimate 2012-13 trade.

^c TEUs were estimated for container shipments where volume was recorded in tonnes but the data indicated the pack type was 'container'. TEU estimates were based on the average weight (in tonnes) per TEU recorded in 2011-12 under the Coastal Trade Licences and Permits (COTLAP) system.

Source: Bureau of Infrastructure and Transport Research Economics, *Australian sea freight 2018-19*, July 2021, Table 3.4, P46, <https://www.bitre.gov.au/sites/default/files/documents/asf-2018-19.pdf>

That suggests that if the ARTC data is correct, only about 7.6 per cent of Melbourne- Brisbane freight corridor containers (11,400/150,000 TEUs) are currently being carried on ships (TL ships). Of course we do not know the real origin or final destination of those containers – i.e. is it destined for export or domestic consumption – but more likely for domestic consumption, otherwise why transport it by sea when it could have been exported at the port of origin i.e. either Melbourne or Brisbane.

The key point is that no new infrastructure spending would have been necessary to transport this container freight on ships if the ARTC and governments had included the role and cost of the sea transportation mode in the cost benefit analyses and business case for Inland Rail. Given that Inland Rail has already cost \$14.8 billion and is rising (with up to another \$5 billion needed to complete the Acacia Ridge to Port of Brisbane section), the cost of industry policy assistance to obtain investment in about 4-5 X 5,000 TEU ships would have been far more cost effective, more efficient and would have made a much greater contribution to the reduction in greenhouse gas emissions from transport, and had far less impact on the community.

Even with upgrades to intrastate inland to port city rail branch lines to get inland freight to the nearest export port or population centre would have resulted in billions in savings. Now that a Bill that opens the door for the development of a container port at Newcastle appears like it will pass the NSW Parliament, the architecture for freight transport is entirely different to 2015 when the Inland Rail business case was being developed.

We urge the Review to make these points to the Government in its report, given that the current Government is committed to revitalise Australian shipping and has established a Strategic Fleet Taskforce, and that the Productivity Commission is due to provide its final report to the Government on its inquiry into the long-term productivity of Australia's maritime logistics system in December 2022.

The ARTC grounds for dismissing sea freight are baseless

The grounds on which the ARTC dismissed sea freight as an alternative to rail freight on the North-South freight corridor are baseless and were not tested with any detailed analysis or costings – no cost benefit analysis was undertaken. The grounds raised in the Business Case against shipping are:

- Coastal shipping is generally not competitive over shorter distances, such as those in the north-south corridor, because of relatively high loading and unloading costs (e.g. port handling charges), which are multiplied with coastal shipping; and
- Coastal shipping also results in significantly longer transit times than road or rail, making it unsuitable for time sensitive container freight on the north-south corridor (e.g. manufactured goods).³

As we identify, and as the ARTC itself notes, the main cargoes identified for Inland Rail in the business case are not time-sensitive cargoes.

We submit that the material we present to the review reflects the current disastrous state of supply chain infrastructure planning in Australia and the inadequacy of the National Freight and Supply Chain Strategy and National Ports Strategy, both of which are in urgent need of review.

It will be important that the investment in short sea coastal shipping that is under consideration by the SFT is designed to ensure that strategic fleet ships can secure a reasonable market share of coastal corridor interstate freight transport (in this case in the North-South [Melbourne-Brisbane-Melbourne] corridor).

³ Ibid P58, 59

The MUA is also concerned about the impact Inland Rail will have on Qld container freight logistics, export container distribution among Qld ports, particularly given the Qld Government inquiry about extending the Inland Rail line to Gladstone, uncertainties over the Acacia Ridge to Port of Brisbane rail link and generally about the utility of the Inland Rail project, given its weak business case and the pre-existing availability of a perfectly functional and efficient sea freight option to meet the N-S-N container movement requirements along the east coast.

An important consideration in freight transport policy and investment is that equal treatment is being applied to each of the rail, road and Australian coastal shipping modes to ensure a level playing field approach underpins their ability to compete fairly, and which takes into account the obligations of rail freight to the Federal Government through the Australian Rail Track Corporation.

As part of that consideration the Government should be considering the ways in which comparable economies are ensuring the sovereignty of their domestic freight markets, and are limiting unfair dumping of domestic freight services by foreign-flagged ships. The United States, Canada and New Zealand are recognised as exemplar jurisdictions which the Government should consider in addressing the unfair advantage afforded foreign shipping in the domestic freight market.

The supply chain disruption experiences over recent years, mostly out of the control of the domestic supply chain, have highlighted the need for resilient freight supply chains, and for these supply chains to have adequate redundancy to handle unforeseen events. Similarly, as an isolated island continent, Australia must have sovereign capacity to manage its own supply chains when international trading routes are interrupted. Shipping's role in that supply resilience and security must be more highly valued and integrated in to national freight policy.

We propose that the Review recommend to the Government that it review and refresh the National Freight and Supply Chain Strategy and National Ports Strategy, and that such a review consider the learnings from supply chain disruption plaguing supply chains, the need for supply chain security and resilience and to ensure that the national freight system is meeting the needs of shippers (cargo owners), is allocating capital efficiently and that there is a level playing field with certainty of regulatory arrangements and equity in government assistance for freight transport operators, across all three modes - rail, sea and road.