



Reference: L2053/GFB/April20/SSL

16 April 2020

Dan Coulton
Level 27
45 Clarence Street
Sydney, NSW 2000

By email: Dan.Coulton@Qube.com.au

Dear Mr Coulton

Concern Qube Logistics Pty Ltd (Qube) has not met the good faith bargaining requirements

We refer to ongoing bargaining between Qube and the Rail, Tram and Bus Union (**RTBU**) for a replacement enterprise agreement for the *Qube Logistics (Rail) Train Crew and RTBU NSW Enterprise Agreement 2015 (the Replacement Agreement)*, which expired on 25 March 2019.

The parties commenced discussions on or around 4 July 2018 for a Replacement Agreement.

On or around 30 October 2019, a proposed agreement was put to employees that would be covered by the agreement, the results of which were a 'no' vote.

The parties continued negotiations and a further agreement was put to employees for a vote on 13 February 2020, which was also voted down. However, the results of this vote were exceptionally close.

Further negotiations ensued, and on 4 March 2020, an agreement was reached between Qube and the RTBU for a Replacement Agreement, to be submitted to a vote by the employees who would be covered by the agreement.

On 1 April 2020, Qube advised it would no longer be proceeding with a Replacement Agreement due to the "current climate", and its revised position was a:

"Wage freeze: meaning the current agreement in its entirety will remain in place and binding until such time as the parties agree to negotiate a replacement agreement".

That correspondence is attached and marked "**A**".

On 6 April 2020, Qube released an ASX Announcement, which refers, inter alia, to **normal volumes of work** with minimal disruptions or slowdowns for bulk, and that Qube continues to benefit from its diversified operations, with positive earnings and cashflow. That document is attached and marked "**B**".

Despite its misleading correspondence of 1 April 2020, the parties *have* already negotiated a Replacement Agreement. Additionally, Qube, by its own admissions, has had normal volumes of work for bulk.

Level 4, 321 Pitt Street
Sydney NSW 2000

Tel (02) 9264 3400
Fax (02) 9264 7679

E-mail
nswloco@rtbu-nsw.asn.au

Website
www.locoexpress.com.au

Toll Free 1800 672 022

Newcastle Office
33 Gordon Avenue
Hamilton NSW 2303

Tel (02) 4969 4665
Fax (02) 4961 4779

We remind you that by law, an employer **cannot** unilaterally decide that it no longer wishes to continue to bargain under the Act.¹ By refusing to provide the Replacement Agreement to employees for a vote, we are concerned Qube has not met section 228(1)(e) of the *Fair Work Act 2009* (Cth) (**the Act**).

In accordance with section 229 of the Act, we ask that you respond to the above concerns by no later than **4pm** on **23 April 2020**.

Yours faithfully



Sarah Scully-Leaf

Legal Officer - Locomotive Division

Australian Rail, Tram and Bus Industry Union – NSW Branch

¹ See for example, *ASU v NCR Australia Pty Ltd* [2010] FWA 6257 and *CPSU v Red Bee Media Australia Pty Ltd* [2010] FWA 9253.

"A"



1 April 2020

Kevin Pryor
Rail Tram Bus Union
Locomotive Division
LvL 4, 321 Pitt St
Sydney NSW 2000

RAIL SERVICES

QUBE LOGISTICS (RAIL) PTY LTD
ABN 63 082 313 415

9 Stonny Batter Road
Minto NSW 2566

PO Box 5023
Minto NSW 2566

T: 02 9603 0900
F: 02 9603 0950

qube.com.au

Kevin,

This letter serves to outline the position of Qube Logistics (Rail) Pty Ltd (**Qube**) in relation to the ongoing negotiation of the Qube Logistics (Rail) Train Crew Enterprise Agreement 2019 (**EA**) and measures the company is taking as a result of the COVID-19 pandemic.

By way of background, the negotiation of the EA has been ongoing since 2018. All parties have made their best endeavours to reach agreement during this time with the most recent vote for the acceptance of this document being held on 15 February 2020. The result of this vote was the rejection of the offer proposed by the company.

Since the conclusion of that vote the company and the RTBU continued to negotiate the terms of the EA which resulted in the company making a revised offer. This revised offer was for a 4-year agreement with annual increases of 3% for year 1 & 2 and 3.5% for year 3 and year 4.

Post Qube discussing the revised terms we have been subject to the onset of the COVID-19 pandemic and ensuing negative economic conditions. This has resulted in Qube reconsidering its position with respect to the most recent discussions.

Qube has a holistic review, not limited to this EA negotiation but to the wider structure of the workforce and has resulted in a number of measures being undertaken in order to ensure the business is able to trade through this COVID-19 pandemic.

Given the afore mentioned circumstances and the current climate Qube's revised position is as follows;

- Wage freeze; meaning the current agreement in its entirety will remain in place and binding until such time as the parties agree to negotiate a replacement agreement.

It is the commitment of the Qube Management team to approach these exceptional times with the preservation of the business as a priority, that intent means that now is a time that necessitates this action.

Sincerely

A handwritten signature in blue ink, appearing to read "Dan Coulton", written over a horizontal line.

Dan Coulton
General Manager – Industrial Relations

"B"



6 April 2020

ASX Announcement

QUBE HOLDINGS LIMITED
ABN 14 149 723 053

Level 27, 45 Clarence Street
Sydney NSW 2000

T: +61 2 9080 1900
F: +61 2 9080 1999

qube.com.au

Qube Holdings Update On The Impact of Covid-19

Qube's priority focus is on the health and well-being of its employees, contractors and consultants. Management is constantly reviewing Government advice and implementing arrangements in all its workplaces to ensure compliance with the advice.

Business Update - Impact of Covid-19

The freight and logistics sector has been defined as an essential service in Australia and New Zealand. Therefore, it is presently expected that most of Qube's operations will continue.

For the period to 31 March 2020:

- Bulk activities continue to experience normal volumes with minimal disruptions or slowdowns.
- Forestry related logistics activities in New Zealand have also experienced solid volumes although will be impacted by the recent closure of forestry operations in New Zealand for an initial one month period in accordance with directions from the NZ Government.
- Oil and gas activities have also been steady, benefitting from the ramp up of the new Shell contract and the nature of Qube's activities which largely involves logistics support to existing producing facilities.
- Container volumes across Qube's operations as well as Patrick have been weaker reflecting the general slowdown in economic activity in Australia (pre-Covid-19), the impact of manufacturing and port closures in China (particularly in February 2020), and global supply chain disruptions.
- Other products including vehicles, bulk (e.g. cement, fertilisers) and general cargo have been weaker.

In light of the continued uncertainty and impact of Covid-19, Qube presently expects a decrease in volumes in several of its markets as the impact of the tighter restrictions impacts demand as well as operations.

Qube continues to benefit from its diversified operations and variability in its cost base which has enabled it to continue to generate positive earnings and cashflow despite declining volumes in parts of its business.



However, given the inherent difficulty in reliably forecasting activity levels for the remainder of FY20 in the current environment, Qube is not presently able to forecast underlying earnings for FY20 and therefore withdraws previous guidance.

Qube's Managing Director, Maurice James, said "These are challenging times for our customers, our partners, our employees and for Qube. Despite the significant challenges ahead, Qube is well positioned to work with all its key stakeholders to address the current challenging environment.

"Qube is in a strong financial position with significant liquidity (cash and available undrawn facilities) of over \$450 million after the payment of the interim dividend which will occur on the 7th April 2020. Qube has no near term debt maturities and material headroom to its covenants.

"Qube is pursuing several initiatives to further increase its liquidity including increasing its bank facilities and progressing its property partnering / monetisation process to ensure that Qube is well placed to continue to fund suitable growth opportunities in the future."

Cost Base Management

Qube is responding to the current environment by reducing its cost base, deferring non-essential capex, and working with our customer base to ensure continued reliable delivery of key services.

As part of these pro-active cost cutting measures, the Board and Managing Director have elected to reduce their fixed remuneration by 50%. The senior management team has also committed to significant reductions in their fixed remuneration. These measures, which include utilisation of annual and unpaid leave, will initially apply from 1 April to 30 June 2020 and will be reviewed at that time.

Update on Potential Major Tenant for Moorebank

The terms of formal agreements have now been finalised with a potential major tenant for a material part of Moorebank Precinct West. The agreement is currently expected to be considered by the counterparty's Board for approval in late April /early May although the current environment may delay this.

Property Partnering / Monetisation Process

Qube is continuing to progress the partnering / monetisation process focussed on Moorebank and certain other property assets. As previously advised, Qube has received significant interest from a high quality group of prospective partners who are keen to participate in the next stage of the process.

In light of the current environment, however, Qube expects that this process is likely to take longer to progress than previously anticipated. Qube will only undertake a transaction where the Board determines that it is in the best interests of the project and shareholders to do so.

Authorised for release by:

The Board of Directors, Qube Holdings Limited

Further enquiries:

Media:

Paul White
Director, Corporate Affairs
paul.white@qube.com.au
+61 417 224 920

Analysts/Investors:

Paul Lewis
Chief Financial Officer
paul.lewis@qube.com.au
+61 2 9080 1903