



8

SENATOR THE HON PENNY WONG
Minister for Finance and Deregulation

THE HON ANTHONY ALBANESE MP
Minister for Infrastructure and Transport

REF: B12/575

Mr Tony (A.F.) Shepherd
President
Business Council of Australia
GPO Box 1472
Melbourne Victoria 3001

Dear Mr. Shepherd,

Tony

Thank you for your letter to the Prime Minister of 16 April 2012 regarding the Moorebank Intermodal Terminal Project.

We are responding on the Prime Minister's behalf.

The BCA is correct in regarding an intermodal terminal (IMT) at Moorebank as a major issue that has national implications for productivity. We also agree that wherever possible, it makes sense to optimise private sector funding and expertise to deliver such a critical project. For these reasons, the Government commenced a two-year feasibility study in 2010 to ensure that the issues were fully understood before funding was committed.

The Government tasked the Department of Finance and Deregulation, in conjunction with the Department of Infrastructure and Transport and the Department of Defence to undertake a feasibility study into an IMT on the School of Military Engineering site at Moorebank. The Department of Finance and Deregulation engaged expert advisers, including KPMG, Deloitte, Parsons Brinckerhoff and Ashurst to develop a detailed business case for the IMT, which was recently considered by the Government. An independent review of the findings was also undertaken by Greenhill Caliburn.

We are pleased to be able to advise that today the Government has committed to the delivery of the IMT port shuttle opening in 2017 at the Commonwealth owned 220ha School of Military Engineering site at Moorebank.

This is in line with Sydney Ports Corporation's forecast that identifies the critical timing by which additional freight capacity is required is 2017-18. The Government will also facilitate the opening of an interstate terminal by 2029, building on the \$4 billion investment in the ARTC network and ensuring benefits throughout the national freight supply chain.

Any perception that the Government would seek to establish a Government-owned and operated IMT facility in competition with a private sector project is not correct. The delivery model we have chosen will optimise private sector investment, reduce risk and cost to government and provide the greatest benefits to the Sydney and national economies.

In order to deliver IMT capacity in 2017, we will move the School of Military Engineering to Holsworthy by the end of 2014. Provision for this will be made in the context of the 2012-13 Budget.

The development of the Moorebank IMT will be overseen by a Commonwealth Government Business Enterprise (GBE) which will be established with a commercial board. This will ensure that the Australian Government's broader policy objectives, including modal shift and establishing a network of interstate terminals, will be met. While the GBE will be required to optimise private sector funding, development and operation of the IMT, it will also ensure that there is Government support for the development of the IMT within the timeframe we have set. Once the IMT is established and operational, it is our intention to privatise the GBE.

We note your comment that you consider the SIMTA proposal to be the best option. In considering options, we can assure you that numerous options were carefully examined, including the SIMTA proposal. However, the Government formed the view that its broader national policy objectives can be best achieved through the development of an IMT on the SME site at Moorebank.

To ensure transparency regarding the decision, we have today authorised the release on the Department of Finance and Deregulation's web site of the detailed business case, excluding in-confidence information, and a further peer assessment by Greenhill Caliburn (with similar exclusions) that consider the relative merits of the proposals. The detailed business case indicates the Project will generate some \$10 billion in economic benefits including reduced freight costs, greater supply chain reliability and improved productivity.

Whilst SIMTA has made a number of claims with respect to the completion of their proposed intermodal, its site is subject to existing leases and Defence requirements. Defence has indicated to SIMTA that they would not be able to move from this site until late 2014 at the earliest. Defence retains the option to extend the lease until 2023. Our studies, as well as the SPC's forecasts, indicate that additional intermodal capacity in the Sydney area is required around 2017 – 2018.

We note that Greenhill Caliburn advised the Government that:

- The proposed procurement model for private sector participation would optimise private sector investment and involvement in an IMT if this is done at an early stage through an open and transparent process.
- There is significant uncertainty about the capacity of SIMTA to deliver the first stage of its IMT in 2014 as published, as well as its capacity to deliver the full IMT within its published timelines.
- The SME site is a better option for the Commonwealth for an IMT than the SIMTA site, because of its greater size, better access to the Southern Sydney Freight Line and it has the capacity for a full service interstate terminal.

The opportunity will be made available to all interested parties from the private sector through a competitive tender process.

We believe an open and transparent process will achieve the best long term outcome.

Our market soundings demonstrate that there are a large number of private sector parties interested in this opportunity, each with its own competitive advantage that it could bring to the new terminal.

It is also expected there would be significant complementary development by the private sector in the broader Moorebank area including through the development of warehousing and other services.

We would be pleased to arrange a briefing for BCA on the Government's plans.

We have copied this letter to the Prime Minister and the Deputy Prime Minister.

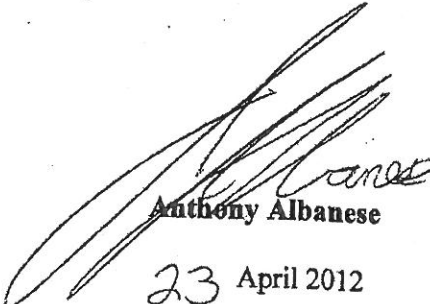
Thank you for your interest in this matter.

Yours sincerely



Penny Wong

23 April 2012



Anthony Albanese

23 April 2012

