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Moorebank: Qube and Aurizon commence direct negotiations with MIC

Qube Holdings Limited (Qube) and Aurizon Holdings Limited (ASX:AZJ) today confirmed they had been invited to commence direct negotiations with the Commonwealth owned Moorebank Intermodal Company (MIC) about development and operation of the Moorebank Intermodal Terminal in South Western Sydney.

Qube and Aurizon, through their joint SIMTA consortium, have participated in the expression of interest process conducted by the MIC over the past six months. The SIMTA consortium has also been progressing development of its own intermodal terminal at Moorebank.

Qube Holdings Managing Director Maurice James said, "We are pleased to now have the opportunity to bring the two projects together through direct negotiations with Moorebank Intermodal Company.

"We have always believed that the Moorebank precinct should be developed as an integrated freight hub for South Western Sydney. Adopting a whole of precinct approach will produce the most efficient outcome for taxpayers and the community in the development of this vital freight infrastructure.

"We will work hard over the next few months to reach agreement with the MIC to develop an integrated precinct that will deliver the best solution for the community, the Commonwealth and investors."

Aurizon Managing Director and CEO Lance Hockridge welcomed the announcement by MIC.

"As Australia's largest rail freight operator, Aurizon is delighted to progress the proposal to co-develop the strategic rail and port infrastructure of South Western Sydney. The project will potentially help unlock the transport gridlock of Australia's largest city and will deliver strategic and critical export infrastructure for the nation" he said.

The MIC media statement is attached for further background.

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Media Release

Moorebank Intermodal Terminal procurement progresses

Sydney, 22 May 2014 – The Chair of Moorebank Intermodal Company (MIC), Dr Kerry Schott, today announced MIC intends to begin negotiation with Qube and Aurizon – together the Sydney Intermodal Terminal Alliance (SIMTA) – about the development and operation of the Moorebank intermodal terminal.

The decision was made by MIC's Board of Directors after an evaluation of interest from potential operators and developers of the terminal. Expressions of interest received were assessed against the Australian Government's objectives, in particular that the terminal must handle import-export (IMEX) and interstate freight, be open access for rail operators and other users, minimise impacts on the environment and community, and minimise any Government support.

"The response from SIMTA was so strong in comparison to the other respondents that it warrants a period of direct negotiation" Dr Schott said. "This would determine whether suitable terms for the development and operation of the terminal can be agreed. SIMTA's proposal included development of both IMEX and interstate terminals as soon as possible, significant capital investment by SIMTA, and a willingness to take risk on the freight volumes that would use the terminal. Any arrangement reached must meet the Government's objectives, including in particular common-user open access."

The negotiations will be subject to controls to ensure that any agreement reached maximises the value of the Government land being used for the terminal and any other support provided. The highest levels of probity will be maintained.

If a detailed agreement with SIMTA cannot be reached within six months, MIC will consider other options. Two other respondents to the request for expression of interest have been asked by MIC to remain on standby.

Moorebank Intermodal Company was established in December 2012 to develop an intermodal terminal at Moorebank. MIC is wholly owned by the Commonwealth Government.

The proposed Moorebank intermodal terminal will manage freight containers carried by rail to and from Port Botany as well as freight containers carried on the interstate rail network. The proposal is intended to increase the proportion of containerised freight carried by rail, in comparison to containers carried by truck.

Once fully developed, the Moorebank Intermodal Terminal will handle around 1.2 million TEUs of IMEX freight and 0.5 million TEU of interstate freight each year. The terminal will enable more freight to be carried by rail, which will ease the pressure on Sydney's roads.

The Government land that will be used for the development is currently used by the Department of Defence School of Military Engineering, which will vacate the site in 2015. It is located next to a smaller site owned by SIMTA. A 'whole of precinct' approach is expected to be more efficient and will provide more space for onsite warehousing and other related terminal facilities.

Development of the terminal will include actions to reduce any negative impact of the terminal on the local community and environment. Job opportunities for local employees will be provided. NSW and Commonwealth environmental and planning approvals are required before the terminal can be built.

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