

STATEMENT OF CORPORATE INTENT

2021-24



WE BELIEVE

An efficient, resilient multi-modal supply chain is essential to safeguarding Australians' quality of life

OUR PURPOSE

Enhance national productivity by attracting private investment to improve intermodal rail capacity

Cover photo: Containers at Port Botany. Image courtesy NSW Ports

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This Statement of Corporate Intent has been prepared by Moorebank Intermodal Company Limited in accordance with s. 95(1) of the *Public Governance*, *Performance and Accountability Act 2013* (Commonwealth) for the reporting periods 2020–24. Its structure and content reflect the requirements of the *Public Governance*, *Performance and Accountability Rule 2014*, and *Governance and Oversight Guidelines for Commonwealth Government Business Enterprises*, published by the Department of Finance. We are grateful for the assistance of the Department of Finance and Department of Infrastructure, Transport, Regional Development and Communications for their assistance in preparing this document.

FOREWORD

The Australian Government's investment in Moorebank Logistics Park is important to a national approach to building resilient, sustainable supply chains.

The Moorebank Logistics Park forms a key element of the Commonwealth Government's long-term commitment to strengthening our national freight network.

This Statement of Corporate Intent sets out our plans over the next four years – how we will manage the Commonwealth's infrastructure investment, facilitate completion of a new Interstate Terminal and support the growth of rail's mode share nationally by providing an efficient and cost-effective freight precinct with open access as a core objective.

Impacting these objectives are major social, economic and technological advances which challenge our industry and the country as a whole. Since our inception in 2012, the environment in which Moorebank Intermodal Company (MIC) operates has changed. In this Statement we outline MIC's response to those challenges and opportunities.

The appearance of empty supermarket shelves during the COVID-19 pandemic, coupled with increasing uncertainties stemming from escalating global trade tensions, has rightly focused minds on the resilience of Australia's supply chain and the need for efficient, reliable and cost-effective transport and freight infrastructure. The need to realise the benefits of Moorebank - enhanced national productivity and supply-chain resilience – has never been so urgent or so important.

At MIC, we are confident of our ability to meet these challenges and look forward to delivering a state-of-the-art logistics precinct, a vital catalyst supporting the National Freight and Supply Chain objectives of the Government.





Erin Flaherty Chair James Baulderstone Chief Executive

O 1 PURPOSE

The Australian Government established MIC to enhance national productivity by attracting private investment to improve intermodal rail capacity.

Our work is founded on the belief that an efficient, resilient multi-modal supply chain is essential to safeguarding Australians' quality of life.

As the demands on the national supply chain grow, there has been a strong desire at a Commonwealth, State and industry level to invest in rail to facilitate its ability to play a greater role in this market.

Our potential contribution is even more vital today as the importance of supporting growth in national productivity and an efficient and resilient supply chain is seen in the changing global landscape.

An increased focus on national supply chain resilience and the ability to move significant volumes with minimal human interaction, presents an increased opportunity for the role of rail in line with increased automation with operations and warehouses.

The importance of interconnections between major ports, capital cities and regional areas is now absolutely central to ensuring that Australia has an efficient, resilient multi-modal supply chain to enhance and safeguard and improve Australians' quality of life.

The Commonwealth's investment in Moorebank provides the opportunity to leverage these opportunities and ensure the realignment of supply-chain configurations to meet the country's future challenges.

IMEX Terminal

To avoid bottlenecks at Port Botany, IMEX shuttles must become more frequent in the years ahead. To accommodate this increased frequency, ARTC is investing in new capacity for Sydney's Metropolitan Freight Network (MFN) (see chart below). In addition:

- » train operators must expand and renew their fleets
- » additional high-capacity IMEX terminals are required in strategic locations across Western Sydney, the destination for more than half the inbound container traffic.

The IMEX Terminal at Moorebank, completed in 2019, will have a capacity of 1.05 million TEU by 2022 of containerised freight when Qube finishes installing automated equipment. It will be able to cater to rapid growth in containerised freight demand in the surrounding region. We will continue to support the success of the Moorebank IMEX Terminal by:

- » facilitating upgrades to connecting roads
- » supervising and enforcing a robust 'Open Access' framework (see overleaf).

Interstate Terminal

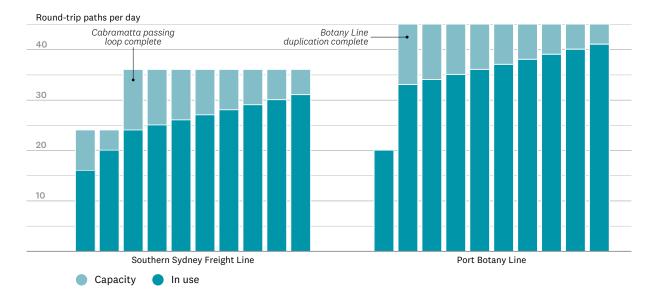
With the IMEX Terminal operating, our focus turns to facilitating a new Interstate Terminal at Moorebank. Our role is to ensure the delivery model is sound and to implement an Open Access framework. We will also fund the necessary land remediation and rail connection.

MIC and Qube are working together to ensure that the design, timing and role of the Moorebank Interstate Terminal best aligns with market requirements and the Commonwealth's strategic priorities. Over the course of 2020-21, we will work with Qube to align our approach to this key element of the Moorebank Logistics Park, to ensure the terminal is delivered and operational by 2023.

A combination of an open access Interstate Terminal, with new "sister" terminals in Melbourne and Brisbane (and possibly Perth), would create a world class, interconnected, modern and efficient national interstate rail freight network.

METROPOLITAN FREIGHT NETWORK, 2020-9

Source: ARTC Cabramatta Loop EIS, Botany Line duplication EIS



Open Access

The requirement for a common-user facility at both the IMEX and Interstate terminals has been part of the Australian Government's plan for the project since its inception. Moorebank intermodal freight precinct is important due to a number of factors:

- » Scale. When complete, Moorebank Logistics Park will be home to the largest intermodal terminal in the country.
- » Strategic location. Moorebank occupies a strategic position close to the M5 and M7 motorways and enjoys direct access to Port Botany via ARTC's Metropolitan Freight Network.
- » Government involvement. It is crucial that the benefits of the Government's investment at Moorebank be shared across the industry and with freight customers.

It falls to MIC to ensure that the interests of market participants – and through them, consumers – are protected. We have sought to balance these considerations against the need for the operator Qube Logistics Rail to exercise its judgement to promote safety, efficiency, productivity and volume through the facility.

Qube has agreed to a contractual regime to allow access seekers to use the IMEX Terminal.

MIC's role is to monitor compliance with the contractual obligations to ensure that access seekers, freight customers and the broader community are protected.

Details of these arrangements are published on the Moorebank Logistics Park website (qubemlp.com.au).



Rail operations have commenced to the IMEX Terminal at Moorebank. Photo: Qube



Woolworths' National and Regional Distribution Centre – artist's impression. Image: Qube

Qube provides compliance and performance reports on the arrangements each financial year, and a summary of this report will be published on the Qube and MIC websites. Qube's compliance will also be subject to review by an independent external auditor. A summary of the auditor's annual report will also be published online.

MIC will monitor compliance and resolve disputes with access sekkers that are not managed by Qube.

OPERATING CONTEXT

Moorebank Logistics Park is a nationally significant freight infrastructure precinct in south western Sydney.

The Moorebank Logistic Park is designed around two intermodal rail terminals, one serving the IMEX shuttle market and the other serving Interstate container trains. These are complemented by warehouses, ancillary services and biodiversity conservation lands.

The Moorebank site includes adjacent properties owned by the Commonwealth (158 hectares, known as Moorebank Precinct West) and Sydney Intermodal Terminal Alliance (SIMTA) (83 hectares, known as Moorebank Precinct East). Moorebank is connected to ARTC's national freight rail network via a dedicated rail spur.

SIMTA is a subsidiary of Qube, a national logistics company with interests in road, rail and port assets. Qube serves as the precinct developer and operates the IMEX Terminal.

The Commonwealth's interest in the precinct is represented by MIC, which was established for the purpose in 2012. MIC provides funding for the delivery of essential infrastructure works and will receive ground rent revenues arising from warehouse development, terminal development and a return on the capital cost of the rail infrastructure.

We have seen several major changes to our operating environment since our foundation in 2012:

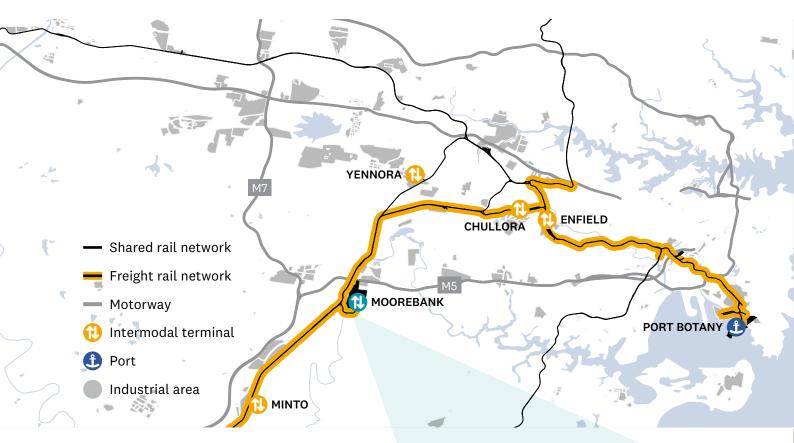
- » Aurizon, one of the two original partners in SIMTA, has exited SIMTA and the intermodal rail market.
- » Qube is in exclusive negotiations to sell some of its interest in the precinct, while maintaining its role as terminal operator.
- » The COVID-19 pandemic and heightened tensions over trade worldwide have placed renewed focus on the resilience of the supply chain.



Moorebank Logistics Park is taking shape in Sydney's South West

- » Australia's first recession in almost 30 years has underscored the importance of productivity growth to safeguarding the nation's living standards.
- » The Inland Rail's first section project, Parkes to Narromine was completed in September 2020 and with the Australian Government committed to fast-track investment in critical infrastructure projects, the next stages of the project are progressing.

We have revised our purpose, priorities and objectives to ensure full alignment with these challenges and opportunities.

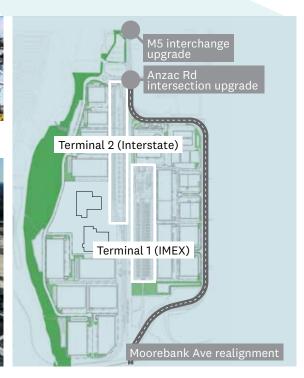






Above: Sales suite and café Below: IMEX Terminal. Photos: Qube





NATIONAL PRODUCTIVITY

National productivity growth is a key driver for improved living standards, yet its rate in Australia has fallen in recent years.

The potential for the Moorebank Logistic Park to pay a significant role in improving transport logistics infrastructure efficiency and therefore the nation's productivity growth, remains the overriding purpose behind the Commonwealth's investment.

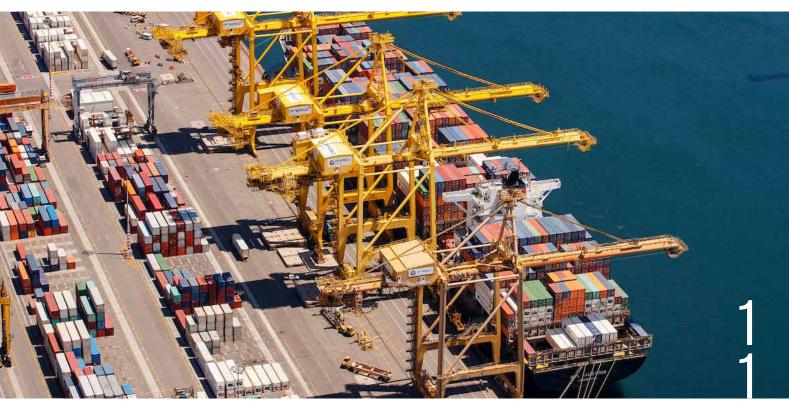
Improved intermodal terminal capacity open to all contributes to productivity growth by first, increasing the ability of the ports to handle more containerised freight (IMEX) and second, better-designed interstate rail terminals will make rail – already competitive on price – available to a wider portion of the interstate freight market. This will place downward pressure on freight rates across all surface modes.

Supply chain infrastructure – the transport links that connect raw materials, manufacturers and customers – is critical to productivity growth. This infrastructure:

- » connects businesses with the most efficient suppliers of their inputs, wherever they are in Australia or overseas
- » broadens the market a given producer can supply, sharpening competition and thus spurring innovation.

While supply chain infrastructure is important to every economy, it's especially important in Australia. This is because of the large distances between cities, and between primary producers and cities.





The Australian Bureau of Statistics and the Bureau of Infrastructure & Transport Research Economics (BITRE) have calculated that transport accounts for 7.4 per cent of Australia's gross domestic product. The industry's own productivity will therefore influence the national figures.

Improvements to intermodal terminal capacity can contribute to productivity growth in two ways. First, to reach its estimated maximum capacity of around 7.5 million twenty-foot equivalent units (TEU) per year, Port Botany requires a significant increase in the volume of containers being moved within Sydney by rail. These trains are called IMEX ('import–export') shuttles.

Second, better-designed interstate freight rail terminals will make rail – already competitive on price – attractive to a wider portion of the interstate freight market. This will place downward pressure on freight rates across all surface modes.

To maximise utilisation of IMEX and Interstate terminal capacity, a robust Open Access framework is essential. Open Access lowers barriers to entry for train operators and promotes competition.

Port Botany

Port Botany is a vital gateway for the Australian economy, handling 2 million TEU of containerised freight in 2019. As such, it has a major influence on national productivity.

The 2012 Moorebank terminal business case found that "rapid growth in container volumes, combined with constraints affecting Port Botany, threaten to create a bottleneck which is likely to add costs to the entire supply chain."

With little room for physical expansion, the port must use its existing land area more efficiently. The operator calculates that trucks can only support throughput of around 4.5 million TEU per year. Demand

may exceed this capacity as soon as the mid 2020s, meaning that rail will have to take a bigger share of the task, rising to 3 million TEU by the 2040s or 2050s (see figure below left).

In practice, because freight trains can only reach certain parts of Sydney, we cannot simply wait until road capacity is exhausted to ramp up rail operations. Rail must grow faster than overall demand by winning higher mode share in the industrial precincts near the freight rail network.

Should Port Botany reach the limit of its reliable capacity, the overflow will need to be directed to other ports. In order to accommodate this shift, significant new investment would be required in motorway and rail capacity.

Put simply, if rail cannot reliably handle 3 million TEU at Port Botany by the 2040s, additional public spending and increases in the cost of importing and exporting would be brought forward.

Interstate container rail

Transport for NSW estimates that freight flows between Sydney and the other mainland capitals would total close to 30 million tonnes in 2021, roughly equivalent



A reach stacker loads a train at Port Botany. Photo: NSW Ports

to 3.2 million TEU. (This does not include inter-capital freight transiting via Sydney.) The largest components of this volume were the Sydney-Melbourne and Sydney-Brisbane routes. Rail's mode share on the East Coast is less than 1% of all freight movements.

Rail's competitiveness

When considering how to move nonbulk freight between capital cities, each customer will place emphasis on different service qualities. The most important are cost, transit time, reliability and service availability.

In this context, service availability refers to capacity on vehicles that depart or arrive at certain times of day to connect with pick-up and delivery (PUD) arrangements at either end of the journey. There is a strong preference for cargo to depart after close of business and arrive before businesses open.

Freight forwarders will classify freight into tiers that address different service characteristics, as shown the table below.

Tier	Service	Share		
Express (next day or earlier)	Transit time	5%		
Economy (day-definite)	Reliability, service availability	60-70%		
General (non-time-definite)	Price	25-35%		

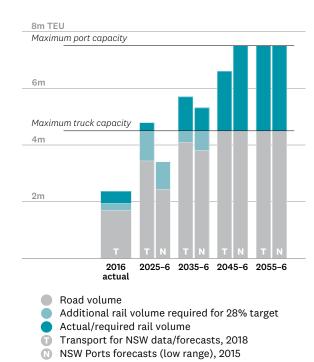
Source: Ernst & Young/ARTC

For customers who value price over other service characteristics, rail is a relatively competitive option. However, rail lags road in terms of reliability and service availability.

Rail's competitive advantage lies in its superior labour productivity and relative fuel efficiency. These have allowed rail to offer consistently lower rates than the truck industry.

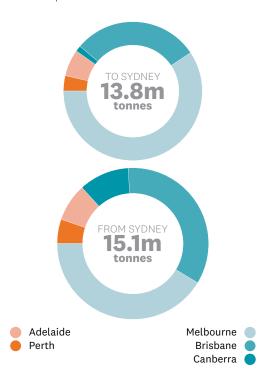
PORT BOTANY FORECAST CONTAINER VOLUMES

Sources: Transport for NSW, NSW Ports



SYDNEY INTERCAPITAL FREIGHT VOLUME, 2021

Source: Transport for NSW forecast





Melbourne Freight Terminal ('South Dynon') near the Port of Melbourne. Photo: BeyondImages

There are three ways in which further improvements to the interstate freight rail network could enhance national productivity: further reductions in price; improved reliability; and improved service availability.

These improvements would also sharpen competition across all modes, potentailly spurring service innovation in the truck industry as well.

Elements of terminal design that support improvements in reliability and/or service availability include:

» loading road lengths sufficient to accommodate 1,500- and 1,800-metre interstate trains without the need for division and amalgamation

- » automated loading equipment including gantry cranes and straddle carriers
- » co-location with warehousing and ancillary services, such as container storage, maintenance and refuelling
- » good road access for PUD vehicles
- » systems for tracking shipments and coordinating PUD movements.

The above factors may also place downward pressure on prices, but only if the market for train services is sufficiently open to competition. Open access to terminal capacity is a major determinant of the competitiveness of this market.

Q4 CAPABILITY

Our company's capabilities are embodied in a small, skilled team with considerable logistics and infrastructure experience.

In the early phases of this project, two capability areas were most relevant: custodianship and partnership. As operations ramp up on site over the next four years a third capability area will come to the fore: leadership.

Over the next four years, we will evolve our skills base to meet new challenges. Our focus will shift from delivery to operations and from operations to Moorebank's place in the national supply chain. We will ensure lessons learned from the initial Moorebank development experience are captured and applied to similar projects in future.

Custodianship

In managing this investment, it is vital that MIC embraces innovation and employs the commercial acumen of its private-sector partners. We must also:

- » ensure contractual obligations are satisfied in a timely manner
- » manage the approval of contracts associated with MIC funded works to ensure value for Commonwealth money is obtained
- » manage risks by meeting the needs and expectations of regulators and neighbouring landholders.

Partnership

Our partnership role is focused 'inside the fence' – on ensuring the Moorebank Logistics Park operates to the advantage of its operator, the rail industry, freight customers and the local community. To do this we must:

» discharge our Open Access compliance role in a manner that is recognised as fair, reasonable and expeditious



Leadership



Partnership



Custodianship

- » ensure lessons learned from the IMEX Terminal are applied to the design of Open Access arrangements for the Interstate Terminal
- » continue to proactively engage with community representatives, including Liverpool City Council
- » clearly articulate the benefits of the project to the Western Parkland City community.

Leadership

MIC's emerging leadership role is focused 'outside the fence': ensuring that the benefits of Moorebank Logistics Park are felt throughout the national supply chain and advocating for complementary public and private investment. This includes working with the Commonwealth Government to consider opportunities for delivery of intermodal capacity in Melbourne and Brisbane as well as Sydney.

This role stems from the recognition that new assets operating in isolation cannot by themselves increase container rail's mode share.

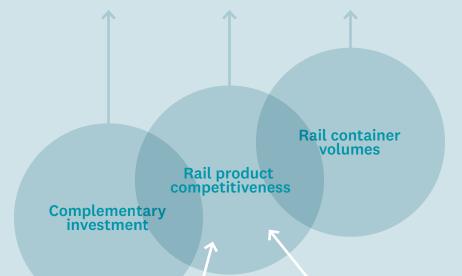
Our evolving role will ensure we continue to contribute to lowering barriers to entry in the container rail market, thus enhancing rail's competitive position relative to other transport modes. 1 5



STRATEGIC PRIORITIES

Our purpose:

Enhance national productivity by attracting private investment to improve intermodal rail capacity



How we assess our impact:

How we measure our performance:

Strategic priorities:

Delivery milestones

Essential

infrastructure

Delivery milestones Open Access metrics

Kational National

National productivity

Finance GBE metrics

Asset

Asset stewardship

Emerging opportunities



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KEY ACTIVITIES

Our work over the next four years will reflect four strategic priorities, each framed to respond to the challenges and opportunities of the current environment.

Essential infrastructure

Over the past 12 months, MIC and Qube have progressed essential infrastructure works at Moorebank. Objectives, key activities and targets related to this priority are shown in the table below.

Enhancing national productivity

The Australian Government established MIC in order to improve the efficiency and affordability of moving freight by rail and to contribute to national productivity growth. Our productivity objectives, key activities and targets are shown in the table on pages 20 and 21.

Asset stewardship

Central to MIC's role is the obligation to actively and diligently manage the Commonwealth assets and investment to ensure that the Moorebank Logistics Park is designed and operated to deliver on Commonwealth policy objectives.

These assets include:

- » the Moorebank Precinct West (former School of Military Engineering) site
- » biodiversity offset areas in Casula, Moorebank and Wattle Grove
- » assets delivered to date, including Stage 1 of the Moorebank rail link (Southern Sydney Freight Line to IMEX Terminal)
- » the Moorebank Intermodal Company, including its intellectual property and corporate knowledge
- » remaining uncommitted Commonwealth investment in the project.

Much of the day-to-day construction, operation and maintenance work at the site is undertaken by Qube and its contractors. This approach brings vital private-sector know-how to our task. We must nonetheless ensure that all work is performed in such a way as to maximise the assets' long-term value and contribution to the Government's policy outcomes.

In this context, value encompasses:

- » the impact of the Commonwealth's investment in achieving its policy objectives
- » the value likely to be realised by the Commonwealth when the assets are sold
- » intellectual property, including the knowledge and capability of our team
- » the Moorebank precinct's 'social licence to operate' in the Liverpool area.

Priority/Measure	Objective	Actions we will take in 2021-24	Milestone / metric	Result 2019-20	Target 2020-21	Target 2021-22	Target 2022-23	Target 2023-24
	By 2023, implement a long-term management remediation solution that protects the environment, the community and terminal operations	Fund delivery of Land Preparation Works Stage 2 (former School of Military Engineering)	Consent agreement signed with Qube	\rightarrow	Q2			
			Completion of works	\rightarrow	\rightarrow	50%	100%	
		Biodiversity management plan	Regulatory approval	\rightarrow	Q2			
Essential infrastructure		Remediation Management	Planning consents and regulatory approvals	n/a	\rightarrow	~		
			Construction	n/a		→	~	
	By 2024, facilitate and fund the delivery of the realignment of Moorebank Avenue and associated work that meet the needs of our neighbours, terminal users and the wider community	Align planning conditions to MITRA strategy	Updated conditions of consent issued	n/a	Q3			
		Facilitate C'wealth landholder consents	Consents secured and costs agreed	n/a	Q4			
		Moorebank Avenue realignment and other road upgrades to dedicate the road to the state of NSW	Construction	n/a	Q4	\rightarrow	\rightarrow	~
	Complete Rail Access Works Stage 2	Rail Access Works Stage 2	Construction	n/a		\rightarrow	~	

Key: → In progress ✓ Complete

Our responsibility to ensure Moorebank Logistics Park is designed and operates to deliver on the Government's policy objectives is reflected in the 'essential infrastructure' and 'national productivity' objectives described above.

An important part of MIC's role is in protecting the Commonwealth's investment in the Moorebank Logistics Park. With Qube's proposed divestment of part of its interests in the Moorebank Logistics Park to LOGOS Australia, MIC will work closely with Shareholders to ensure that the completion of the precinct and the liability and risks to MIC and the Commonwealth are not materially affected.

Our asset stewardship objectives, key activities and targets are shown in the table overleaf.

From 'just in time' to 'just in case'

The risk of supply chain disruption has prompted many companies to reconsider traditional 'just-in-time' (JIT) inventory policies. The JIT approach is highly efficient but is also vulnerable particularly for complex supply chains. Inventory managers are looking to expand the use of the 'just-in-case' (JIC) approach, that is, hold more stock on hand, allowing companies to ride out short term disruptions or surges in demand. While the balance between JIT and JIC will be for each individual business to make, the indications are that, in aggregate, the importance of transit time will diminish, making a larger proportion of the interstate freight task contestable by rail.

Supply chain resilience

While the immediate focus is on delivering the Moorebank Logistics Park, increasingly, the important role that a thriving, interconnected container rail network plays in building a more resilient national supply chain, with its associated productivity benefits, will come to the fore over the next four years.

The development of integrated rail terminal logistic hubs with associated onsite warehousing is one of the important keys to solving the current challenges facing rail freight which include:

- » highly concentrated container freight market with a small number of freight rail operators;
- » historical lack of confidence in reliability and cost of rail; and
- » continuous improvements in the efficiency of the road freight industry.
- » A number of emerging demographic, technological and policy trends have

the potential to further enhance the competitive advantages of freight rail in this regard. A vibrant, competitive industry with the resources, culture and regulatory environment needed to adapt is essential if Australia is to benefit from these trends.

This is not a programme of defined activities: rather it is a commitment to an organisational culture of understanding, adaptation and thought leadership. As demographic trends, technological innovation and other changes emerge, we will position MIC to play its part.

Opportunities for freight rail to contribute to long-term supply chain resilience include:

- » energy efficiency and alternative fuels
- » vehicle automation
- » the move from 'just in time' to 'just in case' inventory management (see box at left).

Priority	Objective	Actions we will take in 2021-24	Milestone / metric	Result 2019-20	Target 2020-21	Target 2021-22	Target 2022-23	Target 2023-24
National productivity	Western Sydney IMEX capacity competitively accommodates 2.7 million TEU per year by 2040	Identify remaining constraints on volume growth at Moorebank IMEX Terminal	Report to Qube and other stakeholders	n/a	Q4			
	By 2023, construction and operation of a new Interstate terminal that supports a step-change in the competitiveness of interstate freight rail	Identify opportunities to co-ordinate delivery with new intermodals in Melbourne and Brisbane	Work with Commonwealth Government	n/a	Q3			
		Agree delivery and operating model for the Moorebank Interstate Terminal	Reach agreement with Qube	n/a	\rightarrow	~		
			Interstate Terminal in operation	n/a				~
	Open Access arrangements that are robust, responsive and respected	Monitor Qube's compliance with its Open Access obligations at the IMEX Terminal	Access seeker complaints to Qube	0	No target			
			Complaints escalated to MIC	0	No target			
			Open Access investigations	0		No to	arget	
			Time taken to conclude investigations	n/a		Target to be determined		
			Rectification notices issued	n/a		No target		
			Compliance with rectification notices (%)	n/a	100%	100%	100%	100%
		Interstate Terminal Open Access framework	Publish on MIC and/or operator website			→	→	~

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Key: → In progress ✓ Complete

RISK MANAGEMENT

MIC has a Risk Management Framework that has been developed in alignment with AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines on Implementation (ISO 31000) and the Commonwealth Risk Management Policy (2014).

The Company's Risk Management
Framework provides the overarching policy
direction for the role of risk management
within MIC as a Government Business
Enterprise and in its role in funding and
overseeing MIC Funded Works to develop
MLP.

It is the role of the Audit and Risk Committee to oversee the Risk Management Framework. In particular, the Committee:

- » oversees the adequacy of policies and procedures for the oversight and management of material business risks
- » oversees the design and implementation of effective risk management and internal control systems for identifying, assessing, monitoring and managing MIC's material business risk
- » reports to the Board on how those risks are being managed effectively.

The Audit and Risk Committee oversees and monitors the risk register and the Board receives a monthly report on key risks and mitigation measures.

Risk areas include:

- » the health and safety or our employees
- » the impact of our operations on the environment
- » governance and compliance
- » financial and commercial
- » delivery, particularly those that affect the timeframe for delivery or the long-term value of the asset

- » operations, particularly those that affect the capacity, efficiency or utilisation of the rail terminals
- » maintaining the strength of our stakeholder relationships and our reputation within both the logistics industry and the community.



The nearby community of Wattle Grove



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