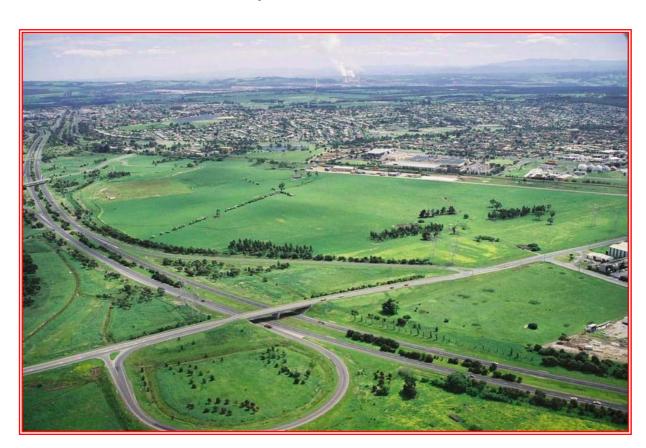


### **Project Implementation Plan**

# Gippsland Logistics Precinct Project

April 2009





#### **Gippsland Logistics Precinct Project Context**

Latrobe City Council has had a significant long term interest and involvement in facilitating an open access intermodal freight terminal to meet the needs of our region. The development of the Gippsland Logistics Precinct (GLP) will establish a centre for the efficient and cost effective movement of freight to and from the Gippsland region.

A key strategic action of Council's is to "Promote and support the development of existing and new industry, and infrastructure to enhance the social and economic well-being of the Valley". The development of the GLP is a key priority under this action.

In 2002, Latrobe City Council acquired a 64 hectare site three kilometres east of the Morwell CBD, adjacent to the existing, under utilised, Gippsland Intermodal Freight Terminal (GIFT). The site was purchased for the strategic purpose of developing an logistics precinct to service the Latrobe Valley and the Gippsland region.

In November 2006, the Victorian Government announced a \$133.8 million buy back from the private sector of the regional rail network lease to facilitate maintenance on regional lines and to progress major rail projects.

On 14 April 2008, Latrobe City Council received correspondence from Lynne Kosky MP, Minister for Public Transport, indicating in-principle support for Council to lead an Expression of Interest process for the reactivation of the GIFT. The Minister also sought clarification of arrangements including proposed leasing of the site to Council. Following detailed discussions between Latrobe City and the State government, V/Line wrote to Latrobe City Council on 17 September 2008 to offer an agreement to lease the Gippsland Intermodal Freight Terminal. The lease arrangements for the GIFT are currently being finalised.

The facilitation of open access rail freight by Latrobe City Council has been on-going for over seven years. The offer by V/Line of an agreement to lease signifies a milestone in this project. Now that the Victorian Government have committed to negotiating the lease on the GIFT to Latrobe City Council the development of the Gippsland Logistics Precinct can occur. In order to progress the development, this Project Implementation Plan has been developed.



#### **Project Objective**

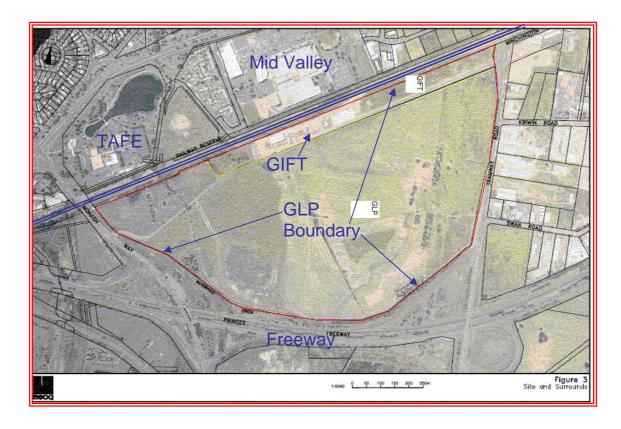
The objective of the project is to develop the Gippsland Logistics Precinct as a centre for the efficient and cost effective movement of freight from and to the Gippsland region.

This document outlines the Latrobe City project plan to meet the objective outlined above.

#### The Site

The site is made up of two distinct but integrated components:

- A site immediately adjacent to the main Gippsland Line between Princes Freeway and Tramway Road, Morwell known as the Gippsland Intermodal Freight Terminal (GIFT)
- A 64 hectare area of land immediately adjacent to the GIFT and also located between the Princes Freeway and Tramway Road behind the Mid Valley commercial centre





#### **Council Involvement & Decision Making**

Latrobe City Council has had a significant long term interest and involvement in the issue of facilitating an open access intermodal freight terminal. Appendix One provides an overview of Council's decision making since 2001 in relation to the Gippsland Logistics Precinct. Appendix two provides an overview of the range of submissions that Council has made in recent years to lobby the Victorian Government to adjust its policy setting to facilitate open access for rail freight.

#### **Project Principles**

The following principles guide the development of the Gippsland Logistics Precinct.

The Gippsland Logistics Precinct shall:

- 1. offer fair and equitable access to the terminal for all enterprises regardless of commercial arrangement;
- 2. provide open access between the GIFT and the adjacent 64 Ha site including preserving the potential for construction of rail spurs into the GLP:
- 3. be fundamentally a rail focused terminal with other modes, being road and potentially air, providing a supplementary but subordinate role, and,
- 4. be controlled via a long term lease held by Latrobe City Council.

#### **Project Methodology and Delivery Structure**

Given a dynamic environment the way forward needs to be through the execution of a structured and comprehensive investigation, evaluation and decision making process rather than the pursuit of any predetermined ideals.

The project is being undertaken in three sequential stages.

#### 1. Situation Analysis

The situation analysis provides a clear and current statement of the projected freight task, the infrastructure needs and expectations of the freight handling industry and the government policy context in which any developments will occur. This analysis also provides the basis for a high level assessment of the commercial viability of developing the GLP.



#### 2. Project Scope and Objectives

The objective of this stage of the project is to clarify and document council's objectives for and requirements of the GLP. The key issue being the resolution of a preferred governance model.

#### 3. Implementation strategy and process

The objective of stage three is to facilitate the development of the GLP in a manner consistent with Council's objectives as confirmed in stage two. The key activities will be:

- Promotion of the commercial opportunity
- An expression of interest process
- A proposal evaluation and proponent selection process
- A contract resolution process

The final configuration and content of stages two and three are evolving and will depend on the outcomes of their preceding stages. It is important to maintain the flexibility to vary the plan as the project progresses while retaining the strategic intent of the process.

The objective of the project methodology is to ensure that any development of the GLP will reflect the process outcomes and the commercial reality of the freight industry.

Consequently the Expression of Interest process in stage three has been developed to present the opportunity, outline the project principles and seek responses from the private sector without seeking to impose predetermined and potentially non-viable solutions on proponents.

Stages one and two have largely been completed but are outlined in this document to allow interested parties to understand the process undertaken to date. The final configuration and content of stage three will depend on the outcomes of the actions contained within stage two.

A number of distinct tasks have been delivered and others have been identified in order successfully deliver the project these are outlined below.



#### **Stage One- Situation Analysis (Completed)**

#### A. Determination of Train Paths and Access to Port Facilities

This stage consisted of the analysis of opportunities for consistent train paths on a daily basis and adequate access to dock facilities. This information has been provided by V/Line and indicates that there are sufficient train paths to commence operations and meet the existing needs of local firms seeking to utilise rail.

Responsibility	V/Line
Status	Complete

## B. Determination of the viability of including operation of the Morwell Shire Siding as part of the overall Gippsland Logistics Precinct operations.

The option of including the former Morwell Shire Siding as a part of the operations of the Gippsland Logistics Precinct is unresolved. It is proposed that this option be more fully explored once a terminal operator has been appointed. The operation of the Gippsland Logistics Precinct has been identified as viable without the inclusion of the Morwell Shire Siding.

Responsibility	V/Line
Status	Not complete.

#### C. Review Situation Analysis

Review the preceding tasks and confirm or revise the content of stage two, the scope and objectives of the project.

Responsibility	V/Line
Status	Complete



#### Stage Two- Project Scope and Objectives

#### D. Development of an Indicative Business Case

The development of an indicative business case has provided Council with an update on the consideration of the freight task as identified in the 2005 Masterplan.

This high level evaluation of economic/business case for the development of the GLP rail terminal and related logistics precinct will be available to potential operators of the terminal as a basis on which to determine the commercial viability of the Gippsland Logistics Precinct. Whilst this review is not intended to replace the commercial assessments of the project expected to be undertaken in subsequent stages by prospective project proponents, it provides an updated and clear indication of the freight task opportunity to government and private stakeholders.

The purpose of the development of an indicative business case was to establish a demand base for a freight terminal which could then be utilised in a future business case for the attraction of potential operators for the site. Indicative information was also sought from potential freight terminal operators and users for future demand for part or all of the adjoining 64 hectares of Council owned land to the GIFT, to be operated as the Gippsland Logistics Precinct (GLP).

The business case prepared by Sinclair Knight Mertz indicates that there is a level of demand for a competitively priced terminal service for a range of local firms.



#### **Indicative Demand for Rail**

<u>Firm</u>	Size- Hectares	<u>GIFT</u>	<u>GLP</u>	Rail?	Likely volumes- TEU or tonnes per annum	Interest Level	Comments
					itive rail service		
Α	2-4	Yes	Yes	Possibly	1,350 TEU	1 High	Commercial in- confidence
В	4	Prefer		Possibly	9,100 TEU 3,000 TEU	1-2 High to moderate	Commercial in- confidence
С	5-10	Yes	Yes	Most likely	-	2 High to moderate	Commercial in- confidence
D	1	Yes	-	Yes	20,000 tpa	2 High to moderate	Commercial in- confidence
E	1.5	?	Yes	Yes	-	2 High to moderate	Commercial in- confidence
F	2-4	Prefer		Possibly	6,500 TEU	3 Moderate	Commercial in- confidence
G	4	Prefer		Possibly	1,000 TEU	3 Moderate	Commercial in- confidence
Н	1	Near rail	Yes	Yes	(same volumes as G)	3-4 Moderate to low	Commercial in- confidence
Total Short term	20-29.5	-	-	-	29,950 TEU 20,000 tpa bulk	-	F
Medium term	opportunit	ies 2-5 y	ears				
I	4	Prefer	Yes	If viable	24-000 TEU 250,000 tpa bulk	3 Moderate	Commercial in- confidence
Longer term opportunities 5+ years							
J	5-10	Near rail	Yes	Yes	40,000 TEU in both directions	2-3 Moderate to High	Commercial in- confidence
Total	29.5-44.5				44,950 TEU + 270,000 tpa bulk (+80,000 TEU)		

Source: SKM Gippsland Logistics Precinct- Indicative Business Case

Responsibility	Latrobe City Council
Status	Complete

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#### E. Determine Lease and Governance Arrangements

On receipt of a draft lease from V/Line officers prepared a report to Council, in October 2008, seeking in-principle acceptance of the lease subject to a full report to Council on an optimal governance model for the precinct and a finalised business case to highlight the viability of the site.

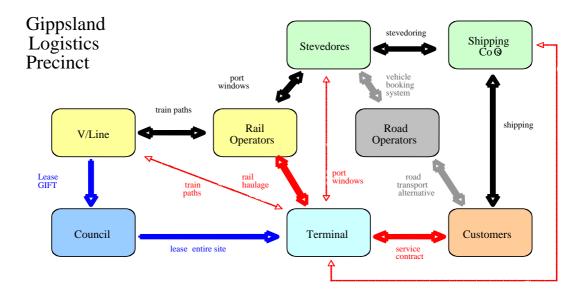
The report sought approval to utilise commercial specialists to assist officers in providing advice to Council on appropriate governance arrangements and preparation for the business case for the EOI.

Responsibility	Latrobe City Council
Status	Complete

#### F. Latrobe City Council adoption of a Governance Model

A report on an optimal governance model was prepared for Council's consideration in conjunction with the results of the indicative business case.

This model is predicated on a long term lease to a terminal operator of the Council owned 64 hectare site combined with a sub lease of the GIFT. This report also sought endorsement from Council on the project plan. A comprehensive overview of the Governance model is available on request.





The model, outlined above depicts the Council's relationship via site lease with the terminal via a think line (indicating that the relationship is a primary one). The dotted lines in the diagram depict secondary relationships.

The principles for Council's involvement are outlined below and prefaced on the governance model that will have regard to the following specific considerations:

- 1. The logistics precinct should have a fundamental rail focus;
- 2. There should be an appropriate incentive to develop the entire site as a logistics precinct;
- 3. The terminal operations should be commercially viable on a stand-alone basis;
- The terminal should have a market incentive to invest in expanding capacity and services (i.e. it should be focused on revenue from volume throughput);
- 5. There should be fair and equitable access to the terminal for all businesses wanting to use rail;
- 6. The terminal should promote competition- customers should not be locked into one rail operator or stevedore in order to use rail;
- 7. There should be minimal exposure to market risk for Council; and,
- 8. The model needs to have credibility with customers to win their confidence and support in light of their previous experiences.

Resolution of Council's preferred governance model.

Responsibility	Latrobe City Council
Status	Governance model to be considered 6.04.09 GIFT Lease finalisation- underway



#### G. Finalise GIFT Lease Arrangements with V/Line

Negotiations with V/Line are proceeding and as per the Council resolution of 6 October 2008 a report on the final lease will be presented to Council for authorisation.

Responsibility	Latrobe City Council
Status	Underway

#### H. Review Scope and Objectives

Review the preceding tasks and confirm or revise the content of stage three, the project's implementation strategy and processes.

Responsibility	Latrobe City Council
Status	Underway

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#### **Stage Three-Implementation Strategy and Process**

### I. Identify and progress funding sources to support the development of the Precinct

- Prepare a submission to Regional Development Victoria for funding for the pre- development of the site.
- Reinstate pre-existing state government commitment to fund siding extension work.

Responsibility	Latrobe City Council
Status	Completion by June 2009

## J. Establishment of Steering Committee to oversee Expression of Interest process

A Steering Committee will be established to develop, oversee and evaluate the Expressions of Interest Process. Participation will be invited from:

- V-Line;
- Department of Infrastructure;
- VicTrack;
- Latrobe City Council (Rail Freight Working Group); and
- Council's rail specialist consultants.

The Steering Committee would determine EOI deadlines, documentation requirements and evaluation and notification processes.

Responsibility	Latrobe City Council
Status	Completion by June 2009



#### K. Preparation of Marketing Prospectus and Information Document

Develop an information document and complementary audio visual presentation to be taken to the market addressing:

- The background of the project including the current and projected freight task and the precinct master plan;
- The policies and support programs from the State and Commonwealth Government;
- Council's vision and objectives for the GLP;
- The opportunity and proposed development process; and
- The expression of interest submission and evaluation process.

Identify the target market for the promotional program, incorporating a "road show" of presentations, including:

- Potential terminal operators;
- Potential site developers;
- Potential precinct tenants;
- Potential precinct service users;
- Regional development organisations; and
- Community representatives.

The expression of interest documentation and proposed marketing prospectus will be provided to Council for endorsement prior to progressing to the next step in the project.

Deliver the promotion program to the target market.

Responsibility	Steering Committee
Status	November 2009



#### L. Preparation of Expression of Interest Documentation

Expressions of Interest (EOI) documentation will be prepared for the development of GLP including:

- 1. Rail freight terminal operation and/or
- 2. GLP site development including:
  - Site lease:
  - b. Any elements of a staged development.
- 3. Any combination of both of the above.

#### The criteria for evaluating EOI's will include:

- Achievement of agreed Project Principles. That is the GLP shall:
  - offer fair and equitable access to the terminal for all enterprise regardless of commercial arrangement;
  - provide open access between the GIFT and the adjacent 64
     Ha site including preserving the potential for construction of rail spurs into the GLP;
  - be fundamentally a rail focused terminal with other modes, being road and potentially air, providing a supplementary but subordinate role; and
  - be controlled via a long term lease held by Latrobe City Council.
- Proponent's capability and credibility;
- Site development standards etc;
- Capability to deliver all safety and operational accreditation requirements; and
- Any other best practice requirements identified in stages 1&2.

Responsibility	Latrobe City Council
Status	November 2009



#### M. Undertake Expression of Interest Process and Evaluate Responses

- 1. Expressions of Interest will be invited from the private sector for the development of the GLP in accordance with the requirements expressed in the EOI documentation.
- 2. Assessment of responses will be against published criteria and in accordance with published processes and will evaluate whether there is a sustainable commercial basis for progressing the project.
- 3. A shortlist of one or more preferred project participants and/or site developers will be selected by the steering committee.
- 4. Short-listed proponents will be invited to present their proposals to the project steering committee.
- 5. Submit the recommended project proposal/s and participant/s to a closed meeting of Council and seek approval to commence negotiation with the preferred proponent or proponents.

Responsibility	Steering Committee
Status	February 2010

#### N. Contract Negotiation

Subject to Council approval a negotiation process will commence with the preferred proponent or proponents regarding the lease arrangements of the site and a due diligence process will be undertaken.

Responsibility	Latrobe City Council
Status	June 2010

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#### O. Contract Resolution

A terminal operator and site developer would be contracted to deliver their proposals.

Responsibility	Latrobe City Council
Status	September 2010



#### Schedule

Activity	Status
Situation Analysis	
Train Paths / Port Access	Complete
Morwell Shire Siding Status	Not complete
Review Situation Analysis	Complete
Project Scope and Objectives	
Development of an Indicative Business Case	Complete
Determine Lease and Governance Arrangements	Complete
Latrobe City Council consideration of a Governance Model (if no model adopted then plan is terminated at this point), the finalised lease and interim arrangements should a firm need immediate access.	April 2009
Finalise GIFT Lease with V/Line	Underway
Review Scope and Objectives	April 2009
Implementation Strategy and Processes	
Identify and progress funding sources to support the development of the Precinct	June 2009
Establishment of Steering Committee to oversee Expression of Interest process	June 2009
Preparation of Marketing Prospectus and Information Document and report to Council	November 2009
Preparation of Expression of Interest Documentation and report to Council	November 2009
Undertake Expression of Interest Process and Evaluate Responses (if no interest is identified at this point then the project plan is terminated).	February 2010
Contract Negotiation (if negotiations are unable to be resolved the project plan is terminated at this point).	June 2010
Contract Resolution	September 2010
	Situation Analysis  Train Paths / Port Access  Morwell Shire Siding Status  Review Situation Analysis  Project Scope and Objectives  Development of an Indicative Business Case  Determine Lease and Governance Arrangements  Latrobe City Council consideration of a Governance Model (if no model adopted then plan is terminated at this point), the finalised lease and interim arrangements should a firm need immediate access.  Finalise GIFT Lease with V/Line  Review Scope and Objectives  Implementation Strategy and Processes  Identify and progress funding sources to support the development of the Precinct  Establishment of Steering Committee to oversee Expression of Interest process  Preparation of Marketing Prospectus and Information Document and report to Council  Preparation of Expression of Interest Documentation and report to Council  Undertake Expression of Interest Process and Evaluate Responses (if no interest is identified at this point then the project plan is terminated).  Contract Negotiation (if negotiations are unable to be resolved the project plan is terminated at this point).



## Appendix One – Council Resolutions regarding the Gippsland Logistics Precinct

Year	Resolution
2001	At its 2 April 2001 ordinary meeting Latrobe City Council resolved that:  Council advise the State Government that, to facilitate economic development of the region, Council is prepared to enter into negotiations to lease the Maryvale/Mid Valley Rail Freight Centre and to purchased, for a nominal amount, the decontaminated former "Gas and Fuel" Lurgi Plant site at Morwell.
2002	At its 6 May 2002 ordinary meeting Latrobe City Council resolved:  That Council allocate the sum of \$400,000 from the Economic Development fund in the 2002/03 financial year to purchase Allotment 8E, Parish of Maryvale.  At its 1 July 2002 ordinary meeting Latrobe City Council resolved that:  The Chief Executive Officer be authorized to further investigate an alternative operators; or  1. The purchase of leasehold improvements owned or controlled by National Logistics Coordinators on (Part)CA 8E, Parish of Maryvale subject to budget contribution on condition that NLC agree to the transfer to Council or termination of the site lease with Freight Australia, devote the proceeds of sale of improvements to retiring all debts and liabilities and transfer or release to Council the name "Gippsland Intermodal Freight Terminal"  2. A long term site lease direct with Freight Australia for the GIFT site  3. A management arrangement for the GIFT involving Freight Australia as a key stakeholder.  At its 15 July 2002 ordinary meeting Latrobe City Council resolved:  That Council continue with its attempts to secure a long-term lease for the site.



2003	At its 1 December 2003 ordinary meeting Latrobe City Council resolved:
	1. That in accordance with Section 189 and 190 of the Local Government Act 1989, Council give notice of its intention to consider the potential sale of all or part of all and/or the lease of all or part of the following Council owned property:
	Crown Allotment 8E, Parish of Maryvale, Tramway Road     Morwell
	2. That any submissions received in relation to the potential sale or lease of land be considered by Council in accordance with Section 223 of the Act at the Ordinary Council Meeting scheduled for 2 February 2004 to be held at Moe Town Hall commencing at 7pm.
2004	At its 2 February 2004 ordinary meeting Latrobe City Council resolved:
	<ul> <li>That having given notice in accordance with Section 189 and 190 of the Local Government Act 1989, Council resolve to sell or lease by private treaty all or part of the following Council owned property:         <ul> <li>Crown Allotment 8E, Parish of Maryvale, Tramway Road Morwell</li> </ul> </li> </ul>
	2. That Council authorise the Chief Executive to enter into contracts for the sale/lease of the subject land if the price is not less than 90% of a sworn valuation obtained in accordance with the Local Government Act 1989.
	3. That a further report be presented to Council on the progress of potential development on this site.
2005	At its 2 May 2005 ordinary meeting Latrobe City Council resolved:
	<ol> <li>That Council adopt the recommendations of the draft Master Plan report.</li> <li>That Council prepare a Planning Scheme amendment to reflect recommendations of the Master Plan.</li> <li>That the Chief Executive Officer investigate and report back to Council on governance options.</li> </ol>



2007	At its 2 July 2007 ordinary meeting Latrobe City Council resolved:
	1. That the Mayor write to the Premier and the Minister for Public Transport seeking first option on the long term lease on the Gippsland Intermodal Freight Terminal.
	2. That the Mayor and Councillors Middlemiss and Lougheed lead a delegation to meet with the Minister for Public Transport to discuss
	Council's vision for the Gippsland Logistics Precinct.  3. That officers write to the Department of Infrastructure, V/Line and VicTrack offering to provide briefings on the Logistic Precinct's
	project and local industry interest in rail.  4. That a further report be presented to Council outlining the results from:
	<ul> <li>a) writing to the Premier &amp; Minister seeking first option on the long term lease of the Gippsland Intermodal Freight Terminal,</li> <li>b) the delegation to the Minister discussing Council's vision for the Gippsland Logistics Precinct,</li> </ul>
	c) the letter to various government departments and authorities regarding the Logistics Precinct project, and advising of the next steps in delivering the Logistics Precinct project.
2008	At its 6 October 2008 ordinary meeting Latrobe City Council resolved:
	That Council authorises the Chief Executive Officer to commence negotiations on the agreement for lease of the Gippsland Intermodal  Figure 1. The council authorises the Chief Executive Officer to commence negotiations on the agreement for lease of the Gippsland Intermodal  Figure 1. The council authorises the Chief Executive Officer to commence negotiations on the agreement for lease of the Gippsland Intermodal  Figure 1. The council authorises the Chief Executive Officer to commence negotiations on the agreement for lease of the Gippsland Intermodal  Figure 2. The council authorises the Chief Executive Officer to commence negotiations on the agreement for lease of the Gippsland Intermodal  Figure 2. The council authorises the Chief Executive Officer to commence negotiations on the agreement for lease of the Gippsland Intermodal  Figure 2. The council authorises the Chief Executive Officer to commence negotiations of the Chief Executive Officer to commence negotiations of the Chief Executive Officer to commence negotiations of the Chief Executive Officer to commence negotiation of the Chi
	Freight Terminal.  2. That the Chief Executive Officer report to Council on the conclusion of the negotiations on the agreement for lease of the Gippsland Intermodal Freight Terminal and seek approval to authorise the lease.
	3. That a further report be presented to Council on or before Monday 6 April 2009, outlining a proposed governance model, the business case analysis and a full project plan for the development of the Gippsland Logistics Precinct.
	4. That the Mayor writes to the Minister for Public Transport to thank her for the offer of lease and recommend that, given the importance of the Gippsland Intermodal Freight Terminal to the local economy, a progress report is provided to the local community via a press release.
L	



#### Appendix Two - Rail Freight Submissions

Year	Submission/Consultation/Action
2004	Australian Competition and Consumer Commission "Freight Australia Ltd - Proposed Purchase by Pacific National".
2005	Standing Committee on Transport and Regional Services - "Inquiry into the Integration of Regional Rail and Road Freight Transport and their Interface with Ports".
2006	The Gippsland Local Government Network completed the <i>Gippsland Regional Development Strategy</i> in September 2006. A key objective of this strategy was the delivery of key transport infrastructure improvements including intermodal freight facilities at Morwell and Bairnsdale.
	Essential Services Commission - "Proposed Access Arrangements".
	Productivity Commission - "Road and Rail Infrastructure Inquiry." The submission to the Productivity Commissions Inquiry noted the difficulties experienced by Council in developing the GIFT/GLP precinct caused by the then current Victorian rail access regime.
	MAV - Alliance of Councils for Rail Freight Mayoral Summit
	MAV - The Future of Rail Freight in Victoria Summit.
2007	<ul> <li>Submission to the Victorian Rail Freight Network Review identifying the following as its key issues.</li> <li>GIFT Reinstatement - including construction of the GIFT siding extension (funded by the Department of Infrastructure), site restoration and installation of the high speed turn out from the main line to the GLP/ GIFT.</li> <li>Gift Lease - Council proposed the appointment of an industry based management committee charged with the operation of the GIFT delivering an open access terminal to the GLP.</li> <li>Gippsland Logistics Precinct Development - facilitated by Victorian Government provision of train path access and relevant infrastructure services to the site.</li> <li>In a supplementary submission to the Council highlighted the following issues raised by local industry during and following the visit of the Review's Committee to Latrobe City.</li> <li>Freight Demand for Rail: "Local Firms have a desire to utilise rail to export firm orders yet they are unable to access rail for freight".</li> <li>Improved Access to Wharves - including direct broad gauge access to facilitate cost efficient exports.</li> <li>Identification and protection of a rail reservation for a</li> </ul>
	<ul> <li>Freight Demand for Rail: "Local Firms have a desire to utilise rail to export firm orders yet they are unable to access rail for freight".</li> <li>Improved Access to Wharves - including direct broad gauge access to facilitate cost efficient exports.</li> </ul>



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2008	Rail Freight 2008 Summit "Shaping Victoria's Freight in Future"
	"Gippsland Transport Forum" Victorian Government Regional Consultation for the Victorian "Transport Strategy"
	Targeted consultation by the Victorian Government on "Freight Futures"
	Submission to the Minister for Roads and Ports on the development of the "Victorian Transport Strategy" and "Freight Futures".