

PORT OF MELBOURNE

Supporting Trade Growth & Supply Chain Efficiency

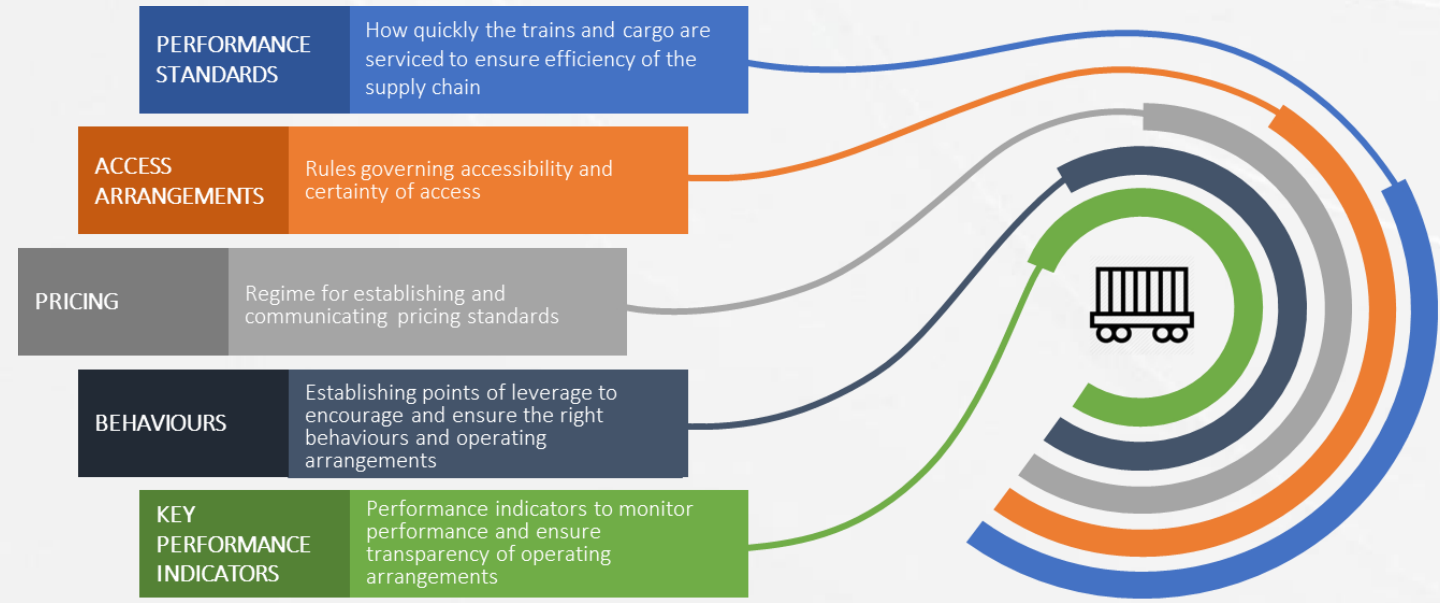
Rail Access Seeker Update | May 2020



Overview

- The Port Rail Transformation Project provides the basis for significantly improved rail access to the Port.
- The Port Rail Transformation Project is designed to provide improved access for regional Victoria and interstate rail services and also provide the infrastructure and operational arrangements to support the delivery of metropolitan Port Rail Shuttle services.
- The Project has the potential to deliver lower overall costs for rail transport into and out of the Port and encourage competition between rail and road transport.

“The Port Rail Transformation Project responds to industry feedback and addresses the key challenges for port freight rail.”



WHY?

1. Maximise supply chain efficiency opportunities and create modal choice for users .
2. Minimise cost structure for rail to make rail more competitive with road.
3. Provide access to port rail infrastructure on an open, non-discriminatory basis
4. Promote competition:
 - Between rail terminal operators
 - Between rail and road.
5. Introduce new operating arrangements for rail inside the port gate to create certainty around operating performance and expectations.

HOW?

1. New rail and road infrastructure will be built inside the port to improve the efficiency of rail and create new rail capacity.
2. The ownership arrangement of rail assets inside the port will be consolidated under PoM ownership and licenced to Rail Terminal Operators to operate competitively under the agreed operating framework.
3. New contractual arrangements between PoM and Rail Terminal Operators will deliver the new operating framework.
4. The day-to-day operating arrangements for rail will be updated.

Scope

Key elements of the Port Rail Transformation Project are:

- **INDUSTRY REFORM** - Integrated PoM provision of port rail land and assets – PoM is restructuring the port rail land and asset arrangements for leaseholders within the Swanson Precinct to provide rail land and assets on a similar basis it provides wharf and road land and assets.
- **OPERATING PERFORMANCE** - Improved rail terminal operation arrangements and transparency – implementation of new operational and performance protocols between PoM and Rail Terminal Operators at most current and all future Port rail terminals. This will provide open access arrangements, maximise the level of market competition between rail terminals and provide operational reporting and efficiency transparency.
- **EFFICIENT INFRASTRUCTURE** - Expanded on-dock rail terminal capacity – development of a new on-dock rail terminal at Swanson Dock East together with the potential upgrade of the existing on-dock rail terminal at Swanson Dock West. Combined, these terminals aim to provide the lowest cost transfer of containers between the rail networks and the container terminals.

Port road network changes are also required for efficient and productive port rail operations. Key road network changes include:

- **Coode Road** – closing a portion of Coode Road to the east of Dock Link Road to enable integration of the new rail terminal and the existing container terminal.
- **Port Precinct Vehicle Road** – a new road south of Footscray Road to provide port connectivity between the west and east of the Swanson Precinct.

“The Port Rail Transformation Project WILL position the Melbourne port rail supply chain for long term success.”

BENEFITS

- ✓ Provide rail mode choice for movement of freight into and out of the port
- ✓ Reduce road congestion and contribute to improved road safety and amenity
- ✓ Reduce last mile costs for rail (particularly for exports)
- ✓ Improve operating performance and certainty for port rail freight
- ✓ Increase port rail capacity to service growing demand
- ✓ Operational flexibility for rail inside the port gate
- ✓ Position the Melbourne port rail supply chain for long term success



Industry Reform

Rail infrastructure will be provided on same basis as other common port infrastructure.

Operating Performance

Establishment of operating environment to improve performance.

Efficient Infrastructure

Investment in new and existing infrastructure to reduce rail supply chain costs.

Industry Reform

PoM proposes to reform the port rail industry by reducing the cost base of rail terminal operators, increasing competition between port rail terminal operators with a new market entrant and through contractual arrangements that change the way rail services are provided within the port.

The three key elements of industry reform are:

1. Provision of rail infrastructure and land at no cost to Rail Terminal Operators which delivers rail on the same basis as other common infrastructure within the port such as quay-line and roads,
2. Introduction of a new on-dock rail terminal at Swanson Dock East to deliver direct cost savings, and choices for rail access seekers, and
3. Establishment of a new contractual operating framework to enable certainty and transparency of services for rail users.

“The Port of Melbourne has listened to industry feedback and is responding with a solution that meets the need for increased transparency in rail access arrangements, improved port access and greater capacity.”

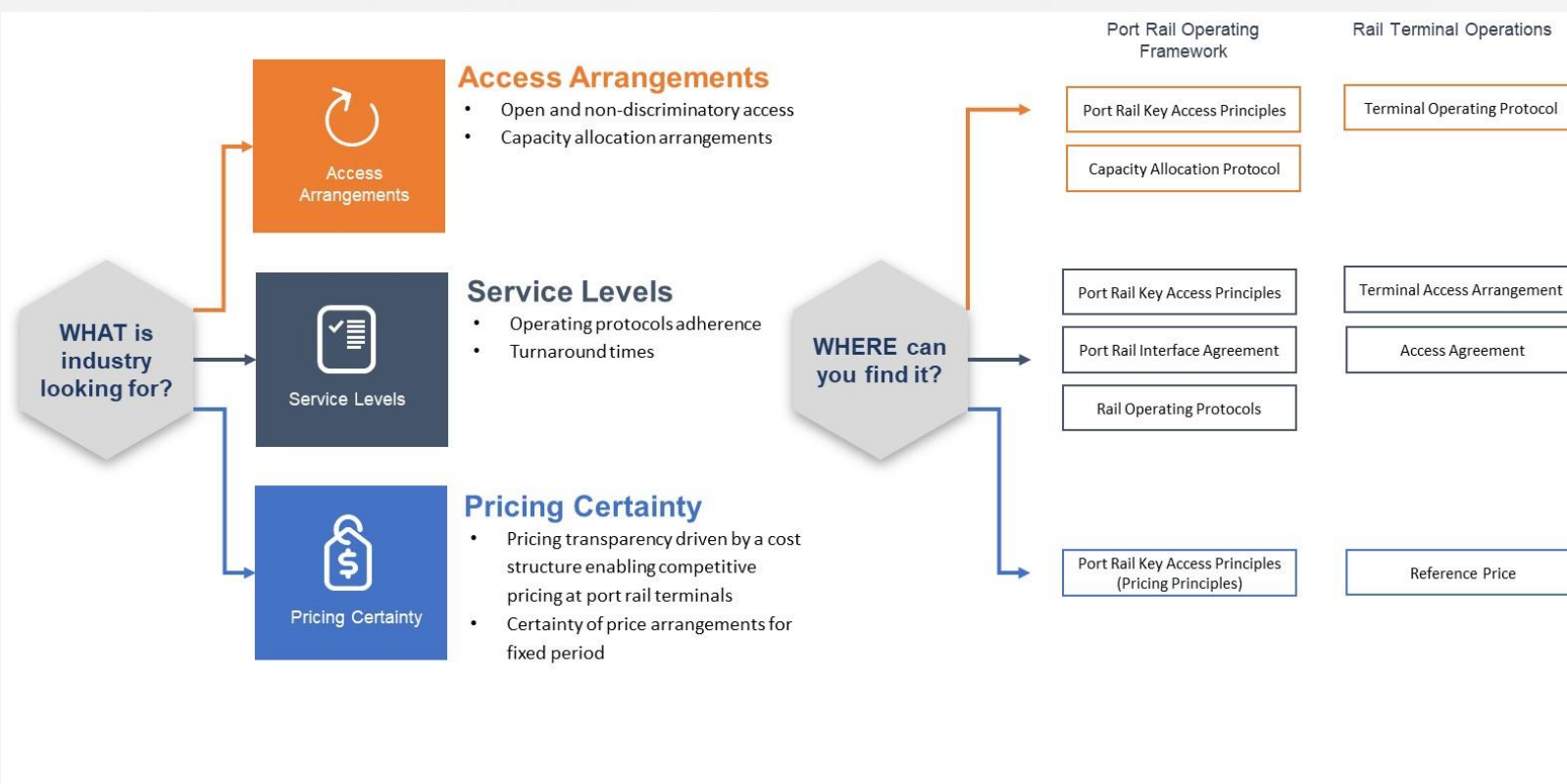
“It’s vital that we all stay focused on the bigger picture – delivering the right infrastructure and operating environment to drive efficiencies in the supply chain so that we can continue to play our role in the state’s economic future.”

Operating Performance

Operational concerns and barriers articulated to date by industry stakeholders, if not resolved, will likely create deeper resistance to achieving rail mode shift and also compromise the significant investments by the State in freight rail projects to date. Industry feedback has highlighted the lack of confidence in the operating performance of rail with unreliable access, poor services at the terminal and the prohibitive terminal costs for using rail; in particular when interchange is required between the port rail terminal and each of the international container terminals.

Through effective design of contractual arrangements in the Rail Operating Licence and the Rail Management Agreements between PoM and rail terminal operators, the Port Rail Operating Framework provides an operating environment which, in conjunction with increased competition, creates transparency for rail users regarding the performance standards and pricing they can expect from the port rail terminals. The proposed Operating Framework provides for port rail terminal operators to establish their own price-competitive commercial arrangements with rail users. There will also be a defined process for dispute resolution.

This allows the rail user to make an informed decision on rail use. It addresses the asymmetry of information between the rail user and the rail terminal operator and provides the rail user with greater choice between competitive terminals.



Operating Performance

Under the new Port Rail Operating Framework, PoM has developed the Port Rail Key Principles. These principles provide an overarching framework for how rail should operate at the Port of Melbourne.

The Principles cover:

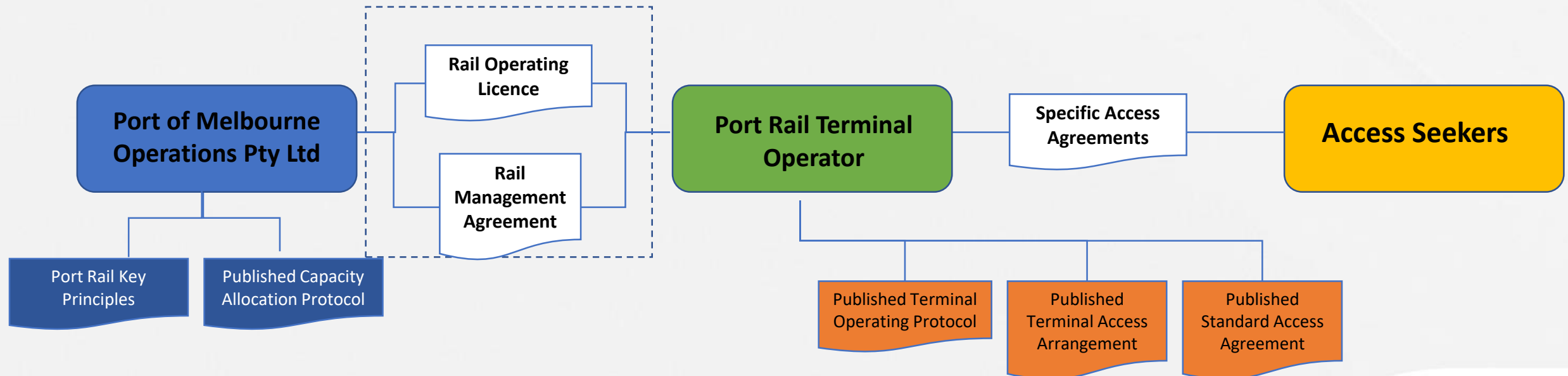
- Open and Non-Discriminatory Access
- Pricing Principles
- Complaints Handling
- Reporting and audits
- Capacity Allocation Principles.

These Principles are supported by a Rail Management Agreement and Rail Operating Licence with the Rail Terminal Operators.

Under these arrangements, the Rail Terminal Operators will publish the following documents to provide clarity and transparency on compliance with the Principles:

- Standard Access Agreement
- Capacity Allocation Protocol
- References Prices

These arrangements are supported by the Rail Interface Agreement and supporting Rail Operating Protocols that manage the operational arrangements on the port rail network.



Efficient Infrastructure

The infrastructure solution in this proposal is centred on achieving the primary objective of connecting trade to rail and overcoming inefficiencies in the physical system that add to the supply chain operating costs.

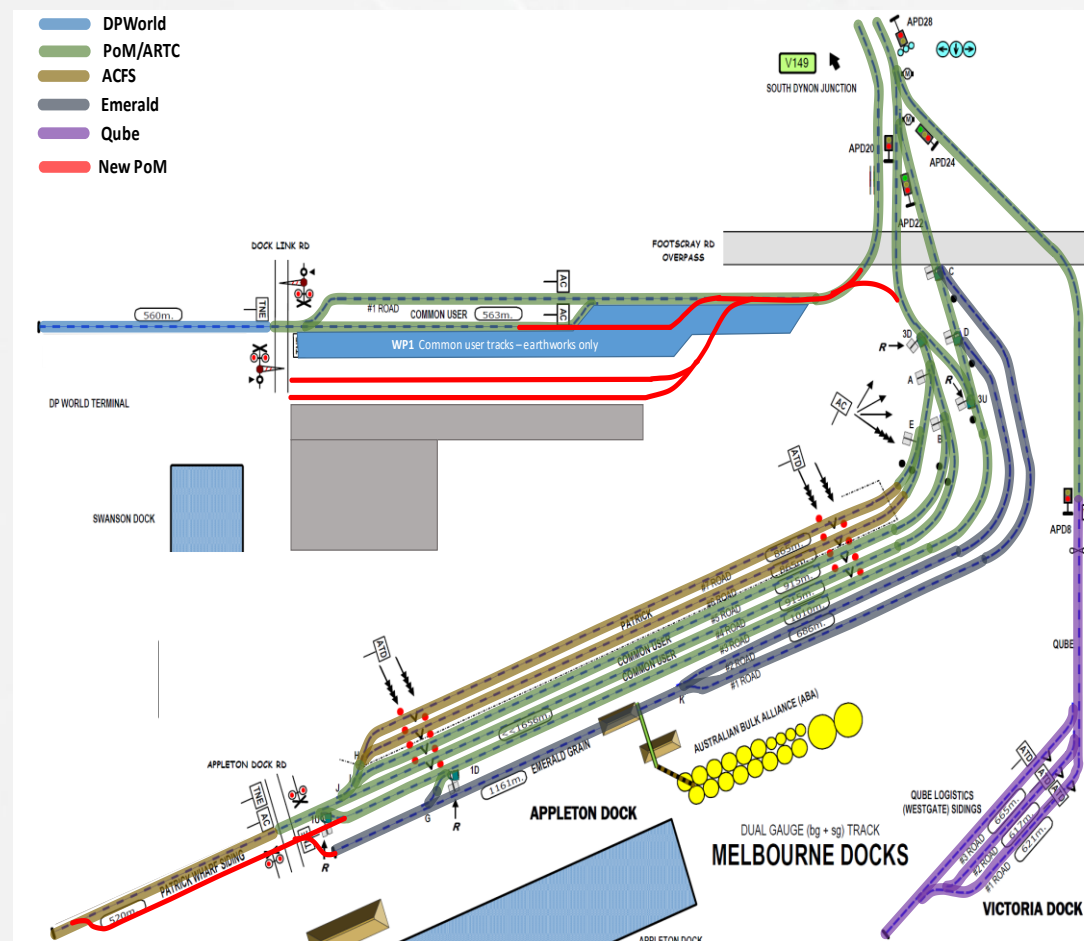
Modal shift to rail at the port relies on the strong technical design approach of rail, marine and road being an interconnected and complementary system to execute the container freight task.

The scope of works is an interconnected set of work packages that in total provide the improvements that will give users greater confidence in capacity and access and reduce operating costs.

The key infrastructure components included within the PRTTP include:

- New rail sidings to enable independent operation of competing on-dock rail terminals that includes:
 - New on-dock rail terminal at Swanson Dock East
 - Expanded on-dock rail infrastructure at Swanson Dock East
- Port road network reconfiguration to enable port rail terminal optimisation.
- Extension of common user sidings to enable regional trains to be received and serviced inside the port gate.
- Connecting infrastructure to enable operational flexibility inside the port gate.

“We want to build the right infrastructure to enable efficient rail services inside the port gate.”



“PoM will work with Freight Victoria to establish a Port Rail Working Group.”

Freight Victoria will be developing a Rail Working Group, with the Terms of Reference and membership to be developed over the coming months.



For more information

The Port of Melbourne is available to present the rail operating framework in detail to rail access seeker companies.

To arrange your tailored one on one briefing please contact:

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Port of Melbourne



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