

Inquiry into the Proposed Lease of the Port of Melbourne

Public Submission by Colin Rees, Ettamogah Rail Hub

11 September 2015

Protecting Regional Rail Freight Exports

The Select Committee is inquiring into the proposed lease of the Port of Melbourne as contemplated by the Delivering Victorian Infrastructure (Port of Melbourne Lease Transaction) Bill 2015. The Committee's terms of reference include, amongst other things, *"the potential impacts of the proposed arrangements on the competitiveness of the Port of Melbourne, the supply chains that depend on it and cost effects on goods passing through the Port of Melbourne"*. It is this aspect of the terms of reference that I wish to address in this public submission with a specific focuses on regional exports which are sent to the Port of Melbourne by rail.

My name is Colin Rees and for over 50 years I have been investing and innovating in rail supply chains including moving port freight through the Port of Melbourne.

My family business CRT (which we sold in 2005 to Queensland Rail) established Melbourne's first (and only) non-subsidised rail port shuttle from a purpose built facility at Altona back in 2002.

Since 1998, I have invested over \$5M in specialized train technology (CargoSprinter) that overseas experience has shown to be a crucial element in making short haul rail work (for example, port shuttles and regional branch line operations).

In 1980 CRT established a regional rail hub for port freight in the Hume region, located on the Bandiana branch line (now closed). The closure of the Bandiana branch line meant the loss of a regional rail hub in the Hume region, so in 2009 I built the Ettamogah Rail Hub, a state-of-the-art fully privately funded facility with direct access to the main Melbourne to Sydney rail line as well as the Hume Freeway, linking it to other rail hubs and ports across Australia.

The Ettamogah Rail Hub currently sends regional export freight from the Hume region to the Port of Melbourne on the Pacific National train service out of Griffith. This is one of the few regional rail freight services to the Port of Melbourne that is not dependent on on-going subsidies from the Victorian Government.

One of the issues I have raised with the Victorian Government going right back to my CRT days is the cost of the so-called “last mile” of the journey for regional rail freight at the Port of Melbourne. This issue is a key cause of the need for subsidies and why businesses consider port rail is just “too hard” at the Port of Melbourne.

A solution has been identified, which is to reserve an area of rail land on Footscray Road for use as an intermodal terminal to receive regional export trains. An independent, low-cost, common user, on-port terminal would allow direct on-dock delivery of rail containers, thereby removing cost from the “last mile” of the journey for Victorian exporters.

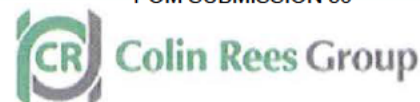
The relevant land is currently within the proposed privatization lease. However, my view is that to protect regional exports through the Port of Melbourne this land needs to be excised from the proposed privatization lease. I believe that this is one of the key measures the Victorian Government must put in place directly if we want to ensure a competitive and ultimately subsidy free regional rail service for Victoria.

Based on my extensive experience in this field, to achieve efficient rail supply chains for regional port freight at the Port of Melbourne we need to get the terminals at either end right.

At the regional end, we need terminals that are independent and operate on a low cost, customer-focused business model each servicing their own sustainable economic catchment zone so that they can all be commercially viable without subsidies. Ettamogah Rail Hub is a model for this type of regional terminal.

At the port end, we need an independent, low-cost, common user, on-port terminal that allows direct interface between regional trains and the stevedores at the Port of Melbourne, eliminating the “last mile” inefficiency that drives up the cost of using rail and has historically made it just ‘too hard’ for businesses.

This type of on-port terminal is the key missing ingredient for efficient unsubsidised regional freight rail supply chains and we cannot simply cross our fingers and hope that bidders for the port will design the best solution for Victoria. The proposed lease provisions aimed at preserving the status quo and leaving the future of rail to be negotiated with the new leaseholder are not enough (especially as the new leaseholder



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“will not be required to pursue any rail modal outcome that will prejudice leaseholder’s ability to commercially recover the costs of the outcome from port users”).

The clear lesson from overseas experience in making rail work (especially the US) is that Australian Governments (Federal and State) must show leadership in getting the policy framework right and establishing the right regulatory settings.

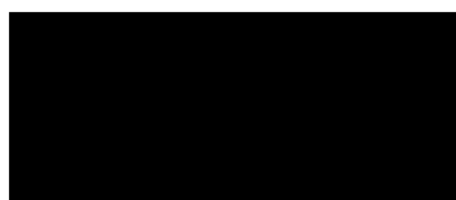
If the Victorian Government does not actively secure an independent, low-cost, common user, on-port terminal before privatisation of the Port of Melbourne, then I fear that the opportunity will be lost and we will be left with locked-in inefficiencies in regional port rail supply chains that can only be addressed by more subsidies, creating a vicious cycle that simply takes rail backwards and harms regional exports. That may ultimately cause regional exporters to move their freight off rail and on to road or to look at more efficient rail supply chain options to other ports such as Port Botany.

I would welcome the opportunity for myself and my Chief Operating Officer Cameron Jackson to elaborate on this to the Committee in person.

Yours sincerely,



Colin Rees
Chairman / Owner



Cameron Jackson
Chief Operating Officer

