



4 April 2022

Ref: MIC-S-2022031-JB

Senator Susan McDonald  
Chair  
Senate Regional Affairs and Transport  
Legislation Committee  
Parliament House  
CANBERRA ACT 2600

Dear Senator McDonald

### **Questions on Notice regarding the recent acquisition of option rights by National Intermodal**

I refer to the Questions on Notice raised in the Budget Estimates 2022-23 hearing on 31 March 2022 of the Rural and Regional Affairs and Transport Legislation Committee (*the Committee*) with the Department of Infrastructure, Transport, Regional Development and Communications (*the Department*).

National Intermodal Corporation (*National Intermodal*) is the responsible Government Business Enterprise for the delivery of the Melbourne Intermodal Terminals and is the entity that has taken over the option rights from Qube Holdings Limited (*Qube*). We write to provide the Committee with further detail to the questions raised.

In addition to this note, I would welcome the opportunity to further brief and answer the questions of the Committee in person on the role of National Intermodal, the delivery of Intermodal Terminals at Moorebank, Melbourne and Brisbane and the land option National Intermodal has recently acquired.

Please note that aspects of the transaction remain confidential and commercially sensitive. The option to purchase the land remains open until September this year, with a range of possible outcomes involving National Intermodal's and Qube's option still possible and noting that Qube is a publicly listed company.

### **Background**

On 26 March 2022, National Intermodal agreed with Qube to purchase its existing option to acquire 1,100 hectares of land at Beveridge, Victoria (this was announced by Qube to the Australian Securities Exchange on 28 March 2022).

National Intermodal acquired the option rights at a price of \$3.67 million (plus estimated stamp duty and transaction costs of \$0.5 million). Qube negotiated the purchase price for the optioned land at Beveridge on commercial terms and on an arm's length basis with the landowner in 2018. The current landowner is understood to have acquired the land in two parcels in 1985 and 2008 respectively.

The identified area for Beveridge Intermodal Terminal has been designated by the Victorian planning authorities for some years and is outlined as a future terminal location in Victoria's long-term freight strategy. The 1,100 hectares of optioned land is in the centre of the identified area.

As noted by the Department at the hearing, the optioned land is strategically located on the Inland Rail route, adjacent to the Hume Highway and 40 kilometres north of the Melbourne CBD and the Port of Melbourne. As recently announced by the Australian Government, the Beveridge Intermodal Terminal will be one of two new intermodal terminals planned for Melbourne as part of the Melbourne Intermodal Terminal package.



As part of the recently negotiated transaction, Qube will have the option to re-acquire up to 200 hectares of contiguous land suitable for warehouse facilities for their own purposes, independent and separate to the proposed National Intermodal terminal. If Qube elects to exercise this second option, the price they will pay is an apportionment of the price they originally negotiated with the landowner in 2018 and will correspondingly reduce the net price paid by National Intermodal, assuming we have exercised our option.

Similarly, if having completed our further due diligence, including additional independent valuation advice, National Intermodal cannot recommend proceeding with the land purchase under the option, then Qube have the right to repurchase the option rights from us at the same price, together with any relevant costs National Intermodal has incurred in the meantime.

The purchase of the option was subject to significant due diligence (including an independent review) with a strong focus on governance and probity and endorsed by the National Intermodal Board. A recommendation was made to our Shareholder Ministers to proceed with the proposed acquisition of the option rights, with Ministerial consent being received on 15 March 2022.

### **Strategic Rationale**

Efficient intermodal terminals in Melbourne and Brisbane, that are capable of accommodating the Inland Rail reference trains and to provide capacity to meet forecast future freight demands, are required to achieve the full benefits outlined within the Inland Rail business case.

The existing intermodal terminals in Melbourne are not currently capable of servicing the proposed Inland Rail reference trains and will not have capacity to meet the growth in the freight task. A terminal at Beveridge is on the Inland Rail alignment and is the only terminal that can be built to efficiently service double-stacked Inland Rail trains by the commencement of operations along the entire Inland Rail route ensuring the full benefits of Inland Rail can be realised.

Acquiring the option rights to the large strategic landholding at Beveridge, significantly de-risks land acquisition and development timeframes for a new intermodal terminal required in Melbourne to service Inland Rail.

The agreement with Qube was reached as part of an overarching resolution of outstanding matters associated with the development of the Moorebank Logistic Park and recent sale transaction to LOGOS Property Group, where Qube also agreed to transfer the Moorebank Interstate Terminal into a separate joint entity and enshrine National Intermodal's ability to ensure fair and equal access for all industry participants. Creating a suite of independent, open access terminals in Melbourne, Sydney and Brisbane will significantly lower existing material barriers of entry to new and current competitors in the rail freight market and ultimately lead to a more resilient supply chain with lower costs to consumers.

### **Economic Rationale & Value for Money**

Qube negotiated the original option price of \$4.0 million in 2018 and have to date invested significantly more money to progress preliminary site assessments and development planning for the Beveridge land.

As part of the Moorebank Logistics Park sale process between Qube and LOGOS, National Intermodal negotiated to acquire both the option rights to the Beveridge land and the benefit of the preliminary site assessments and development planning materials for a significant discount from the actual costs Qube has incurred:

- \$2.67 million for the option which reflects a pro-rata reimbursement of the contractual option fees Qube has already paid to the landowner, with no additional premium attached. The option fee is lower than the \$4.0 million Qube has paid to reflect the residual option Qube have retained over



a 200 hectare parcel. Importantly, the option fee paid by National Intermodal will be offset against any final acquisition price for the underlying land if the subsequent decision is made to exercise the option.

- National Intermodal negotiated a \$1.0 million capped cost reimbursement to acquire the rights to the suite of planning, design and due diligence advice procured by Qube since 2018. National Intermodal has validated this expenditure via a review of invoices which demonstrated that the costs incurred by Qube significantly exceeded this capped amount.

### **Option Rights Value**

It is important to reiterate that National Intermodal did not negotiate the option price but acquired the option on the same price as commercially negotiated and paid by Qube. In completing our value for money assessment, we had regard to the fact that deposits on a land purchase would typically be negotiated in the range of 5% - 20% of the purchase price, whereas the Beveridge option price is a much lower percentage of the confidential pre-agreed land acquisition price negotiated in 2018.

To support our recommendation to acquire the option rights, in late 2021 we obtained two independent valuation reports on the underlying land from established national property valuation firms, Cushman & Wakefield and Savills Australia. The valuation advice obtained supported the recommendation to proceed with the purchase of the option rights. We are continuing to assess the underlying land value, as well as the suitability and ability to optimise the Beveridge site for an intermodal terminal to support Inland Rail and will obtain updated market valuation advice closer to the option exercise date in September 2022.

Acquiring the option for \$3.67 million has secured the Beveridge site as an option to support the Australian Government's two intermodal terminal strategy in Melbourne. It ensures that Inland Rail has a Melbourne location for a terminal in time for the commencement of Inland Rail services along the entire route and which can immediately cater for double stacked trains.

Prior to any decision to acquire the Beveridge land subject to the option, a further recommendation will be provided to our Shareholder Ministers, providing a view as to whether the option to purchase the land at the price negotiated by Qube in 2018 should be made. We will factor into this recommendation the outcome of additional due diligence including further valuations, site assessment and development planning, prevailing market conditions, industry engagement and the outcome of discussions with the Victorian Government.

Please do not hesitate to contact me should you require any further information; and I look forward to speaking to the Committee in person in the future.

Yours sincerely

James Baulderstone  
Chief Executive Officer