

12<sup>th</sup> March 2019

Dear Sir/Madam,

### **Australian Amalgamated Terminals (AAT) Tariff Review for effect 1 July 2019**

In accordance with the “Undertakings” committed to by AAT to the Australian Competition and Consumer Commission (ACCC), AAT has undertaken a rate review on its terminals with proposed rate increases being scheduled for 1 July 2019. The rate increases are undertaken in accordance with Schedule 5 Clause 2 of the Annual Pricing Review of the Undertakings and apply to Fisherman Island and Port Kembla only (Appleton Dock is excluded). A copy of the Undertakings is available on our website at [www.aaterminals.com.au](http://www.aaterminals.com.au).

Due to the regulated environment in which AAT operates, our tariff levels are consistent with the conditions set by the ACCC Undertakings. The pricing model developed as a consequence of the Undertaking and the previous Authorisation calculates the tariffs that allow AAT to earn a fair rate of return on the considerable capital investment made at our respective terminals and takes into account cargo throughput and activity, operating costs, port rents and overheads.

Since last year a few changes to the Undertaking have occurred. Firstly, containers are now excluded from the tariff review mechanism as the ACCC accepts that there is strong competition at Fisherman Island (FI) and AAT needs the flexibility to compete with the three existing container terminals. AAT FI introduced a VBS and Infrastructure fees to be able to retain existing container and some new business that makes a positive overall contribution to the operating costs of FI and the income generated feeds into the costing model benefiting all users. Secondly, Appleton Dock is now excluded from the tariff review regime due to competition from the Port of Geelong for similar services.

AAT operates in an environment of largely fixed costs and continually reviews its operation to ensure that it is operating in an efficient manner. Various cost cutting measures have been implemented over the last couple of years to reduce operating and overhead costs.

#### **AAT Fisherman Island**

The last tariff increase at FI was in July 2016 (implemented Sept 16). The following years were blessed with increase volumes which negated any price increases. Since then the volumes have dropped significantly in car imports (-10%) RoRo (-8.5%) and both are projected to continue to be flat or decline plus the business has faced operational inefficiencies as a result of BMSB and significant cost increases, particularly property related costs, salaries and wages, security and energy costs.

Property related costs continue to be the largest cost to the business, representing in excess of 55% of all costs and having increased by 9% since 2017. Labour related costs have also increased 7% (including 2019 increases) from last increase. Since 2017, all other non property expenses have increased on average by 12.30%, significantly above the inflation rate, with the largest increases coming in electricity, fuel and security.

For the Fisherman Island Terminal, AAT is proposing to increase tariffs to apply from 1 July 2019. Increases will be applied to the Facility Access Charge and Receival and Delivery charges. There will be no increases to the Stevedoring Access Charge.

<b>Cargo Type</b>	<b>FAC – Facility Access Charge</b>	<b>FAC –Change \$ / revenue tonne</b>	<b>R&amp;D – Receival and Delivery</b>	<b>R&amp;D – Change \$ / tonne</b>
Motor vehicles	6.5%	\$ 0.16	N/A	N/A
Roll on/Roll off	6.5%	\$ 0.16	N/A	N/A
Break Bulk	6.5%	\$ 0.42	5.0%	\$ 0.25

**Table 1: Increases to Fisherman Island Tariffs**

Table 1 sets out the rate of increase for particular charges based on cargo type. Other charges including storage, quarantine and MAFI pack/unpack services will also increase by 5%.

Facility Access Charges will increase to recoup higher property, security, energy related costs. Receival and Delivery charges have increased for certain cargo types based on increases in labour and equipment operating costs.

#### **AAT Port Kembla Terminal**

For our Port Kembla Terminal, the main cargo related charges (FAC, SAC and R&D) will not change. Minor ancillary and labour related services, such as quarantine service, MAFI pack/unpack services and vessel layup will increase by 5% which will cover increases in costs in these areas. Water charges have increased to cover cost of services provided.

#### **AAT Appleton Dock**

Appleton Dock has not had an increase in rates since 2014 when AAT took over the site. AAT's lease expired in Dec 2017 and with the departure of RoRo trade Appleton was not viable going forward, but AAT has been able to bring the cost of operations down at Appleton, however to remain viable a 3.17% average tariff increase across the principle charges and 4% on ancillary charges will apply at Appleton Dock from 1 July 2019.

As with other terminals, Appleton has experienced increases in operating costs, including rent, labour, fuel, security, R&M and energy since 2014 and rent increases this year.

Our website includes the schedule of proposed 1<sup>st</sup> July 2019 tariffs. The schedules are also attached to this notice.

In accordance with the conditions of the Undertaking, a terminal End User has the right to appeal and lodge an Objection Notice under the Price Dispute process on or before 24<sup>th</sup> March 2019, however given the delay in this announcement requested by the ACCC the date has been extended on this occasion until COB 2<sup>nd</sup> April. Objection notices can only be lodged in respect of tariff increases proposed for the Fisherman Island and Port Kembla terminals only.

The Objection Notice must set the out the tariff increase objected too and the reasons the Applicant is objecting. The process under the Undertaking contains other important obligations on the Objecting Notice Applicant including the obligations of sharing the cost of the expert determination. Details of these obligations are outlined in Schedule 5 of the Undertakings available on our website.

An Objection Notice must be lodged with both AAT and the Independent Price Expert (IPE) who will assess the proposed tariff increases.

Objection notices are to be lodged as follows:

With AAT:	Via Email:	<a href="mailto:antony.perkins@aaterminals.com.au">antony.perkins@aaterminals.com.au</a>
	Via Post:	Level 27, 45 Clarence Street, Sydney NSW 2000
With IPE:	Via Email:	<a href="mailto:Warwick.Davis@frontiereconomics.com.au">Warwick.Davis@frontiereconomics.com.au</a>
	Via Post:	Frontier Economics Pty Limited Ground Floor, 395 Collins Street, Melbourne Vic 3000,

If you have any question or concerns please contact me to discuss on the email above.

Yours sincerely,



**Antony Perkins**  
Managing Director