

## **Australian Amalgamated Terminals (AAT) Tariff Review for effect the 1 July 2022**

In accordance with the voluntary “Undertakings” by AAT to the Australian Competition and Consumer Commission (ACCC), AAT has completed a tariff review for each of its terminals and proposes rate increases for implementation from 1 July 2022. The tariff increases are undertaken in accordance with Schedule 5 Clause 2 of the Annual Pricing Review of the Undertakings and apply to wheeled vehicles and general cargo only at Fisherman Island and Port Kembla, Bulk products, containers, and Appleton Dock are excluded from the Pricing Review process of the Undertaking. 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 because of the Undertaking calculates the tariffs that allow AAT to earn a fair regulated rate of return on its considerable capital investment made at our respective terminals and considers cargo throughput and activity, operating costs, port rents and overheads. The regulated approach adopted ensures AAT does not over recover on its investments and expenditure in the terminals, providing fair value to users.

Containers and bulk are excluded from the pricing schedule and the tariff review mechanism as the ACCC accepts that there is strong competition in these markets and AAT needs the flexibility to compete with the existing container and bulk terminals. The tariff setting process also currently excludes operations at Appleton Dock which faces competition from other operators within the Port of Melbourne and from Geelong Port for similar services.

The last 12 months have seen volatility in trade volumes caused by the Covid-19 pandemic, supply chain bottlenecks (for example vehicle manufacturers accessing semiconductors) and shipping availability. Over the last year, the volumes for most cargo types have steadily increased from the low volumes of the pandemic. AAT expects that vehicle volumes will return to pre-pandemic levels in next 12 months. Like all businesses, AAT is facing cost increases for many of its key inputs, property, labour, equipment fuel/energy and services suppliers.

AAT has continued to invest in its terminals to provide better services. In Fisherman Island an additional ship to shore crane has been purchased for use on container / general cargo ships and even RoRo vessels. In Port Kembla AAT has made an additional 3.5ha available in the main terminal by taking quarantine activities, car / general cargo storage and stevedores gear store from the main terminal into the former Prixcar site. This is in addition to the 4ha between the two grain terminals for project cargoes and car peaking volumes and the 2.5 ha created from the new office block and entrance redesign in 2019.

Of the two AAT pricing regulated terminals, Port Kembla and Fisherman Island, the proposed tariff increases are available on our website but in summary are as follows;

## 1. Port Kembla

Port Kembla had its first increase in tariffs since 2010 this financial year of CPI of 1.8%. From 1<sup>st</sup> July 2022, AAT will increase prices by CPI<sup>1</sup> of 3.50% (released 25th January 2022). This financial year Port Kembla terminal has not benefited from significant quantities of steel or project cargoes which in the past partially offset terminal operating cost increases. Car volumes remain below budget due to supply restrictions although AAT are predicting stronger volumes next financial year.

## 2. Fisherman Island

As articulated in the past 3 years rate review commentary, AAT Fisherman Island facility has historically financially underperformed and AAT set about a 5 year tariff rate restoration process to improve financial outcomes. This approach has been adopted as the size of the tariff increases were too large for industry to digest in one substantial increase.

The terminal has been further adversely affected by two years of pandemic related volume drop on top of already declining volumes. However, since October of this financial year general cargo volume (mainly steel) imports have lifted due to shortage of containers and increased container pricing seeing product shifting back to breakbulk. AAT does not view this increase in steel cargoes as being sustained in the medium term and although volumes have lifted, our expectation is this year's volume will be in line with pre pandemic volumes (2018 and 2019) and will drop once container prices are normalised.

Car volumes have been under budget all financial year due to chip shortages restricting supply and only starting to get near budget in January 2022 but still well below 2018 pre pandemic volumes. RoRo, although strengthening will also be below 2018 volumes.

Taking the above into consideration AAT propose to increase rates by just 1.5% above CPI, increasing rates by 5%<sup>1</sup> which is still below the maximum permissible increase allowed under the pricing model.

Other tariff rates, not subject to the lengthy tariff review mechanism of the Undertaking will be released no later than 1 April 2022. These tariffs will cover Appleton Dock, the Fisherman Island container rates including VBS and terminal access charges.

Tariff increases in recent years have not been sufficient to cover both increased costs and decreased volumes. AAT believes that the staged approach to tariff increases to rebuild the financial viability of the site is the most practical solution for all terminal users. The approach adopted by AAT is similar to that used by utilities.

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<sup>1</sup> AAT tariff increases from 1 July 2022 also involve a realignment of tariffs to better reflect increases in property related costs. Wheel vehicle tariffs consists of a fixed per vehicle charge to stevedores (SAC) and variable charge based on cubic meter charge for land and facility costs (FAC) depending on size of a vehicle. Land costs have increased significantly over the years and the pricing is realignment is to better reflect the appropriate allocation. This has the following impacts:

- (a) For Port Kembla overall vehicle tariffs will increase by approximately 3.5% for an average vehicle of 15m<sup>3</sup>.
- (b) For Fisherman Islands overall vehicle tariffs will increase by approximately 5% for an average vehicle of 15m<sup>3</sup>.

Our website includes a more detailed Schedule of all the proposed tariffs.

In accordance with the conditions of the Undertaking, a terminal End User has the right lodge an Objection Notice under the Price Dispute process for cargo type relating to them on or before 24 March 2022. Objection notices can only be lodged in respect of tariff increases proposed for the Fisherman Island and Port Kembla Terminals for vehicles, general cargo and breakbulk. The Objection Notice must set out the reasons the Applicant is objecting to the tariff increases.

**Any Objecting Notice lodged by an Applicant includes the obligations to the Applicant to share the costs of the Independent Price Expert determination.** Details of these obligations are outlined in Clause 3 of 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,

**Antony Perkins**  
Managing Director

3 March 2022