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10 February 2011

PRIVATE & CONFIDENTIAL

Mr. Craig Faulkner
Chief Executive Officer
Australian Amalgamated Terminals Pty. Limited
Unit 11, 3 Westside Avenue
Port Melbourne VIC 3207

Dear Mr Faulkner

INDEPENDENT PRICE EXPERT Determination
Price Increase Proposed for Webb Dock West from 15 January 2011
Price Increase Proposed for Bell Bay from 15 January 2011

This Determination has been made pursuant to my appointment as the Approved Independent Price Expert ("**the Expert**") under Clause 2.2 of Attachment D of the conditional authorisation granted to Australian Amalgamated Terminals Pty. Limited ("**AAT**") by the Australian Competition and Consumer Commission ("**ACCC**") on 3 December 2009, and varied on 9 February 2010 ("**The Authorisation**"). All subsequent references to the Authorisation will be to Attachment D only, unless otherwise specified.

On 16 October 2010 AAT notified Terminal End-Users of proposed maximum tariffs that will apply to AAT terminals at Webb Dock West in Melbourne and Bell Bay in Tasmania, commencing 15 January 2011 ("**proposed price increases**"). As required in the Authorisation, the AAT notification advised Terminal End-Users of the name and contact details of the Approved Independent Price Expert and the process for such users to lodge objections with the Expert.

No objections were received in respect to the proposed maximum tariffs that will apply to Bell Bay. I am therefore not required to make a Determination in relation to the proposed price increases at Bell Bay.

One written objection in relation to Webb Dock West was received by me within the time period allowed from terminal end users.

In accordance with Clause 2.4.10 of the Authorisation I am required to notify AAT and any party which lodged an objection of my Determination in relation to the proposed price increases.

I note that in making this Determination the Authorisation states that I am acting as an Expert and not an arbitrator and that any determination made by me in that capacity is final and binding on AAT.

Within 2 business days of receiving this Determination AAT must publish it on their website.

Determination by Approved Independent Price Expert

In accordance with the obligations imposed on me as the Approved Independent Price Expert I hereby notify you of my Determination in relation to the proposed price increases advised by AAT to be effective as from 15 January 2011. The original notifications provided by AAT are attached as **Annexure B - Webb Dock West** and **Annexure C – Bell Bay.**

Webb Dock West

I have determined that the proposed price increases for Webb Dock West as notified by AAT are not reasonable or justified and have set new prices as allowed by clause 2.4.12 of the Authorisation. The new prices as set out in the table below reflect an average increase over the existing prices of 17% as compared to the average of 30.5% proposed by AAT.

Webb Dock West	**Pre - 15 Jan**	**Post- 15 Jan**	
	Actual	**Proposed by AAT at 30.5% average**	**Determination at 17% average**
FAC Export vehicles $ per unit	**25.15**	**32.80**	**29.45**
FAC Import vehicles $ per unit	**20.50**	**26.80**	**24.00**
FAC general cargo $ per revenue tonne	**3.55**	**4.65**	**4.15**

These increased prices take effect as of 7 days from the date of this Determination.

Bell Bay

I am not required to make any determination regarding the proposed price increases for Bell Bay as notified by AAT because no objection was received from any Terminal End-User within the specified time period.

Detailed Report

The Authorisation does not require me as the Expert to provide any explanation or reasoning for reaching the conclusions drawn. However in the interests of all parties I have set out in the attached Report full details of such matters. In certain circumstances information has been provided to me which is confidential in nature and cannot be disclosed to other parties. Where I have relied on such information I have noted this in the Report.

Submissions and Consultation

I wish to acknowledge the following interested parties who have provided information to assist me in reaching this Determination:

- AAT – as required by the Authorisation
- Federal Chamber of Automotive Industry (“**FCAI**”)
- GM Holden Limited (“**Holden**”)
- Subaru (Aust) Pty. Limited (“**Subaru**”)
- Mazda Australia Pty. Limited (“**Mazda**”)
- Shipping Australia Limited (“**SAL**”)
- "K" Line Australia Pty Ltd (“**K-Line**”)
- Port of Melbourne Corporation (“**POMC**”)

I thank all the parties listed above for their co-operation and assistance during this process.

Yours Faithfully

D. Cartwright

Deborah Cartwright

Approved Independent Price Expert

CONTENTS

Report on Determination Considerations

A Background

The background information that resulted in the appointment of the Approved Independent Price Expert is set out in detail in the Authorisation and is well known to all interested parties. As such I do not propose to repeat such detail in this report.

B Notification of Proposed Price Increases

On 16 October 2010 AAT notified its Terminal End Users of its proposed price increases at Webb Dock West and Bell Bay terminals effective 15 January 2011.

As contemplated under the Authorisation terminal end users who wish to may lodge objections against the proposed price increases with the Expert within 15 business days following notification by AAT of the proposed price increase.

Within this period I received one such objection notice from the Federal Chamber of Automotive Industry ("**FCAI**"). This objection related to the proposed price increases at Webb Dock West only.

No objections were received in respect to the proposed maximum tariffs that will apply to Bell Bay. I am therefore not required to make a Determination in relation to the proposed price increases at Bell Bay.

Having received one or more such objections the Expert is required to determine whether the proposed price increases are reasonable and justified within the period prior to the date of effect of the proposed price increases, or such further period, not being more than 20 business days, as the Expert in their sole discretion requires.

On 17 December 2010 I notified AAT that I was extending the period in which I could make the Determination by the further period of 20 business days and that notice of my Determination will therefore be made no later than 10 February 2011.

I also requested AAT to publish this notice of Further Period on their website for the benefit of all interested parties.

On 10 January 2011 AAT notified their customers that whilst the proposed price increases were scheduled to be effective as from 15 January 2011, they would delay the effective date to be 7 days after the Determination is made.

Since my appointment as the Approved Independent Price Expert, I have made one prior Determination on 18 August 2010 (**First Determination**). This Determination is referred to as the **Second Determination.**

C Determination Process

The Authorisation sets out in Clause 2.4.6 that the Independent Price Expert must:

"..determine whether the proposed price increase is reasonable and justified, having regard to the following principles:

(c) that AAT is entitled to generate a reasonable rate of return on the amount of funds invested; and

(d) the price for the supply by AAT of Port Terminal Services should be set on a terminal by terminal basis taking into account:

(i) all efficient input costs, including Port Terminal lease costs, among others;

(ii) an appropriate allocation to that Port Terminal of AAT's head office costs;

(iii) expected volumes over the period that AAT has used to calculate the proposed price increase, including where appropriate any split between committed / uncommitted volume and associated risks;

(iv) the level of capital reasonably invested by AAT at that Port Terminal;

(v) AAT's overall weighted average cost of capital; and

(vi) the interests of Stevedores and Terminal End-Users who use the Port Terminal for which the proposed price increase relates; and

(e) The reasonableness and appropriateness of the existing price for the supply of the Port Terminal Service."

D AAT Pricing Model

In their notification of the proposed price increases issued on 29 April 2010 AAT advised users that the new tariffs were based on a detailed pricing model (**"the Model"**) developed by a leading firm of economists (**"CEG"**) who are experienced in working with organisations whose operations were regulated, as AAT's operations now are under the conditions of the Authorisation.

In my First Determination, I considered in detail the submissions made by CEG as to how the Model was constructed and the rationale behind the input assumptions and how in their opinion, the Model does address the factors set out in Clause 2.4.6 of the Authorisation.

Where I did not agree with the assumptions, methodology or rationale adopted by CEG and AAT in preparing the Model, I provided details in the relevant section of that Report together with my reasons for such opinion.

I have been provided with full access to the amended version of the CEG Model, which AAT and CEG have used in calculating the proposed price increase for Webb

Dock West and Bell Bay. The CEG amendments to the Model were made in order to address each of the factors raised in my First Determination on the operation of Clause 2.4.6 of the Authorisation which must be taken into account by the Expert in making a Determination as to whether the proposed price increases are reasonable and justified.

Where I do not agree with any assumptions now adopted by AAT, or have found it necessary to model additional analyses to arrive at this determination, I have indicated so in the relevant section of this Report together with my reasons for such opinion.

E Reasonable Rate of Return on Funds Invested

The Authorisation provides that AAT is entitled to generate a reasonable rate of return on the funds invested. In considering this the two factors I have had regard to are:

1. What is the level of return which is "reasonable" to AAT; and
2. What is the level of funds invested by AAT.

E1 Reasonable Rate of Return

In my First Determination I determined that a reasonable rate of return for AAT to adopt was 12.65% p.a. pre-tax. This is also referred to as the pre-tax weighted average cost of capital ("**WACC**"). This rate is applied to future cash flows, not historic earnings.

The current model has adopted the same rate of 12.65% for the WACC applicable to AAT.

For the following reasons I accept that there would have been no material change in the WACC applicable to AAT:

1) Long Term Risk Free interest rates have been relatively static;
2) The model adopts a constant rate within each financial year in order to even out the impact of volatility throughout the year.
3) There has been no material change to the underlying risk profile of AAT since August 2010.

Therefore I accept that the rate of 12.65% used in the model for the WACC applicable to AAT for future cash flows is reasonable.

E2 Funds Invested

The Authorisation sets out that the level of capital reasonably invested should be considered on a terminal by terminal basis – see **Section C(d)(iv)**. I have therefore considered the level of funds invested under **Section F6** below dealing with it on a terminal by terminal basis.

F Factors to be Taken into Account When Setting Prices

F1 Price to be Set on a Terminal by Terminal Basis

The AAT Model does seek to calculate the prices on a terminal by terminal basis. The AAT accounting system allocates direct revenue and expenses on a terminal by terminal basis for management accounting purposes. Budgets are also prepared on this basis. The Model uses the data from these management accounts and budgets on a terminal by terminal basis in calculating the prices.

Head Office and company overhead costs are allocated to each terminal on the basis of proportional revenue. This is considered further in **Section F4** below.

F2 Efficient input Costs

AAT have assumed in preparing their Model that all historic and forecast expenditure and investment has been prudent. To support this assumption they argue that they had a strong incentive to only incur efficient input costs, because like any firm, to the extent that AAT could lower its input costs, this would increase its profit margin for a given set of prices.

I accept that this argument is reasonable and that AAT's input costs can be assumed to have been efficient historically. This is subject to my comments in **Section F7**, which deals with the Level of Capital Reasonably Invested at Webb Dock West.

However given that AAT is now in a regulated environment and that the Model adopted seeks to calculate prices for the period **ahead** using amongst other things**, expected or forecast input costs**, the higher the forecast costs used in the model, the higher the resulting price that the model would calculate as being required. After setting the prices, AAT could in fact find that there are various ways in which the actual costs can be reduced, but the prices will have already been set. It is therefore necessary to consider how the forecast input costs for the year ahead have been calculated by AAT.

I have set out in the tables below a comparison of the forecast expenses for 2011 and the actual expenses incurred in 2008, 2009 and the projected full year expenses for 2010, based on year to date expenses at the time the model was prepared by CEG. Each head of expenditure is expressed as a percentage of the base year, which is 2008. In each case I note that costs are lower subsequent to 2008 due to lower levels of economic activity in the aftermath of the Global Financial Crisis (**"GFC"**).

I note that Head Office costs have been reduced and are forecast to remain lower in 2011 than they were in 2008 and 2009. The principle reasons for the reduction in

Head Office costs are the finalisation of the ACCC proceedings and apparent downsizing of head office staff.

COST ANALYSIS - WEBB DOCK WEST	Base Year 2008	Actual 2009	Actual 2010	Forecast 2011
Salary, wages and on-costs	100%	77%	73%	71%
Rent, rates and taxes	100%	91%	110%	106%
Repairs and maintenance	100%	41%	67%	79%
Security	100%	90%	90%	97%
Insurance	100%	115%	42%	42%
Communications	100%	84%	98%	97%
Electricity	100%	79%	89%	91%
Fuel	100%	55%	70%	72%
Cleaning	100%	113%	92%	92%
Equipment hire	100%	248%	207%	222%
Other expenses	100%	53%	72%	69%
Allocation of head office costs	100%	95%	101%	55%
TOTAL EXPENSES	**100%**	**87%**	**101%**	**94%**

With regard to the expense forecasts for Webb Dock West, I note:

- Rent, which includes payments under the volume based Preferential Berthing Licence, have risen in line with throughput (which is forecast by AAT to return to 2008 levels in 2011) and to market rent reviews on the site lease.[1] Despite the impact of the GFC on activity, total costs have not fallen significantly since the port rental charged by POMC to AAT is the major head of expenditure;
- Some other costs which are higher than in 2008, such as cleaning and equipment hire, are not large expenditure items and the increases are not material, or subject to one-off variations;
- Most other costs appear to be variables which AAT has been able to control in line with the level of port throughput, with efficiencies in staffing and insurance costs;

[1] The apparent fall in rent from 2010 to the 2011 projection reflects rental accruals at a higher rate before POMC advised AAT of their market review. Formal notice was received on 23 November 2010.

I have visited the Webb Dock West terminal and discussed with terminal management and head office staff the inputs costs and incentives to control operating expenses for that facility. My review of the operating expenses has not identified any head of expenditure which is not an 'efficient input cost'.

Based on the above analysis I consider that the forecast expenditure appears reasonable given the historical data and improving economic conditions.

F3 Port Terminal Lease Costs

The Authorisation specifically refers to Port Terminal Lease Costs being considered as part of the efficient input costs.

AAT has operated the automotive terminal at Webb Dock West since July 2005 under a lease from the Port of Melbourne Corporation (**POMC**). POMC is a state government statutory authority with the responsibility for management and development of the Port of Melbourne. The original lease for a period of 10 years was granted in 1998 to Strang Stevedoring Australia W.D.W. Pty Limited (**Strang**), a subsidiary at the time of Toll Holdings Limited (**Toll**).

In 2005 Strang were potentially in default in relation to the minimum throughput conditions contained in the lease and ceased utilising the site as a car terminal. POMC then sought to identify another operator to take over the lease and the business operations of Strang.

The lease was subsequently assigned to AAT by Deed of Assignment dated 30 June 2005. In the Deed of Assignment to AAT, POMC formally acknowledged that there was no liability attaching to, or resulting from, this potential breach by Strang that would be passed on to AAT. In accepting the assignment of the lease AAT agreed to the same minimum level of throughput as that which was imposed on Strang. Since this time AAT's volumes have actually exceeded the minimum requirements.

AAT subsequently exercised the 10 year lease option with the current lease term now due to expire in 2017.

The lease rental is subject to biannual reviews to market, with a CPI adjustment every other year. AAT have advised that they successfully challenged the market review due from 1 January 2006. Port of Melbourne had sought an increase greater than 50% from 1 Jan 2006. AAT objected and contended that the market rental was only 15% higher. An expert valuer was appointed by the parties and the determination, of which I have been provided a copy of, was made at just 13% above the previous rental. This dispute was not resolved until May 2009.

On 23 November 2010, almost 18 months later, POMC formally advised AAT of the annual rentals to apply for the years commencing 1 January 2008, 2009 and 2010 respectively. The 2008 and 2010 rentals have been increased by POMC to the level which they consider is the market rentals for the site in each of those years. AAT have accepted the amounts as reasonable and advised me they will not challenge the market reviews for 2008 or 2010 years, as the level of the 2010 market review by POMC represents only a compound increase since the 2006 review of 3.66%.

Rentals for the years commencing 1 January 2009 and 2011 are subject to a CPI increase only and have also been accepted by AAT.

In my opinion I consider that there is evidence that AAT have made reasonable efforts to ensure that Port Terminal Lease Costs are an efficient input cost (ie their successful objection against the proposed market review as at 1 January 2006 which resulted in the proposed rental increase being reduced by 75%.)

F4 Allocation of AAT's Head Office Costs

AAT operates 5 terminals and accounts for each as a separate unit in it's management accounting system. AAT also has a sixth cost centre, which is for its Head Office and overhead costs. For it's management accounting purposes AAT does not allocate this overhead in any manner to the 5 terminals.

The ACCC Authorisation however considers that an appropriate allocation of Head Office costs to the terminals should be made when considering the costs of operating each terminal.

In the Model, AAT have chosen to allocate the head office costs to each terminal on the basis of revenue generated at that site. In my First Determination, I considered each of the alternatives for allocating head office cost and I accept that this is a reasonable basis on which to allocate such costs to each terminal.

FCAI, in its objection letter, considered my finding in my First Determination that costs incurred by AAT in responding to proceedings by the ACCC and the Queensland Competition Authority should not be included in the Head Office costs that are apportioned to each terminal. I confirm that I have already considered the issues raised by FCAI in my First Determination, and do not believe that this matter needs to be revisited.

F5 Expected Volumes

The Authorisation provides that the expected volumes over the period that AAT has used to calculate the proposed price increases, including where appropriate any split between committed / uncommitted volume and associated risks, should be a factor considered by the Expert.

AAT provided CEG with estimates of volumes for the different types of cargo for the 2011 financial year based on their experience, and the forecasts published by various bodies. As part of the process of considering how reasonable these estimates provided by AAT were, I requested AAT to provide me with historical data in relation to volumes at the Webb Dock West terminal.

Given the fall in volumes due to the GFC which is evidenced from the graph below, terminal end users are keen to ensure that the forecast volumes used by AAT in the Model reflect the recovery in trade clearly experienced by AAT in 2010, as Australia generally appears to be emerging from this downturn.

In my meetings and conversations with various end users I invited them all to submit their own data as to projected volumes for the purposes of assessing the reasonableness or otherwise of the projected volumes used by AAT in the Model.

The FCAI directed me to the following POMC publications for information in relation to the most recent forecasts for car throughput volumes for Victoria:

- "Port Development Strategy – 2035 Vision" (**2035 Vision**), dated August 2009; and,
- Discussion Paper dated 26 August 2010 entitled "Webb Dock West – Automotive Development Industry Engagement" (**WDW Industry Paper**).

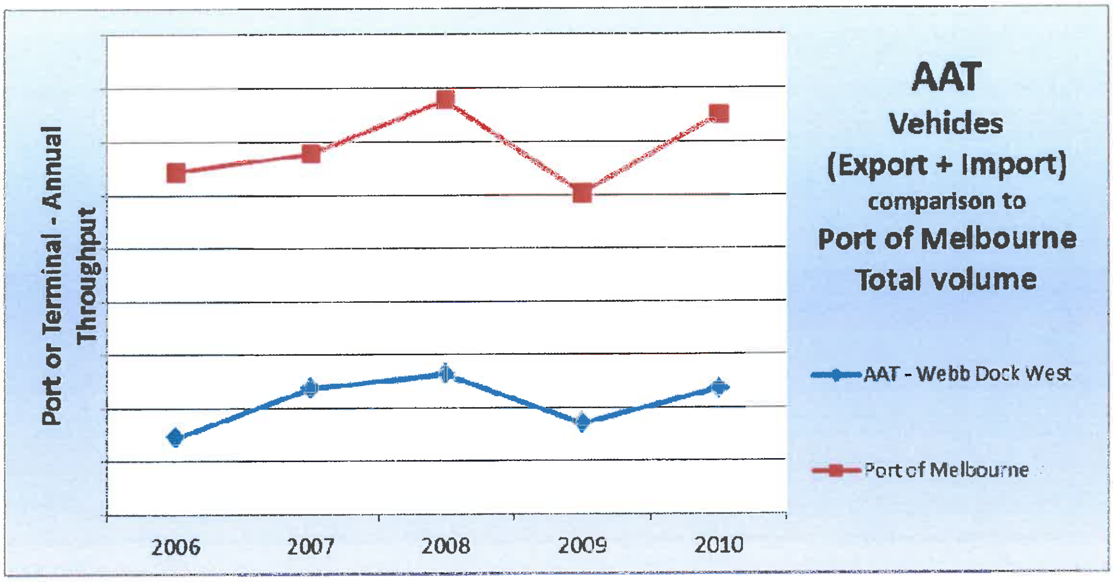
The 2035 Vision paper provided estimated numbers for throughput of new vehicles only for 4 particular years (Note that the estimates were actually prepared in 2005). This data is shown as column **B** in the Table below.

The WDW Industry Paper provided estimated total throughput for the 4 particular years, by starting with predicted new car volumes and allowing an additional 25% for commercial, agricultural and used vehicles. These estimates are set out in column **A** in the Table below.

I have added column **C** to show the annual rate of compound growth projected.

Year	**A** **Total Throughput WDW Industry Paper**	**B** **2035 Vision New Vehicles**	**C** **Annual Rate of Compound Growth % pa**
2010	405,000	325,000	
2015	485,000	390,000	3.7%
2025	670,000	535,000	3.2%
2035	900,000	720,000	3.0%

However the above figures are for the whole of Victoria, and include the throughput at all three terminals – WDW, WDE and Appleton. Historically the throughput for WDW has accounted for between 20-35% of the total for new vehicles, export and import, in Victoria, as set out in the graph below.



The POMC forecast figures for Victoria as a whole assume growth of at least 3% compound annually in total throughput. In considering this it is important to note that the papers are both planning documents prepared to ensure that there is sufficient infrastructure in place to cope with projected "best case" trade levels and volumes, and the estimates used may not necessary reflect the views of the industry participants themselves.

The CEG Model forecasts growth in throughput at WDW to be at 1% per annum each year, starting with estimated volumes for exports and imports in 2011.

The 2011 volume forecasts in the Model are 1.9% above the fairly strong volumes which AAT achieved in 2010 (despite the cessation of the Investment Allowance effective 30 June 2010).

I have considered whether it is reasonable for AAT to forecast growth at only 1% p.a. when the forecasts in the POMC papers above appear to be at least 3% p.a.

Webb Dock West is unique amongst AAT's terminals due to two major factors:

1) There is significant competition from Webb Dock East ("**WDE**") and Appleton terminal facilities which can both process imported cars; and
2) WDW does not have the infrastructure to handle the larger RORO vessels which are only able to berth at WDE or Appleton.

The Webb Dock East facility is operated by Patricks and provides an end to end solution with all aspects of the processing of imported vehicles being handled by common owned companies in the Patricks group. Various motor vehicle importers indicated in our meetings that this was a superior facility to WDW and that the major shipping lines tended to bring all their imports in through WDE. The current position is that AAT has limited shipping lines which have elected to use WDW and these are mainly the carriers for the vehicles produced in Thailand.

The Appleton terminal is a common user facility and although it is some distance from the Webb Dock facilities, one major shipping line in particular, being WWL, has elected to process the vast majority of their imports through this terminal.

So whilst in other cities where AAT operates terminals 100% of imported vehicles will be processed through the AAT terminal, this is clearly not the case in Melbourne.

I also understand that the contracts for delivery of vehicles are usually made between the producer and the shipping line, and the shipping line makes the ultimate decision about which port terminal, stevedoring firm, R & D firm etc to engage and that the producers have very little influence in such choice.

As the forecasts in the papers referred to above were prepared on a "best case" basis to ensure that appropriate infrastructure was in place, and that WDW is subject to considerable levels of competition from WDE and Appleton, I therefore accept that the 1% growth in the model for vehicle throughput at Webb Dock West is reasonable and that the starting level has taken into account the recovery in trade experienced in 2010 as the industry came out of the GFC.

Containers, Bulk freight and General Cargo

Webb Dock West is a dedicated light vehicle terminal, unsuitable for heavy bulk cargoes or containers. As a result, the general cargo volumes and revenues are very small, and have no impact on my determination.

Committed Volumes

No users have agreed to providing committed volumes for this terminal.

F6 Level of Capital Reasonably Invested by AAT at each Port Terminal

CEG adopted the principle of "Value of Unrecovered Investment as at 1 July 2010" to be the measure of the level of capital reasonably invested at each Port Terminal in the original Model[2] as at the beginning of the current financial year for which prices are being calculated. This Investment balance from time to time is referred to in the Model and this determination as the regulatory asset base (**RAB**).

The actual calculation of the Value of Unrecovered Investment is complex, and involves factors which I have considered in detail in my First Determination. The specific matters taken into account by CEG when calculating the Unrecovered Investment Base for Webb Dock West at the commencement of the 2011 to 2017 analysis period are as follows:

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[2] This refers to the first model prepared by CEG for a price increase proposal subject to the objection process in the ACCC Authorisation. The model was first provided to me in May 2010.

(1) AAT maintains a Fixed Asset Register that allocates each asset to the particular port terminal at which it is located. CEG have used these Fixed Asset Registers for each year that AAT has been operating, as the basis for calculating the amount of capital invested by AAT at each terminal.

(2) Although the lease assignment was dated 30 June 2005, AAT did not actually begin to generate income from the site until September 2005, and the acquisition of the assets from Strang was not entered in the Fixed Asset Register until January 2006.

(3) Additions to the capital base as shown on the fixed asset register for a particular year are taken as being acquired at the beginning of the next financial year. As such there is no part year apportionment or estimates used.

(4) The cost of all assets acquired is increased by a flat 4% which is said to represent the cost which would have been incurred by AAT's shareholders in raising capital to use to fund AAT's investment at each terminal.

(5) The RAB for the beginning of each year is calculated as follows:

Asset Base Beginning of Year =
Asset Base Beginning of Prior Year
+ Capital Expenditure of Prior Year
– Return of Capital.

(6) The Return of Capital for the prior year is calculated as follows;

Return of Capital =
Revenue – Opex – Return on Capital – Tax.

Each of the inputs in (5) and (6) above were considered as follows:

A. *Beginning Asset Base*

There is no opening balance for Webb Dock West before 2005, as AAT did not have a prior operation in Melbourne.

During the 2006 to 2008 years AAT paid the price for the purchase of the business to Strang and also undertook capital improvements to the site.

Capex in later years is less than $50,000 per annum and is therefore not material.

As at 1 January 2011, being the beginning of the period for which the model seeks to calculate the increased prices, the RAB for Webb Dock West is now calculated by the Model to be higher than the actual historical cost of the acquisition and improvements. The reasons for this apparent increase over historical costs are discussed in **Section F6 & F7**.

B. *Capital Expenditure*

The CEG model inputs include the actual amount invested, with adjustments for the cost of raising debt or equity capital, which are not borne directly by AAT, since AAT is funded by its shareholders for all it's capital and long-term debt needs.

Capital costs on plant and improvements are recorded in the asset register which has been imported into the CEG model. The cash outlay is adjusted upwards by calculating the investment return from the date of acquisition until the end of the financial year. This return is calculated at the real cost of capital, which is based on the WACC for the period, discounted by the inflation rate (CPI) for the same period. The resulting adjusted asset costs are aggregated to determine the capital expenditure for the year for each port terminal.

Note that no Head Office plant or equipment is included in the RAB in the model. Instead, the accounting depreciation is included in Head Office expenses, and then allocated to the terminals on the basis of proportional revenues.

Critical issues considered are as follows:

1. *Whether the model input assumptions as to the timing and amount of material capital investments are correct.*

   I have been provided with a copy of the transaction documents dated 30 June 2005 under which AAT acquired Strang's interest in Webb Dock West:

   - Deed of Assignment of Lease;
   - Asset Sale Agreement;
   - Deed of Indemnity and Guarantee

   Through various audit techniques I have been able to satisfy myself that the assets were appropriately recorded in the fixed assets register for the relevant terminal, at an aggregate cost equal to the contract acquisition price paid by AAT and in the period in which they were acquired.

2. *Whether arm's length values were paid to shareholders for plant, equipment and capital construction services provided by, or transferred from, shareholders following the closure of terminals and moving of equipment to new terminals*

   From my analysis it would appear that of the total asset base at each terminal the following total amount was paid to the shareholders for plant & equipment transferred to the AAT terminals:

Webb Dock West	$0.02m
Fisherman Islands	$2.6m
Port Kembla	$2.3m

The amount at Webb Dock West is not material and the other amounts were discussed in my First Determination.

3. *Whether the lease assignment and asset acquisition from Toll Holdings/Strang was at arm's length from AAT's shareholders*

AAT has operated the automotive terminal at Webb Dock West since September 2005 following the lease assignment on 30 June 2005. Assets acquired from Strang were entered into the asset register in January 2006 when the consideration was paid. Strang was a subsidiary of Toll Holdings Limited (**Toll**) at all relevant times.

The negotiations between AAT, POMC and Strang appear to have been concluded by 30 June 2005, the date on which the documents effecting the assignment of the lease and sale of the assets were executed.

During the period of these negotiations Toll had been building a strategic shareholding in Patrick Corporation.

At all relevant times during which the negotiations were taking place Patrick Corporation was a 50% shareholder in AAT.

On 22 August 2005 Toll announced its intention to make an offer for all the shares in Patrick that it did not already own. From late 2005 until May 2006, Toll was embroiled in a hostile attempt to take over Patrick Corporation.

The timeline of events showing the overlap between the completion of the acquisition of Webb Dock West by AAT and the time when Toll took control of Patricks (and hence 50% control of AAT) is set out below:

30 June 2005	Execution of transaction documents by AAT for WDW lease assignment and business acquisition
22 August 2005	Toll takeover of Patricks announcement
September 2005	AAT commences operations at Webb Dock West
January 2006	Consideration paid by AAT to Strang for assets
18 January to 1 March 2006	ACCC actions to oppose the takeover
11 March 2006	ACCC accepts undertakings by Toll
14 April 2006	Toll announces higher bid price; Patricks board accept bid, ending hostile resistance since 22 August 2005
May 2006	Toll bid unconditional – takeover complete
2007	Restructure of Toll into two listed entities, Toll and Asciano, in order to satisfy ACCC undertakings (amongst other purposes); Asciano now hold the interest in Patrick Corporation and ultimately, the 50% interest in AAT

From the above timeline it seems clear to me that the negotiations between AAT and Strang with respect to the WDW were completed well before the takeover was announced and at a time when Toll held less that 20% of the shares in Patricks. Given the hostile nature of the takeover, it is difficult to form an opinion that Toll and Patricks may have colluded at the time of the transfer of the WDW facility to such an extent that a higher price would have been paid.

A further factor which mitigates any such risk is that the AAT always seek shareholder approval for major transactions. The other 50% shareholder at the time, P & O Ports, has never been, to my knowledge, a related party of Toll. I am satisfied that approval from both Patricks and P & O Ports was obtained before the transaction documents to effect the assignment of the lease and business acquisition from Strang were executed.

It is reasonable to conclude therefore that P & O Ports were satisfied that the price negotiated between AAT and Strang was arm's length.

In view of the above analysis I am satisfied that neither the shareholders of AAT, nor the directors of AAT at the time of the commercial negotiations with Strang or Toll, would have any reason to provide the Toll group with a preferential, non-arm's length price. Further, I am satisfied that at the time of the lease assignment and asset acquisition of Webb Dock West, AAT was not controlled or even significantly influenced by either Strang or its ultimate parent company, Toll Holdings.

4. *Whether the total consideration paid for Webb Dock West by AAT should be entirely included in the calculation of the RAB*

I noted in point 1 above that the consideration paid for Webb Dock West has been recorded in the fixed asset register, and CEG have used this in the Model to calculate the RAB. In **Section F7,** I provide reasons why this outlay should not be considered to be fully "...capital reasonably invested" in the terminal.

Based on the above I am satisfied that the capital expenditure included in the model is materially correct and allocated to the correct terminal and in the correct period. In **Section F7** I have set out my reasons for excluding part of the capital expenditure actually incurred by AAT from the "capital reasonably invested" at Webb Dock West for the purpose of determining whether the proposed price increases from 15 January 2011 are reasonable and justified.

C. Inclusion of Capital Raising Costs

As noted in **Section F6 (4),** the cost of all assets in the Model has been increased by a flat 4% which is said to represent the cost which would have been incurred by AAT's shareholders in raising funds to provide AAT to fund investment in its terminals.

In my First Determination, I accepted that the rate of 4% is a reasonable rate to include, but then noted the 4% should not be applied to capital expenditure out of cash flow. However the impact on the level of price increase calculated by the model with respect to funds re-invested by AAT at Webb Dock West is too small to affect this determination.

D. Revenue

1. Historical

The historical revenue used in the Model is the Revenue shown in the management accounts of AAT for that particular year as being attributable to that terminal. On a global basis I have verified that the total revenue allocated to all terminals for each year is equal to the total revenue disclosed in the audited statutory accounts for AAT for that year.

I have discussed with AAT details of commercial in confidence arrangements specifically permitted under the Authorisation. In the Model I have used the published rates for revenue when calculating the opening RAB rather than the actual rates applied. This has resulted in the opening RAB being reduced for 2011 by 5.5%. I have made this adjustment as I do not consider it reasonable to permit AAT to pass on any element of a price increase to a small group of users which is caused because of special arrangements.

2. Forecast Revenue

Forecast revenue in the model is arrived at as follows;

Non-regulated services	Price set by AAT * Forecast Volume
Sub-Tenancies	Per Lease documents
Regulated services	By applying the average % increase calculated by the Model * Existing Prices * Forecast Volumes

The Model provided to me by AAT and CEG calculated the average price increase for regulated services which would provide AAT with a return equal to their overall WACC. The price increase derived by the model which CEG provided to me on 1 November 2010 was **61%** for the 2011 year.

AAT informed Terminal End-users in their notification dated 16 October 2010 that the proposed increase would be an average of **30.5%**, but noted that their Model justified a 61% increase in FAC services charges.

From my own analysis, I advised AAT that the model had included cash flows for part of the 2018 year whereas the lease actually terminates in December 2017. As POMC have advised me that there is no certainty that a new lease will be offered and that there is no provision for compensation for the residual interest in the unamortised value of improvements at the terminal to be paid, the cash flows in the model should cease in 2017.

After reviewing the Revenue calculation in the model provided to me in October 2010, I identified the following two revenue items which AAT have agreed had been escalated at the wrong rate over the forecast period in the Model:

a) Berth Hire Rebate

Under the preferential license agreement between POMC and AAT, AAT is entitled to receive a rebate of berthing fees based on hours at berth. This amount was incorrectly included in the model as an item of revenue subject to the proposed price increase, when in fact it is unrelated to the prices charged by AAT.

b) Wharfage

Wharfage is a direct charge made by AAT to shipping lines for use of the berth. At other terminals operated by AAT it is usual for the port authority to own the berth and collect wharfage.

AAT has received legal advice that the provision of the use of the berth is not a supply regulated by the ACCC Authorisation as it is not a terminal service supplied by AAT to stevedores – it is supplied direct to the shipping company.

The original model supplied by CEG had included this supply as being subject to the Authorisation and AAT have agreed that it should be re-set to the new rate notified to the shipping lines, which is in fact equal to the rate charged by POMC for wharfage at other berths owned by them.

c) Amended Model

I have run the Model after correcting the above two adjustments and with the cash flow terminating in 2017. The average price increase in 2011 calculated by the model for the remaining FAC services rises from 61% to an average 124% increase.

F7 Consideration of Capital Reasonably Invested

The fundamental question which appears to me needs to be addressed is what has gone so wrong with the acquisition and operation of the WDW terminal, which has resulted in the apparent need to increase the price charged for FAC by 124% (based on the amended model) in the current year, in order to enable AAT to recover its investment plus achieve a reasonable rate of return, by the termination of the lease.

AAT have now operated the WDW facility for 5 ½ years with a remaining 7 years until the termination of the lease.

As AAT initially advised, the model calculated that the level of price increase which was required was 60.5% (actually 124% when model corrected), but that they only intended to pass on 30.5%. They did not actually run the model with this reduced level of increase, however I have done so. The result is that for the model with the errors amended, the proposed price increase of 30.5% results in AAT having a very large unrecovered investment at the end of the lease in 2017. Only a small percentage of the assets at that time would be capable of being removed and sold, or used in other AAT operations, with the balance being written off as there is no provision for compensation to be paid by POMC on termination of the lease.

The WDW site, including ownership of fixed improvements not removed under the 'make-good' provisions, reverts to POMC.

In summary, a 30.5% FAC increase now will result in the RAB balance in 2017 (after sale of removable assets) which is still greater than the consideration paid to Strang/Toll in 2005 to acquire the assets.

In order for AAT to recover the investment at Webb Dock West by 2017, with the FAC increase at 30.5% from 2011 with no further real increases through to 2017, throughput volume would need to increase at a rate greater than 20% compound from 2012 until 2017. As costs are also unlikely to be cut significantly (note that Rental is more than half of total terminal costs, and will rise with volume and market reviews under contract terms in place until 2017), AAT would need to raise prices materially again in 2012 if forecast volume growth remains at 1% each year.

Given the above it is reasonable to assume that AAT will attempt to increase prices for Webb Dock West by a substantial amount in the next financial year as well to try and mitigate this outcome and the FCAI in particular made this observation in the objection they lodged.

There are a range of potential factors which may have contributed to this position and those which I consider most likely are as follows:

- The price which AAT agreed to pay to Strang was based partly for the capital assets so acquired but also included a premium for some other benefit or to achieve a strategic objective;
- The price paid to Strang was too high at the time;
- The assumptions used in the Feasibility Study prepared by AAT to submit to the Board and the Shareholders in 2005 to obtain approval to proceed contained assumptions which turned out to be inaccurate or over optimistic.

Price Paid to Strang partly for Other Reasons

AAT's business strategy is to own and operate terminals in all major ports in Australia. As Melbourne is one of Australia's major ports, it is possible that AAT may have been prepared to pay a premium to obtain a suitable site and facility in Victoria in 2005 as by this time they already had facilities in NSW, South Australia, Tasmania and had executed the lease in Queensland.

However I have not been able to find any reference in the AAT Board papers to support or refute this assertion, nor have the current management team been able to offer any explanations as to what the strategic plans of the Board may have been at the time.

Net Price Paid to Strang and Feasability Study

I have been provided with access to Board papers and commercial-in-confidence information from the Feasibility Study which was prepared to support the Board decision to proceed with the transaction to acquire Webb Dock West from Strang.

My analysis of the supporting information in the Feasibility Study has been discussed with AAT, along with my reasons for excluding **28%** of the acquisition consideration from the amounts taken into account for Webb Dock West under Clause 2.4.6*(d)(iv)* of the Authorisation as "*the level of capital reasonably invested by AAT at that Port Terminal*".

I have not provided any details of my analysis and reasons in this Second Determination as I am unable to do so adequately without disclosing sensitive commercial-in-confidence information.

Assessment of Capital Reasonably Invested at Port Terminal

CEG and AAT submit that whether or not the investment carried out by AAT at any terminal was prudent or not should be considered on an ***ex-ante*** basis – that is, was it prudent on the basis of expectations at the time the decision was made to acquire Webb Dock West. On an ex-post basis it is easy to from an opinion as to the success or otherwise of an investment and that even investments which were prudent on the basis of expectations when the decision to invest was made, may appear inefficient or bad decisions after the event.

I agree with this proposition and consider that the determining factor is whether or not AAT had reasonable expectations at the time they were negotiating the lease assignment for Webb Dock West that the price paid was reasonable, and related only to the capital assets at that Port Terminal – see Clause 2.4.6 (d)(iv) of the ACCC Authorisation.

However AAT have been unable to demonstrate to my satisfaction that, on an *ex post* basis, the consideration paid to Strang was solely for assets necessary to provide terminal services and as such I have concluded that a reduction of 28% in the capital base is required.

F8 Regulated versus Non-Regulated Services

The non-regulated services where AAT are able to set prices in isolation to the ACCC Authorisation are as follows;

Stevedore Access Charges **("SAC")**
Sub-tenancy Rental Income
Wharfage

My role as Expert does not extend to making a determination as to the level of the SAC or other non-regulated services set by AAT. However the level of these charges is an important input into the pricing Model and I have therefore considered the level of the SAC and its impact on the FAC and other charges below.

As noted above the level of charges imposed by AAT for wharfage is based on the charges levied by POMC for berths they own. I therefore accept that this is a reasonable level of charge for AAT to levy.

The sub-tenant at the site is controlled by a 50% shareholder in AAT. I consider it reasonable to assume that the Board of AAT, representing all shareholders, would ensure that market rents were applied to all tenants, particularly given the requirements in the Shareholders' Agreement that AAT deal at arm's length with related parties.

In my First Determination, I explained my finding that there is a reasonable basis for differential price increases in SAC and FAC, particularly where the major factors causing the increased charges in the FAC are increases in rent, as the provision of FAC utilises considerably more land area than the SAC.

In my First Determination I also observed that independent market forces appear to be working to ensure that the appropriate level of charges for the SAC will be made into the future. The factors which I identified in my Report were as follows;

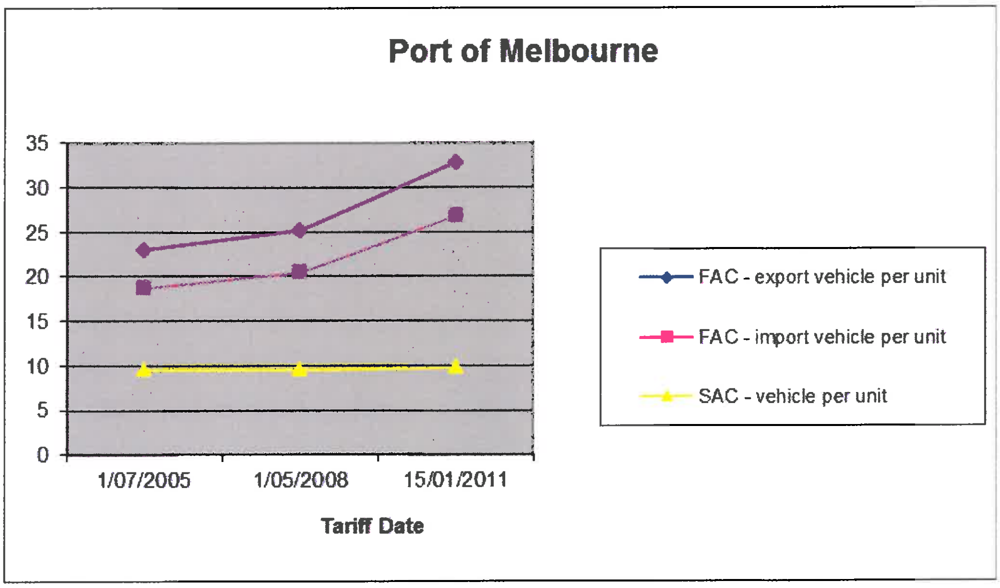
1) Webb Dock West is an Open Access Terminal – which means that the facilities are open to be used by any stevedoring company that wish to enter into agreement with AAT. The rates applicable to all stevedoring activities at each terminal are published on AAT's website, and it is these published rates that the 2 main stevedoring companies – Patricks and POAGS – are charged for their use of the AAT terminals and facilities. There are other smaller stevedoring companies who do utilise AAT's facilities and who are charged these published rates. In particular I note that Australian National Stevedores became a user of the Fisherman Islands terminal from April 2010.

2) If the rates AAT were setting for the SAC were being preferentially set lower than might otherwise have been the case, due to the fact that the 2 major stevedoring companies were shareholders of AAT, then any other stevedoring company using the facilities would also benefit from this preferential pricing, to the overall financial detriment of AAT and these shareholders. The shareholders would also have had differing utilisation level at each terminal, so ensuring equality to the shareholders of any preferential lower pricing would be a difficult task.

3) Whilst the initial shareholding of AAT when it was established was 50/50 Patricks and POAGS, that has progressively changed, such that by 31 May 2010 POAGS no longer holds any shares in AAT. Whilst Patrick, via its parent Asciano, still hold 50%, the remaining 50% of the equity and voting control in AAT is held by K-AA Terminals Pty. Limited, which is itself owned by a consortium of investors including Qube Logistics, Wilh Wilhelmsen Group and Kawasaki. POAGS major shareholders are also major AAT shareholders, but in different proportions so there is still common ownership (Qube Logistics for example owns 54% of POAGS but ultimately only 38% of AAT). Whilst these ultimate shareholders have some level of involvement in the overall trade industry, they have all advised that they would insist at Board level that appropriate charges were made for all services to all users.

Despite the above factors and my earlier conclusion, the disparity between the proposed increase to the FAC in the model of 61% (as originally calculated) to the projected increase in the SAC used in the model of only 3%, cannot be ignored.

Set out below is a graph showing the relative movements between the FAC and SAC over the period that AAT have operated the terminal.



Since commencing operations at WDW AAT have only imposed one previous price increase before this current proposal – and this was in May 2008. However in the May 2008 adjustment, there was no increase in the level of the SAC. I have discussed this apparent discrepancy with the CEO who advises that as WDW is a car only terminal, the actual facilities provided to stevedores, as distinct to the lay flat areas applicable to the FAC, are minimal and in particular the amount of land used for their staff, and that the increase now planned of 3% to the SAC is to take into account the effect of the overall rent increases to that very small portion of land the stevedores actually use.

From my observations on site I note that the only equipment that the stevedores use are the vans or "taxis" used to move the stevedores around the site and their amenities blocks.

I therefore consider that the market forces set out above should continue to operate to ensure that the SAC's are set at an appropriate level.

F9 Tax

The Model assesses tax at each terminal on a stand-alone basis. The result is that if the terminal makes a surplus (after allowing depreciation at the rates applicable for taxation purposes) then tax at the corporate rate on that surplus is taken into account.

If the results for a particular terminal in any year are a loss, then that loss for tax purposes is carried forward for future years to be offset against future profits from that terminal only.

I agree with CEG's conclusion that it is not possible to take the actual tax expense incurred by CEG for AAT as a whole in any particular year and attempt to apportion this cost across each terminal. To do this would result in the tax applied to profit making terminals being reduced by the effect of the loss making terminals, and would therefore not result in each terminal being assessed on a stand-alone basis. As a result, the tax losses generated to date have been carried forward and applied to reduce the tax expense in the 2011 year.

F10 AAT's Overall Weighted Average Cost of Capital

In **Section E1** I have considered the WACC and rate of return adopted in the Model by AAT and CEG of expressed my opinion that the appropriate rate is 12.65% for forecasts commencing in 2011.

This rate is assessed for AAT as a whole, which is what the ACCC Authorisation requires. If each terminal were to be considered in isolation they would in all probability all have different factors, as the risk profile for each terminal is different.

F11 Interests of Stevedores and Terminal End Users

Stevedores

The arrangements the stevedores have with their customers normally allow them to pass on the full cost of the FAC and other charges which may be imposed by AAT. I note that none of the stevedore companies lodged objections or made any submissions to me in relation to the proposed price increases and I am therefore not in a position to comments on their concerns with such proposed price increases

Terminal End Users

One of the most frequent comments made by the terminal end users in this process was that all the parties involved in the industry have had to cope with falling demand as well as falling prices during the GFC, and yet AAT, now a regulated business, was seeking to raise its prices well above CPI at a time when all other industry participants were still experiencing flow-on detrimental effects from the GFC with only a slow recovery.

A corollary of this is, if shipping lines were able to commit sufficient volume to Webb Dock West, and AAT were to receive a commitment for light vehicle imports to be transferred and then remain at their terminal, then the modelling of the ACCC parameters would result in AAT achieving a very different outcome in terms of the price increase which falls out of the model. I note that the ACCC Authorisation says that the new price which the expert can set cannot be lower than the existing price. However this does not stop any particular shipping line from reaching a commercial agreement with AAT outside of the prices which may be set as part of this Determination.

The terminal end users have also expressed concern over other major factors not otherwise addressed in this Report:

1. That the proposed price increase for Webb Dock West at an average of 30.5% is substantial and it may be very difficult for participants to absorb the increase without having a severe financial impact on their business. If such a substantial increase was found to be justified, then the phasing in of such an increase over a number of years would be more acceptable.

2. That AAT in its notification to end users of Webb Dock West noted "pricing model has calculated an average increase of regulated tariffs of 61%". FCAI's objection said "Importers can only assume that it is AAT's intention to pass through the balance of the 61% in the next review".

3. That individual AAT services have tariff differences between terminals. I was presented with a number of examples of individual service tariffs which vary significantly between Fisherman Islands and Port Kembla, and some examples of higher charges at these terminals by AAT than for similar services at other Australian ports not operated by AAT. I have not addressed this specific issue in this Determination as the Authorisation requires me to consider the prices for each terminal on a terminal by terminal basis.

G Existing Price for the Supply of Port Terminal Services

The Authorisation requires me as the Expert to consider the reasonableness of the existing price for the supply of the Port Terminal Services.

In their Objection the FCAI have proffered the view that AAT "demonstrated that it considered the current level of fees and charges applied at Webb Dock West during 2010 was reasonable and appropriate for the supply of services" as they had not issued a proposal to increase the charges until October 2010, when the Authorisation was issued on 9 February 2010 (This is actually the date on which the Authorisation was varied).

In our meetings, representatives of the FCAI noted that for two other terminals AAT had announced price increases in April 2010 and they could not understand why the increases for all terminals were not announced at the same time.

In my opinion AAT acted reasonably by only dealing with the two terminals in the first round for the following reasons:

1) Each terminal is different and involves the Expert in having to understand it's unique aspect and history. Given the relatively short period of time allowed under the Authorisation it may not have been possible to adequately respond to objections on all 5 (assuming that they were all objected to) within that time frame.
2) At the time of my appointment in March 2010, I questioned the CEO of AAT on the matter of timing of the proposed price increases and he advised me that the Webb Dock West price review would be delayed pending the market rent review for POMC rental, as this represented more than half of input costs at the terminal. This to me was a reasonable position to take and in fact this rental matter was not resolved until October.
3) Any delay in the implementation of proposed price increases would I assume be in the interests of the terminal end users due to the lower cost structure applying for a longer period.

In complying with this requirement to consider the reasonableness of the existing price for the supply of the Port Terminal Services, I have considered the following;

1. Up until now, AAT has been operating its business free from any regulatory intervention.
2. As such, prima facie AAT would have been free to set prices at any level in the past that it chose.
3. Since the prices were first set by AAT there has only been one price adjustment, in May 2008. This proposed increase is therefore the first in a period of 2 ½ years. It is reasonable to expect that there would be a material increase in prices after this period due to the determination of the POMC

rental reviews and the fact that any earlier planned rises were put on hold due to the GFC and pending the resolution of the ACCC proceedings

4. Commercial in confidence arrangements specifically permitted under the Authorisation are, or have been, in place, and have resulted in rates lower than those published being applied.

5. Non-regulated services at the terminal, which are not subject to this determination under the ACCC Authorisation, have been increased at the terminal from 15 January 2011 as follows:

   - 3% for SAC vehicle tariffs;
   - 20% for Wharfage - based on prices charged by POMC for the use of other berths.

   - Comparative tariffs for the FAC services at competing terminalsWebb Dock East prices, which were set over one year ago, will still be marginally higher than AAT prices evening after assuming a 30.5% rise. However AAT and Terminal End-Users advise that the Webb Dock West Services are not as comprehensive as Webb Dock East, which offers an end-to-end service for imported vehicles and that a differential in price would be expected.

H Period of Forecast Modelling

Following my First Determination CEG have accepted my comments that the forecast period of the model should be extended through to the termination of the lease at each facility. Subject to the fact that they originally extended the cash flows for WDW out to 2018 when in fact the lease terminates in 2017, I agree with the amendments they have made.

I. Overall Determination by Approved Independent Price Expert

I have applied the principles laid out in the ACCC Authorisation and considered each of the issues and concerns raised in the objections which I received from terminal end-users in reaching my determination.

Following this detailed consideration I arranged for errors contained in the Model to be corrected by CEG.

I then made my determination as to which data input assumptions and rationale proposed by CEG and AAT in the Model I do not accept and made adjustments accordingly.

I1 Determined Amendments to Model

1. The input costs for Webb Dock West are to include only the level of Capital Expenditure which I consider to have been reasonably invested, and not the actual acquisition costs incurred by AAT to acquire the assets and receive an assignment of the POMC lease. The amount of this reduction is expressed as a percentage of consideration paid, as that information is commercial in-confidence. This has resulted in a decrease in the total cost of the acquisition and the subsequent improvements of 28% - **Section F7.** This has a corresponding flow-on effect on the opening value of the RAB as at 1 January 2011, which is then used to calculate the resulting price increase for the 2011 calendar year; and
2. That the model should be adjusted to use the published rates for revenue rather than the actual rates charged. This also has a flow on effect of reducing the opening RAB as at 1 January 2011 by 5.5% and it is this lower opening RAB which is then used to calculate the resulting price increases for the 2011 calendar year**. Section F6 D 1**

I2 Determination as to Price

As a result of the changes to the Model which I have determined should be made the prices that result for Webb Dock West for 2011 are lower than the proposed price increases notified by AAT (but not lower than the existing price). The Amended Model results in average price increases of 17% as compared to the proposed increase AAT announced of 30.5%.

Clause 2.4.12 of the Authorisation therefore allows me to set the new prices for the provision of the services and I therefore Determine that the maximum prices from 15 January 2011 for Webb Dock West be as set out below:

Webb Dock West	Pre - 15 Jan	Post- 15 Jan	
	Actual	Proposed by AAT at 30.5% average	Determination at 17% average
FAC Export vehicles $ per unit	25.15	32.80	29.45
FAC Import vehicles $ per unit	20.50	26.80	24.00
FAC general cargo $ per revenue tonne	3.55	4.65	4.15

The increases set out above take effect 7 days from the date of this Determination.

ANNEXURES

Annexure A	**AAT Notification of Tariff Review dated 16 October 2010**
Annexure B	**Webb Dock West Cargo Terminal Price Increase Schedule**
Annexure C	**Bell Bay Terminal Price Increase Schedule**

Australian Amalgamated Terminals
Unit 11/3 Westside Ave
Port Melbourne, Victoria
Ph: 03 8698 6900
Fax: 03 9681 7014

16th October 2010

Tariff Review Webb Dock West

Further to the Authorisation granted to AAT by the Australian Competition and Consumer Commission on 3 December 2009 and in particular the pricing conditions of the Authorisation, attached are the proposed maximum tariffs that will apply at our terminal at Webb Dock West in Melbourne commencing from 15th January 2011. A copy of the ACCC's authorisation decision can be found on our website www.aat.auz.biz.

AAT has recently introduced new tariffs at its terminals at Fisherman Islands in Brisbane and Port Kembla in NSW, following an exhaustive and transparent process of review by an Independent Price Expert. This review conducted in accordance with the Authorisation confirmed that the detailed pricing model used and its inputs were generally fair and reasonable. Some adjustments have been made to the pricing model taking into account the Independent Price Expert's findings to calculate average tariff increases at Webb Dock West. The pricing model calculates 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 and overheads.
At Webb Dock West prices have remained constant since July 2008. The pricing model has calculated an average increase of regulated tariffs of 61%; in considering whether to implement this large one-off adjustment, AAT has made a decision to increase the average maximum tariff adjustment for this year by 30.5%.

A schedule containing the maximum amount of each proposed tariff increase for Webb Dock West is attached.

Tariff reviews at Webb Dock West will occur on an annual basis; with the next price increase due in January 2012 should this be necessary.
In accordance with the conditions of the Authorisation, AAT has appointed with the approval of the ACCC an Independent Price Expert, Pitcher Partners. Should a Terminal End-User (as defined in the conditions of the Authorisation) wish to object to an increase in the attached tariffs (except the stevedoring access fee - SAC), this objection needs to be lodged with reasons in writing with both AAT and the Independent Price Expert within 15 business days of this letter. Any objection with the reasons for the objection should be addressed to AAT at our Port Melbourne office to my attention or via email to craig.faulkner@aat.auz.biz, as well as Pitcher Partners, Level 22 MLC Centre, 19 Martin Place, Sydney NSW 2000, attention Deborah Cartwright or via email dcartwright@pitcher-nsw.com.au. If AAT receives written notice of any objection in accordance with this process, then Condition 2.4 outlines the review process that the ACCC has set out. A copy of Condition 2.4 of the Authorisation conditions is contained in full on AAT's website.

If AAT does not receive any objection notice in accordance with the conditions, then the new tariffs up to the maximum amounts outlined in the attached schedule apply commencing 15 January 2011.
Yours Faithfully,

Craig Faulkner
Chief Executive Officer,
Australian Amalgamated Terminals

16th October 2010

Dear

Tariff Reviews Bell Bay

Further to the Authorisation granted to AAT by the Australian Competition and Consumer Commission on 3 December 2009 and in particular the pricing conditions of the Authorisation, attached are the proposed maximum tariffs that will apply to our terminals at Bell Bay in Tasmania commencing from 15th January 2011. A copy of the ACCC's authorisation decision can be found on our website www.aat.auz.biz.

In Bell Bay prices were last reviewed in January 2009. In February 2010 a significant change in cargo flows occurred in Tasmania, resulting in container volumes through this terminal reducing by approximately 40%. AAT operates two harbour cranes, as well as leasing the terminal space, with its associated maintenance, in order to continue to provide a service to the shipping industry at this terminal the average maximum tariff adjustment is 10%. Further a site occupancy charge of $20 per container has been introduced to contribute towards terminal costs.

A schedule containing the maximum amount of each proposed tariff increase for Bell Bay is attached.

Tariff reviews at Bell Bay will occur on an annual basis; with the next price increase due in January 2012 should this be necessary.

In accordance with the conditions of the Authorisation, AAT has appointed with the approval of the ACCC an Independent Price Expert, Pitcher Partners. Should a Terminal End-User (as defined in the conditions of the Authorisation) wish to object to an increase in the attached tariffs (except the stevedoring access fee - SAC), this objection needs to be lodged with reasons in writing with both AAT and the Independent Price Expert within 15 business days of this letter. Any objection with the reasons for the objection should be addressed to AAT at our Port Melbourne office to my attention or via email to craig.faulkner@aat.auz.biz, as well as Pitcher Partners, Level 22 MLC Centre, 19 Martin Place, Sydney NSW 2000, attention Deborah Cartwright or via email dcartwright@pitcher-nsw.com.au. If AAT receives written notice of any objection in accordance with this process, then Condition 2.4 outlines the review process that the ACCC has set out. A copy of Condition 2.4 of the Authorisation conditions is contained in full on AAT's website.

If AAT does not receive any objection notice in accordance with the conditions, then the new tariffs up to the maximum amounts outlined in the attached schedule apply commencing 15 January 2011.

Yours Faithfully,

Craig Faulkner
Chief Executive Officer

Australian Amalgamated Terminals Pty. Limited

Webb Dock Automotive Terminal

Berth 1

Port of Melbourne

Tariff Schedule

Effective Date – 15th January 2011

CONTENTS

All rates contained herein are exclusive of Goods and Services Tax.

The following tariff schedule is applicable at operations carried out at Webb Dock Automotive Terminal operated by Australian Amalgamated Terminals Pty Limited. The schedule will be reviewed annually.

Schedule 1 Facility Access Charge (Charged to stevedore account consignee)

COMMODITY	AUD
General Cargo	4.65 per m3
Import motor vehicles	26.80 per unit
Import other vehicles up to 28 m^3	54.15 per unit
Import other vehicles over 28 m^3	108.00 per unit
Export motor vehicles	32.80 per unit

The basis of the above rates include three (3) working days delivery for import cargoes.

Storage charges will apply before and after the allowed receival / delivery period indicated above unless otherwise agreed.

Schedule 2 Stevedoring Access Fee (Charged to stevedore)

COMMODITY	AUD
General Cargo	2.60 per revenue tonne
Wheeled Vehicles	9.80 per unit

Schedule 3 Vessel Lay-up (Charged to Shipping Line)

In the event of vessel lay-up due to mechanical repairs, for schedule adjustment or for other reasons a fee of AUD 3,260.00 per calendar day or part thereof is payable.

This fee incorporates gate and wharf security, wharf lighting and crew transport to/from ship/terminal gate.

Schedule 4 Wharf Storage (import) (Charged to consignee)

Storage charges are payable on all cargo left undelivered after three (3) working days including day of availability.

Unless otherwise specified, the following rates will apply:

ITEM	AUD
General Cargo; per revenue tonne per day	5.20
New motor vehicles ; per unit per day	31.00

Credit Terms; payment is required prior to release of cargo.

Schedule 5 Services

ITEM	AUD
Fresh Water supply	2.50 per kilo litre
Jump Starting vehicles	26.00 per vehicle
Any **other services** required	POA

Schedule 6 Receival and Delivery (R&D) Fee (Charged to Stevedore)

ITEM	AUD
General Cargo; per revenue tonne	4.00

Australian Amalgamated Terminals Pty. Limited

Bell Bay Cargo Terminal

Berth 5

Port of Bell Bay

Tariff Schedule

Effective 15th January 2011

CONTENTS

All rates contained herein are <u>exclusive</u> of Goods and Services Tax.

The following tariff schedule is applicable at operations carried out at Bell Bay Berth 5 operated by Australian Amalgamated Terminals Pty Limited. The schedule will be reviewed annually.

Schedule 1 Crane Hire Fee (Charged to Stevedore)

Cargo	Tariff
Containers Minimum Charge	$55.00 per unit or min crane charge whichever is higher $2,420 per use of crane

This fee will be charged per lift (subject to minimum charges) in regard to containers and per m3 in regard to general cargo being discharged or loaded.

All Other Cargo
This fee will be charged to the Stevedore per 4 or 8 Hour shifts.

Cargo	Tariff
All Cargo	$600.00 per hour

Schedule 2 Berth Hire Fee (Charged to stevedore)

This fee will be charged per day or part there of, and will be charged to the Stevedore.

Tariff
$300.00 per day or part there of

Schedule 3 Site Occupancy Fee (Charged to stevedore)

This fee allows three (3) working days receiving for export cargo and three (3) working days delivery for import cargo.

Cargo	Tariff
Containers General Cargo	$20.00 per unit $1.15 per revenue tonne

Subject to AAT's Standard Conditions of Contract; copy available from website www.aat.auz.biz