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Australian Amalgamated Terminals ("AAT") Tariff Review Fisherman Island (excluding containers) and Port Kembla for effect the 1st July 2025

In accordance with the voluntary "Undertaking" given by AAT to the Australian Competition and Consumer Commission ("ACCC"), AAT completed a tariff review for each of its terminals. Following the review, AAT proposes rate increases for implementation from 1st July 2025. The tariff increases are undertaken in accordance the Annual Price Review, Schedule 5 Clause 2 of the Undertaking and apply to wheeled vehicles and general cargo only, bulk products and containers handled are excluded as the ACCC accepts that there is strong competition in these.

A copy of the Undertaking is available on the AAT website at 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 Undertaking. The pricing model developed as a result of the Undertaking, calculates the tariffs that allow AAT to earn a fair regulated rate of return on AATs services provided and capital investment at our respective terminals. The model considers cargo throughput and activity, operating and labour costs, port rents, capital expenditure and overheads. The regulated approach adopted ensures AATs return on its investments, expenditure and service across its terminals is reasonable providing fair value to all terminal users.

FY26 Outlook for Wheeled Vehicle and Breakbulk

This financial year, wheeled vehicle volumes have remained strong driven by car volumes continuing to be "pushed" by OEM into Australia and the desire to get vehicles into the country before the emission tax comes into play. PDI facilities are full with PDIs and OEMs looking for more secure land area to store unsold cars. Notably, this high level of imports is in contrast to evidence of softening demand driven by inflation and cost of living concerns by consumer.

In FY26, AAT anticipates a decline in import volumes, driven by continued softening demand and efforts by importers to reduce holding costs by drawing down existing stock currently in storage.

This financial year, steel and general cargo volumes through AAT terminals have decreased. With the fall of container prices, traders are switching more cargo from breakbulk into containers. Additionally, pending tariffs on steel exports to the USA (impacting AAT Port Kembla operations) and the Australian Government's decision to cut or delay infrastructure projects to curb inflation are expected to further reduce volumes. These infrastructure cuts will not only affect volumes of steel but also lower demand for construction equipment and project cargoes, both with longer lead times, further impacting FY26 volumes.

Cost increase for FY26 are material, with rent increases to the business as a whole being 17.9% due to two “Market Rent Reviews” currently underway. Property cost remain our largest expense and recent increase have seen cost increase by 33.98% over the last two years and 44% over the past three years.

Other operating cost are increasing well above CPI. AAT currently engaged in EBA negotiation, expecting wage increases of 5.5%. Power costs have increased substantially with Fisherman Island cost doubled per KWh since 2023 and projected to rise again in FY2026. Security cost rise annually year and equipment tyres and parts are also increasing above inflation levels.

AAT has thoroughly reviewed its cost models and determined what increases are justifiable and fair under the current economic outlook and substantial cost increases. The follow summary of these increases is outlined below on a port by port basis;

1. **Port Kembla**
   AAT pulled back on capital expenditure from 2020 to 2024 but with aging equipment and an increase in facility R&M AAT spent $28m in new equipment and shed and pavement repairs in FY25.

   Port Kembla’s terminal, built by AAT in 2007, now requires life-extending investments to maintain its assets. Key capital investments included $20m in mobile equipment including a new crane to replace the 25-year-old crane, new RoRo and general cargo forklift, replacement of taxi and support vehicles. An additional $6m was spent on life extending lease hold improvements to ensure the terminal remains fit for purpose.

   AAT also advanced its sustainability efforts, expanding solar capacity and progressively replacing its diesel-powered RoRo taxi fleet with electric vehicles — a move that has proven both operationally and financially effective, while reducing greenhouse gas emissions.

   Looking ahead, AAT is budgeted to invest a further $10m capex in FY26 for infrastructure improvements and a continuation of the electrification of mobile assets.

   Despite CPI has increase by 44.47% since December 2010, during that time AAT has only increased tariff 4 times in 15 years rising in total by only 17.15% over the same period. On all occasions the increases applied were CPI. This restraint was supported strong volume growth in grain and other dry bulk as well as project cargoes including windfarms - this growth has plateaued and the size of the next generation windfarm tower sections present logistical challenges for the road infrastructure around Port Kembla.

   In FY26, AAT anticipates a decline in steel, project cargo, and wheeled vehicle volumes due to the factors outlined earlier. With falling volumes and rising costs, AAT can no longer absorb these increases and will adjust tariffs by 2.42% (in line with the ABS CPI index) from 1st July 2025, across all cargo types. Additionally, some charges will rise above CPI — Vessel Layup will increase by $800/day, and the Establishment Fee will rise by 10%.

2. Fisherman Island

Since 2016, shipping lines calling at Fisherman Island faced regular vessel berthing delays due to berth and yard congestion, driven by both the volume — around 54 vessel calls per month — and the unpredictable arrival patterns.

By the end of FY25 AAT will have spent $23.5m in new mobile equipment including a new portal crane, roro forklifts, taxi fleet and general forklifts. Looking ahead, AAT's capital expenditure for FY26 is circa $30m and will largely be in lease hold improvements. A key project will be the construction of a consolidated office complex to reduce the offices land footprint and create additional terminal laydown area for cars, mirroring the 2.4ha expansion completed at Port Kembla in 2020. The current demountable offices are nearing end of life and require increasingly costly maintenance.

Over the past three years, AAT has installed three quay line cranes — two of which are fast-cycling, rotator-controlled, heavy-lift cranes designed for breakbulk cargo. However, due to stevedores' reluctance to use these cranes over cost concerns, AAT will now offer the cranes free of charge to stevedores.

To offset operational costs, the FAC on general cargo will increase. This move benefits vessel operators by reducing berth congestion and lowering dwell time — a critical consideration given vessel costs range from $30,000 to $80,000 per day.

Some of the benefits of using AATs shore cranes include

- Crane driver familiarity and confidence with shore cranes
- Faster cycle times
- Superior lifting capacity and working radius – 144t @ 20m
- Cranes have rotating hook / spreader for better control of load
- Cranes have 20/40 container spreader with 4 x 15 tonne lifting points – faster gear changes
- Greater stability for vessels when conducting heavy lifts. Minimal requirement to ballast No MO32 compliance checks for ship cranes, saving time
- Synchronized tandem lifts for safer, more controlled operations

Heavy lift (individual pieces over 90t) and dual lift remain POA for crane hire.

AAT has explored alternatives, working with the Port of Brisbane to assess new berth construction. However, with costs estimated at $200 million — plus additional rental returns required by the port and the operational expenses of running dual terminals — this option would impose significantly higher costs on importers and shipping lines compared to AAT's current plan.

Fisherman Island recieved a market rent review, resulting in an 8.3% rent increase. With property costs making up over 56% of AAT's operating expenses, this is a substantial impact. Other costs are also rising:

- EBA negotiations are expected to bring a 5.5% wage increase, aligning with other terminals

- Power costs have doubled since 2023 and are projected to rise again in FY26
- Security costs climb annually
- Equipment parts and labor costs continue to outpace inflation

Looking ahead, AAT expects a decline in car, RoRo, and steel volumes in FY26 due to infrastructure budget cuts and cost of living pressures, though container volumes are expected to remain stable. AAT's financial model, verified by an independent price auditor, supports a 7.3% tariff increase. However, AAT has opted for a more moderate 4.8% increase across all major tariffs, including SAC, R&D, and FAC — with one exception. The FAC on General Cargo will rise by an additional $2.90/RT to reflect the operational costs of AAT's shore cranes.

Other ancillary charges will also adjust, including:

- Water charges: Up 30% following a cost review
- Vessel layup: Up $800/day
- Establishment fee: Up 10%

As previously communicated, AAT has been implementing a phased tariff rate restoration at Fisherman Island to address historical financial underperformance. This gradual approach allows industry to absorb the increases over time, avoiding a single, sharp rise.

3. Appleton Dock

Appleton Dock has long faced challenges in maintaining viability due to its limited size, wharf strength, paving constraints, and grade separation across the terminal— restricting its ability to attract cargo beyond steel. In 2018, AAT informed the port it would not renew the lease. When the port put the facility out to tender and received no bids, they re-engaged with AAT to explore options. With a favorable rent agreement, AAT was able to keep the facility operational while the port considered Appleton's role in the Port Master Plan.

In recent years, Appleton Dock benefited from both the reduced rent and its use as a car overflow site during Melbourne's car seed contamination crisis, which caused severe congestion at Melbourne's car terminal. However, these temporary boosts have now ended — the seed issue is largely resolved, and no regular car volumes are expected at Appleton. The port has decided Appleton will remain a general cargo facility, not be repurposed for Bass Strait ferry operations, as outlined in the Port Master Plan.

From 1st July 2025, the port will implement a market rent review, increasing AAT's rent by 128%. This dramatic rise will significantly impact Appleton's cost structure, forcing it to compete more aggressively with container terminals and other ports as traders seek the lowest-cost options.

As a result, AAT will increase all charges by 15%, except for SAC, which will rise by 10%. Additionally, two new FAC charges will be introduced:

- Steel Cargo FAC: Applying to structural steel, rebar, plate, and rail, while coils, envelopes, and other steel products will remain under the General Cargo FAC category.

- R&D Dual Lift Charge: For products requiring two forklifts for loading.

Ancillary charges will also rise, including:

- Quarantine and Services Charges: Up 5.5%
- Storage: Up 15%
- Vessel Layup: Increased by $800/day
- Establishment Fee: Up 10%

Despite these challenges, AAT remains focused on attracting new cargo to Appleton Dock to sustain its financial viability and keep the facility open.

4. The Process

Full FY26 tariff schedules covered by the Undertaking are available on the AAT website. Please review them carefully as some other ancillary charges have also increased.

Other tariff rates, not subject to the lengthy tariff review mechanism of the Undertaking will be released no later than 1st May 2025. These tariffs will cover Fisherman Islands container rates (including VBS charges and terminal access charges).

If you have any questions or wish to talk through the changes please contact myself or the terminal managers to discuss.

In accordance with the conditions of the Undertaking, a terminal End User (as defined in the Undertaking) has the right to lodge an Objection Notice under the Price Dispute process for the relevant cargo type relating to them on or before 24 March 2025. Objection notices can only be lodged in respect of tariff increases proposed for the for vehicles 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 <u>share the costs</u> of the Independent Price Expert determination. Details of these obligations are outlined in Clause 3 of Schedule 5 of the Undertaking 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: antony.perkins@aaterminals.com.au
Via Post: Level 27, 45 Clarence Street, Sydney NSW 2000

With IPE: Via Email: Warwick.Davis@frontiereconomics.com.au
Via Post: Frontier Economics Pty Limited Ground Floor, 395 Collins Street, Melbourne Vic 3000,

Antony Perkins
Managing Director **3 March 2025**