



29th April 2010

## **Tariff Reviews**

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 Fisherman Islands in Brisbane and Port Kembla in NSW commencing from 1<sup>st</sup> August 2010. A copy of the ACCC's authorisation decision can be found on our website [www.aat.auz.biz](http://www.aat.auz.biz).

Due to the regulated environment in which AAT now operates, our tariff levels have been adjusted so that they are consistent with the conditions of the ACCC authorisation. The new tariffs are based on a detailed pricing model developed by a leading firm of economists experienced in this field. This 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. The pricing model is similar to those used by other businesses operating under regulatory regimes.

At Fisherman Islands prices have remained constant since September 2008 despite a significant rental increase in May 2009 as well as low volumes. Another large rental increase is due in May of this year. As a result the average maximum tariff adjustment for this year is 10.4%. Increases range from 7% for SAC to 11.3% for FAC and other tariff types.

In Port Kembla prices were last reviewed in March 2009 and currently reflect the tariff structure that existed at our terminal in Glebe Island in Sydney. AAT has made a capital investment in excess of \$80 million at Port Kembla in developing a modern and efficient facility for all modes of cargo. A reasonable rate of return for this investment is reflected in the average maximum tariff adjustment for this year of 17.3%. Increases range from 5% for SAC to 21.3% for FAC and other tariff types. Schedules containing the maximum amount of each proposed tariff increase for both Fisherman Islands and Port Kembla are attached.



Tariff reviews at Fisherman Islands and Port Kembla will occur on an annual basis; with the next price increase due in August 2011 should this be necessary.

Due to volatility in trading conditions at our terminals in Bell Bay in Tasmania and Port Adelaide, tariffs will be held at their current levels until later in 2010 to enable further evaluation of cargo throughput at these sites. At Webb Dock West in Melbourne, improving throughput as well as a pending market rental review also requires a delay in a tariff review until later in 2010.

Whilst AAT continues its review of direct charging of Facility Access and other tariff types that are presently charged to the stevedores, no change to our current practice is contemplated in the attached tariffs. Changes have been made within the tariffs; in the area of MAFI pack/unpack. Customers are also encouraged to seek price on application (POA) rates for project cargo, as well as cargo that has a large differential in cubic measurement and weight.

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](mailto: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](mailto: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 1 August 2010.

Yours faithfully,

Craig Faulkner  
Chief Executive Officer

