Australian Amalgamated Terminals (“AAT”) Tariff Review for effect the 1st July 2023

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 2023. 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 at Fisherman Islands and Port Kembla. Bulk products and containers handled at Fisherman Islands and Port Kembla; and all cargo handled at Appleton Dock are excluded from the Pricing Review process of the Undertaking. 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 its considerable capital investment made at our respective terminals. The model considers cargo throughput and activity, operating 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.

Containers and bulk products are excluded from the tariff review mechanism as the ACCC accepts that there is strong competition in these markets providing AAT the flexibility to compete with the existing container and bulk terminals. The process of establishing tariffs currently excludes operations at Appleton Dock which operates in a competitive environment 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 residual impacts of the Covid-19 pandemic, supply chain bottlenecks (for example vehicle manufacturers accessing semiconductors) and shipping availability. Last financial year saw strong steel volumes as steel product moved from soaring container prices into breakbulk vessels, while cars volumes were depressed due to semiconductor shortages.

This financial year, steel volumes through AAT terminals have collapsed as container prices have plummeted to near record lows and steel has shifted back to containers. While cars are in strong demand, RoRo vessels are in short supply with services further impacted by congestion issues across all Australian capital city ports as a result of a significant increase in biosecurity surveillance across automotive cargo. The issue is largely related to imported cars being contaminated with seeds along with detection of insects at record levels (a normal years’ worth in just 1 month) requiring biosecurity approved cleaning and inspection. As a result, terminals are experiencing delays in motor vehicle deliveries with throughput through the terminals being well below budget as vessel queues increase. AAT remains optimistic that this situation will return to normal by financial year end or earlier.

AAT has continued to invest in its terminals to provide improved and expanded services and has placed significant orders for replacement equipment with delivery lead times expected over this and next financial years. This includes 14 new heavy forklifts (including 5 x 32t RoRo forks), 4 smaller forklifts and an additional dock truck in addition to 6 replacement service vehicles. AAT capital expenditure for next financial year on equipment is expected to exceed $20m.

Full details of the proposed tariff increases for AAT's terminals covered by the Undertaking are available on the AAT website. A summary of these increases is outlined below:

1. **Port Kembla**

   Since 2010 there have been only two increases with prices only rising in total by 5.3% over 13 years. On both occasions the increases applied were CPI. By comparison, over the same period, rent costs on the main terminal have increased by over 50%, coupled with 13 years of rising fuel, machinery and labour costs, AAT can no longer absorb these price rises and will be seeking a CPI increase of 7.8% (as per ABS December 2022 quarter CPI index) from 1st July 2023 across most cargo types. Next financial year, Port Kembla terminal is expected to see flatter volumes as rising inflation dampens car sales and no major project cargoes or windfarms are on the horizon.

   Taking the above into consideration AAT propose to increase rates by CPI of 7.8% which is still below the maximum permissible increase allowed under AAT's pricing model. Tariff increases have been varied to rebalance some of the costs.

2. **Fisherman Islands**

   As articulated in previous years rate review commentary, AATs Fisherman Islands facility has historically financially underperformed and AAT set about a 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.

   AAT's Fisherman Islands terminal last financial year benefited significantly from an increase in steel volume due to the soaring container prices however this increase was offset by lower car volumes due to semiconductor issues. As highlighted last year, the growth in steel was a short-lived aberration in the market and volumes through AAT have since fallen as container prices collapsed. As outlined, car volumes have been below budget due to seed related congestion, supply related issues and longer term suppressed volumes are forecast as a result of higher interest rate dampening demand for new cars. Windfarms projects are expected to remain consistent through next financial year.

   Taking the above into consideration AAT propose to increase rates by CPI of 7.8% which is still below the maximum permissible increase allowed under AAT's pricing model. Tariff increases have been varied to rebalance some of the costs.

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

Our website includes detailed Schedule of all the proposed tariffs.

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 2023. Objection notices can only be lodged in respect of tariff increases proposed for the Fisherman Islands 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 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 2023