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Australian Amalgamated Terminals ("AAT") Tariff review Fisherman Island (excluding containers) and Port Kembla for effect from the 1st July 2024.

In accordance with the voluntary "Undertaking" given by AAT to the Australian Competition and Consumer Commission ("ACCC"), AAT recently completed a tariff review for each of its terminals. Following the review, AAT proposes rate increases for implementation from 1st July 2024. 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 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.

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.

This financial year, steel and general cargo volumes through AAT terminals have collapsed as container prices have plummeted and to fight inflation Governments have cut infrastructure projects. This cut in infrastructure projects will not only effect volumes of steel but is also expected to reduce construction equipment and project cargoes (both with longer lead times for delivery) negatively impacting volumes for FY24-25. While car volumes have been strong this year, we expect cost of living, inflation and oversupply of vehicles (evident by discounts being offered in the market) to curb demand and see reduced volume through AAT facilities in FY 24-25.

AAT continues to experience hefty increase in cost with property cost, AATs largest cost, increased 7.2% last year (and 14.8% the year before in one port) and this year a privatised Port Authority is seeking to double AAT rent at one terminal. AAT is also due to commence EBA negotiations in FY24-25 with DPWorld just committing to 25% increase over 4 years, with 8% in the first year. The FairWork Commission also lifted security guard rates by 6.5% and a re-grading saw actual cost increases to AAT of 8%. Electricity cost has increased in January 24 with the expiry of our previous agreement resulting in a 18% and 50% increases at our sites while fuel over the same period has increased 9.3% and 17.2%.

AAT continues to invest in its terminals and $38m has been committed to Port Kembla and Fisherman Island this year and next. AAT has expanded our solar investment to reduce or electricity cost and carbon emissions. We are replacing our RoRo taxi and ute fleet, as they fall due, with price comparable electric vehicles. Machinery costs have increased significantly, and lead times have proved long and despite ordering equipment over a year ago, 5 new 32t RoRo forks and a RoRo dock truck are not expected to be delivered until FY 24-25.

Two new cranes are to be delivered shortly - 1 portal mounted Liebherr 550 crane for Fisherman Island to replace the decommissioned STS gantry (scheduled for demolition in May this year) and a Liebherr harbour mobile 550 for Port Kembla. AAT Fisherman Island is also reinstating permanently two more hoists following the recent spike in hoisting requirements after a 4 month lull in demand.

Full details of the proposed tariff increase 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**
   While CPI has increase by 41% since December 2010 there have been only three tariff increases with prices only rising in total by 13.1% over the same period. On all occasions the increases applied were CPI. This has been achievable through new volume growth (grain, other dry bulk and windfarms), low CPI and low property cost increases. This has changed with volume by commodity either flat or falling and costs increasing rapidly as outlined above.

   AAT can no longer absorb these price rises and will be increasing tariffs by **<u>CPI of 4.05% (as per ABS December 2023 quarter CPI index) from 1st July 2024 across all cargo types.</u>**

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 this financial year benefited significantly from an increase in car and windfarm volumes to offset falling steel and container volumes (ANL contract lost). As highlighted, the growth in steel volume 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 strong but are expected to fall in FY24-25 as cost of living and inflation stifles demand, container volumes will be lower due to loss of ANL and windfarms projects will be down on this year with no windfarms expected in the first half of the financial year.

   Taking the above into consideration against rising cost AAT will be increasing tariffs by **<u>by CPI of 4.05% (as per ABS December 2023 quarter CPI index) from 1st July 2024 across all cargo types.</u>**

3. **Other Changes**

   AAT has introduced a new requirement and charge for "**direct to hook**" cargo to be approved by AAT, recognising direct to hook is required on certain lifts. Direct to hook, to or from trucks, absorbs large amounts of quay line time as productivity is slow as cycle times are slowed by guiding cargo on to specific truck bed location and climbing up on trucks to hook / unhook cargoes. This type of cargo adds to vessel berthing delays as compared to removing the cargo by forklift. AAT seeks to minimise vessels time alongside and as such direct to hook cargo needs to be approved in advance. A reduced R&D charge will apply for processing documentation, releases, and security for direct to hook cargoes, if approved by AAT.

Other tariff rates, not subject to the lengthy tariff review mechanism of the Undertaking will be released no later than 1st May 2024. 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 2024. 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 **1st March 2024**