



4 May 2010

Mr Craig Faulkner
Chief Executive Officer
Australian Amalgamated Terminals
PO Box 5129
GARDEN CITY VIC 3207

Dear Craig

Tariff Reviews

Thank you for your letter of 29 April 2010 advising Port Kembla Port Corporation (PKPC) of the proposed price increases to be implemented by Australian Amalgamated Terminals (AAT) in the port of Port Kembla as from 1 August 2010.

While PKPC recognises the significant investment made by AAT in the Port Kembla Terminal and the need to ensure its financial viability, PKPC does not support a need for prices to increase by up to 21.3%.

Such increases will, in our view, detract from the competitiveness of the port and drive cargo away to other ports and, as such, is against the spirit and intent of the Management Deed between PKPC and AAT.

PKPC recognises that it has no control over the prices charged by AAT other than the requirement in accordance with the Management Deed to ensure that prices are competitive to other ports - which, in this case we believe is not so, particularly for the handling of vehicles. PKPC notes that in your advice to PKPC you state that the methodology for the price increase conforms to the authorisation process approved by the ACCC.

PKPC does not support lumpy price increases of this magnitude and is of the view that a more regulated and steady increase to reflect the movement in costs is a more appropriate method of price review.

PKPC objects to the 21.3% price rise and requests that consideration is given to phasing in the relevant increase over a 3 year period.

The attached highlights some of the concerns that PKPC has regarding competitive pricing between Fisherman Islands and Port Kembla and requests that the ACCC and/or the Independent Price Monitor consider these to ensure that there is no cross-subsidy and that the charges at Port Kembla are reflective of costs associated with the service.

Yours sincerely


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Chief Executive Officer

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Sharon Clancy
Australian Competition & Consumer Commission
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Attachment

Port Kembla Port Corporation (PKPC) has difficulty in reconciling the difference between the charges applied to Fisherman Islands Cargo Terminal (FI) and those applying at Port Kembla (PK). For instance:

1. Schedule 1

The cost difference of \$0.95 per m³ (46%) in the Facility Access Charge for wheeled vehicles and boats handled at PK versus FI needs to be substantiated. While it is recognised that the investment at PK may be greater, the rent paid at FI by AAT is significantly more on a per m² basis. This differential needs to be considered in light of the volume throughput and the operating and development cost at each of the terminals

2. Schedule 4

The cost difference in the vessel lay-up charge at PK of \$2,070 per day (74.5%) when compared against FI needs to be supported as both charges appear to provide similar services. The lay-up berth was constructed by PKPC and as such the cost to AAT should be minimal.

3. Schedule 5

The cost difference in the wharf storage at PK of \$12 (60% for vehicles) compared to FI needs to be supported as while the difference in development cost is noted the difference in rental paid also needs to be considered in the calculation. It is noted that at PK there is a flat rate per day for vehicles whereas for other cargo and at FI a higher charge applies after day 3.

4. Schedule 7

The cost difference in washing motor vehicles at PK of \$27.05 (16.2%) compared to FI needs to be supported as the services provided appear to be similar. It is noted that there may be a difference in development costs but equally there is a difference in the rent paid - which is significantly less at PK.