

Thank you for your letter dated 29th April advising of the Tariff reviews for AAT Terminals proposed from 1st August 2010.

We have discussed with both Principals and clients and they are concerned about the spiralling costs of handling cargo through Australian wharves and particularly the increases being proposed by AAT for two of the important ports in Eastern Australia for the importation of steel, machinery and general cargo.

Most of our clients are still suffering the hangover of the GFC and their concern about increases of the magnitude proposed is not surprising. Attached is our submission detailing the areas of concern and we hope a meeting to review the proposed tariff changes can be arranged to discuss these concerns. We suggest rather than having to meet the Lines and agents individually would be happy for such a discussion to happen via the forum of Shipping Australia at which we will attend.

Regards,

Ken Fitzpatrick
Managing Director

t +61 2 9906 6372

f +61 2 9906 1874

w <http://www.asiaworld.com.au>



Level 2, 403 Pacific Highway Artarmon NSW 2064

Submission on AAT proposed Price increases

We are responding to the letter dated 29th April from AAT advising us price increases at AAT terminals from 1 August 2010. The letter requests a response within 14 days of the date of the letter, which has not given us much time as the letter arrived at this office only on 4th May. In future we would prefer to be given sufficient notice to be able to respond to such requests and consider 9 days is unreasonable.

Our areas of interest are in Brisbane and Port Kembla only and therefore we will comment only on those ports.

Our concerns and those of our clients at the increases are listed below:

- 1 The quantum of increase for FAC at Brisbane is not totally unexpected as we are aware of the progressive implementation of a rent rise imposed on AAT by the Port of Brisbane. We argued at the time with POBC that the rent increase was unreasonable and that it would impact on clients at a critical time (of the GFC).
- 2 We are concerned however in Brisbane that other charges are also proposed to be increased well above CPI. Wharf storage and in particular R&D increased charges both

- exceed 10% and we would request some justification of these increases given that CPI is somewhere near 3%.
- 3 The overall price increases in Port Kembla for FAC, R&D and storage exceeding 20% in all cases seems totally outside market conditions and we would seek the justification for these increases. We understand there has been no major impost on AAT in terms of rental increases from the port of Port Kembla to underpin such a large increase in charges.
 - 4 Once again there is a major discrepancy between the percentage increases of SAC and FAC, and this seems to favour the shareholder stevedoring companies of AAT who in some cases have inclusive contracts with their customers. We would appreciate an explanation as to why there is such a difference in the proportionate increases.

We note in the letter from AAT accompanying the new schedules of charges that they claim that increases in Port Kembla reflect their desire to reach a reasonable rate of return on their investment. We find this rather curious concept that a privately owned company which has made the decision to invest some 4 or 5 years ago has now suddenly found their investment decision does not meet their expected rate of return and therefore now demand (in a monopolistic situation) increases to meet these objectives. Most privately owned companies would be more than happy to be in a position to make such demands of their customers, especially those who have struggled through a very serious global downturn over then past 2 years. Our question is whether the input used to make this calculation was based on the quantity of cargo throughput in Port Kembla during these downturn years. If so , we would recommend a re-forecast based on expected trading conditions and throughput in the year ahead to reflect more normal circumstances. Using this low base our customers should then be able rely on rebates in the future when business returns to more normal or even boom levels.

Most of our customers have been through very tough time over the past few years with steel and machinery prices low and demand low due to the GFC. Our shipowning principals have also suffered considerably lower returns on reduced freight rates and cargo volumes. We hope these are going to improve over the next 12 to 18 months but there are still economic storm clouds on the horizon which do not guarantee them any minimum return on their investment and they rightly ask us why AAT should feel they are in a position to ask for such protection. To impose cost increases at this point of time of the magnitude requested by AAT is simply unacceptable to clients, certainly without much in the way of explanation as to the reasons for the increases. The risk, we are told, will impact the businesses using AAT terminals, making imports less competitive. So if imports continue to drop we can envisage a downward spiral for AAT and their customers as AAT continue to clamber for higher charges to meet the lower throughput and match their demands for returns on investment.

All other commercial sectors of the Shipping Industry have had to accept lower prices during the GFC and whilst they may now seek to recover those with some price increases, this is not the case for AAT. AAT may have had an erosion of cargo throughput but have not had to suffer price falls like everyone else in the industry, so price increases can not be argued as restoring customary levels.

Our final comment is about relativity. Is the level of charges for cargo which transits the AAT facilities relative to other Ports? The charges in Melbourne, Fremantle and Adelaide are half or less than half the AAT proposed charges including R&D from August 1st 2010. This alone should indicate something is not quite right in the pricing in the ports of Brisbane and Port Kembla.

In summary, we understand the reasons for the FAC increases in Brisbane but feel there needs to be industry consultation in respect of all other increases. In fact the promise by AAT during the authorisation process was to make sure industry was consulted on increases tariff levels. We had

hoped to have the opportunity to review such proposed tariff changes in advance of the 3 month notice to allow for sufficient time to discuss any objections. Our clients seek 3 months advance notice of changes to include changes in their pricing of new purchases which are regularly negotiated 3 months prior shipment.

Asiaworld Shipping Services

As agents