



COMMENT FROM INDUSTRY:

March 2017

Background

The Port of Melbourne (“PoM”) plays an important role in facilitating international trade and we will work proactively with customers and stakeholders to develop the port in a commercial manner over the next 50 years. Through engagement with customers and port users we will help to drive supply chain efficiency and capacity that will maximise economic, environmental and social outcomes.

Pricing Order

Prior to the Port of Melbourne Lease Transaction (“PLT”), Port of Melbourne Corporation’s (“PoMC”) pricing framework was set out in its Pricing Policy Statement where PoMC sought to keep adjustments to fees and charges within the range of changes in the Consumer Price Index (“CPI”) plus 1.5%. Following the PLT, the pricing approach applied by PoMC through the Pricing Policy Statement has been replaced by a new and expanded pricing regime set out via amendments to the *Port Management Act 1995* (Vic) (“PMA”).

Pursuant to the PMA amendments, the Governor in Council issued a Pricing Order (the “Order”), which took effect on 1 July 2016. The Order sets out the pricing principles which allow PoM to recover the efficient costs of providing Prescribed Services (as defined in the PMA). The key elements of the pricing principles include:

- The Initial Prescribed Service Tariffs that apply from 1 July 2016 to 30 June 2017 as set by PoMC are specified in the Order;
- The application of an accrual building block methodology, with weighted average tariff increases from 1 July 2017 capped at changes in CPI for at least 15 years (but not more than 20 years); and
- An export discount of 2.5% per annum applies for four years commencing from 1 July 2016 for Prescribed Service Tariffs for full outbound container wharfage services.

PoM is required to provide the Essential Services Commission of Victoria an annual Tariff Compliance Statement and is also required to publish a Reference Tariff Schedule (“RTS”) no later than 31 May each year (as per established practice).

RTS effective 1 July 2017

To continue to promote the competitiveness of export volumes in Victoria and through the PoM, full outbound container wharfage tariffs will be reduced by a further 2.5% effective 1 July 2017.

Consistent with the new regulatory regime, the tariffs for other Prescribed Services will be increased by no more than CPI.

PoM's RTS will be reviewed at least on an annual basis.

Comment from Industry

Whilst the scope of PoM's ability to adjust Prescribed Services Tariffs under the Order are limited and subject to the Order's pricing principles, PoM is seeking to engage with industry as part of the review of tariffs that will take effect through the RTS effective 1 July 2017. In particular, PoM is seeking to engage with industry regarding approach, trade outlook, supply chain shifts and efficiency opportunities that might influence our pricing decisions, infrastructure capacity and future investments.

PoM would welcome your comments and queries at rts@portofmelbourne.com by 24 April 2017.