



28 January 2022

Mr Paul Zali
Director
Freight & Trade Alliance (FTA)
68 Brooker Ave
BEACON HILL NSW 2100

pzalai@ftalliance.com.au

Dear Paul,

Re: Changes to Landside Charge at Patrick Terminals from 7 March 2022

We refer to your letter dated 6 January 2022 regarding Patrick Terminals' notification of change to Landside Charge effective from 7 March 2022.

Patrick supports the Victorian Voluntary Pricing Protocol and continues to follow the requirements related to fee changes in all relevant jurisdictions.

As highlighted in our announcement to industry on 6 January 2022, the increase in the Landside Charge is attributable to Patrick seeking to partially recover costs associated with providing Patrick's landside operations that relate to:

- capital investments and commitments made to infrastructure that supports our landside operations
- maintenance and operational costs associated with providing our landside operations and
- property and property related costs

Patrick is delivering a significant investment and innovation program with over \$150 million invested across the 2020 and 2021 financial years and a further \$70 million committed across the 2022 financial year (\$220 million in total). This investment and innovation contributes considerably to the resilience and efficiency of the container supply chain, including the ability to handle larger vessels and deliver superior landside performance. Patrick has a long history of under recovery of landside investment and is not able to continue to absorb these costs. The Landside Charge is essential to enable Patrick to continue to properly service our landside customers.

The ACCC's recent observations are consistent with Patrick's feedback that market forces are the key drivers necessitating landside fee reviews including:

- greater competition between stevedores following entry of Hutchison and VICT
- increases in land rents charged by port operators

- capital investments made by stevedores in automation and large vessel handling capability
- limitations on the ability of stevedores to reduce labour costs as a result of industrial relations

The ACCC acknowledges that 'given stevedores provide landside services to transport operators, it is efficient for stevedores to levy fees and charges on transport operators for those services, provided they are not excessive'. The ACCC also confirms that 'the level of profitability of stevedores over the past 5 years does not appear to be indicative of stevedores earning excessive returns'.

It is important to highlight that overall stevedoring costs (landside and quayside) continue to remain a small part of total supply chain costs, representing only 4-6% of total supply chain costs. This has been validated by Synergies Economic Consulting for 2021.

Whilst landside costs represent a very small part of total supply chain costs, the ACCC highlights that there is full visibility of these landside costs available to cargo owners observing that 'cargo owners lack visibility on the extent to which shipping lines are passing on any savings in pass-through charges. In contrast, cargo owners can observe any changes in pass-through charges they pay to transport operators, as stevedores and empty container parks make those publicly available.'

Yours sincerely

A handwritten signature in blue ink, appearing to read "Michael Jovicic". The signature is fluid and cursive, with a long, sweeping underline.

Michael Jovicic
Chief Executive Officer