

This summary paper provides a high level overview of Port of Newcastle's (PON) current pricing arrangements.

PON is committed to ensuring transparent and open access to the Channel and Landside Services provided by the Port. Historically, PON has undertaken an annual price review exercise considering factors such as CPI, operating costs, additional investments, and material change events or changes in law. However, from 1 April 2024, PON has commenced the implementation of regulatory-style pricing for the Channel Service – i.e Navigation Service Charge and Waterside Wharfage Charge – at the Port.



PON'S OBJECTIVES

The objectives of PON's pricing framework include:

PROMOTE COMPETITION

Ensure prices are fair and reasonable having regard to the level of competition and efficiency.

ENCOURAGE EFFICIENCY

Prices should provide incentives to reduce costs or improve productivity.

GREATER TRANSPARENCY

Provide transparency to PON's pricing structure.

EFFICIENT COST RECOVERY

Allow PON to recover its efficient costs of providing the channel and landside services.

LANDSIDE SERVICES

The Port of Newcastle provides various landside services including leasing of space and facilities. These services also include charges relating to landside assets such as Wharfage and Site Occupation, and various infrastructure specific charges. Fees and charges for some landside services are published in the Schedule of Port Charges. Leasing of space and facilities are based on commercial agreements and are commercial-in-confidence.

Leasing of Space & Facilities

Landside

The Port of Newcastle negotiates rental agreements for access to land and facilities directly with tenants. Many leases are long-term, providing certainty for tenants.

Landside Wharfage

Landside

The wharf is a common user area for loading and unloading cargo. Wharfage fees are charged per unit of quantity, volume or weight for all cargoes, including empty containers, loaded or unloaded from or between vessels.

Site Occupation

Landside

Site occupation charge is a time-based charge on stevedores and other site occupants for occupation of Common User Berths during vessel loading and unloading.

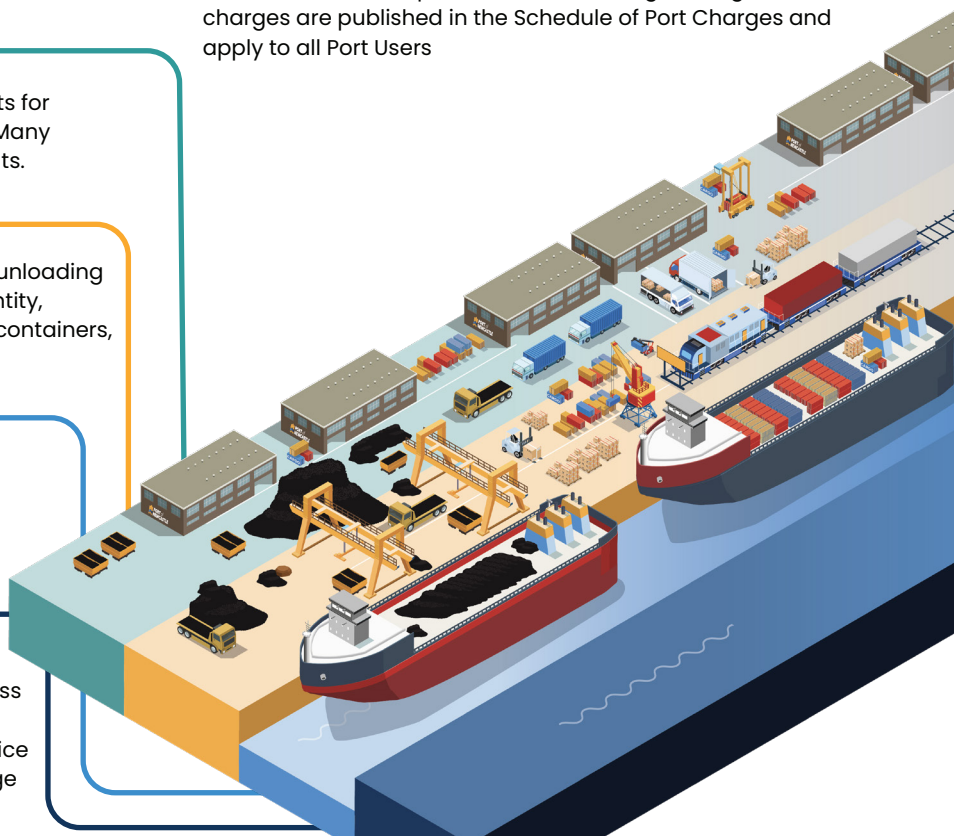
Channel Fees

Channel Service

The channel provides port access for commercial vessels. Fees are levied once per ship visit, on a gross tonne basis, for use of the channel and associated services. Channel fees include the Navigation Service Charge and Waterside Component of the Wharfage Charge

CHANNEL SERVICE

The Channel Service relates to general use of the channel, breakwaters, berth boxes, and other services. The methodology to determining the Asset Base required to provide the Channel Service has been subject to in-depth judicial review, based on a Depreciation Optimised Replacement Cost (DORC) methodology. Charges relating to the Channel Service include the Navigation Service Charge and Waterside Component of the Wharfage Charge. These charges are published in the Schedule of Port Charges and apply to all Port Users



KEY TERMS USED

ARR	Annual Revenue Requirement
CPI	Consumer Price Index
MAR	Maximum Allowable Revenue
RAB	Regulated Asset Base
WACC	Weighted Average Cost of Capital
BBM	Building Block Model
PAMA	Ports and Maritime Administration Act



PRICING PRINCIPLES

PON's pricing for the Channel Service is based on established regulatory pricing principles, including that prices should:

1. Ensure Efficient Cost Recovery

Generate expected revenue that is at least sufficient to meet the efficient costs of providing the service;

2. Achieve Annual Revenue Requirement

Include a return on investment commensurate with the regulatory and commercial risks involved.

PRICING PRINCIPLES

The Port of Newcastle expects to transition Port Charges relating to the Channel Service to the hypothetical MAR over a three year period from 2024-2026. During the three year period PON will set charges below the maximum level, in line with consultation with Port Users. PON has also proposed a true-up mechanism to account for the impact on revenue due to differences between forecast and actual volumes. This would result in an additional price adjustment for under- or over-recovery.

Following the three-year transition, PON expects to reset various parameters of the BBM on five-year pricing periods in line with regulatory principles. This will allow PON to reset the Asset Base, WACC, capex and opex forecasts and consult on any changes to the underlying principles.

ENGAGEMENT PROCESS



BBM STRUCTURE

