# Port Licence Fee – Dry bulk

Information Paper - December 2011

## Introduction

This Port Licence Fee Information Paper has been prepared to provide port customers and users with an open and transparent understanding of the fee and PoMC's approach to its implementation with respect to dry bulk trade.

## About the Port Licence Fee (PLF)

The Victorian Government introduced the Port Management Amendment (Port of Melbourne Corporation Licence Fee) Bill 2011 into Parliament on 6 December. The Bill proposes that PoMC be required to pay an annual Port Licence Fee (PLF) to the Victorian Government at a starting rate of $75 million in 2012-13 which will increase annually by the Consumer Price Index (CPI) in subsequent years. The Bill is expected to become legislation in early 2012 and will impact PoMC's pricing structure from 1 July 2012.

The PLF effectively replaces the Freight Infrastructure Charge announced in 2008 from the previous Government.

## PoMC's proposed pricing methodology

To ensure fairness and equity, it is PoMC's intention that the fee will be allocated across the broadest customer base possible and will be applied to all prices and charges levied by PoMC across all trade sectors. This approach is considered the most appropriate given that the exemption of any trade sector would result in higher recovery charges from the remaining trade sectors.

The only current charges to be excluded from this application will be the Infrastructure Fee (Channel Deepening Project levy) and PoMC land rental charges to existing tenants (as at 1 December 2011).

## Impact on tariffs, fees and charges

Although PoMC's charges represent one small component of the overall freight cost structure for the entire supply chain, PoMC is conscious that the introduction of the PLF represents a change in the costs associated with the operation of the Port of Melbourne.

PoMC's aims in relation to the introduction of the PLF are twofold - to recover a fee of $75 million in the first year and remain a cost competitive port taking into account the supply chain as a whole. Given the relative pricing of other major ports, PoMC believes these aims are not mutually exclusive.

A preliminary estimate of the impact of the introduction of the PLF to the dry bulk trade is outlined below:

| Dry bulk | Current tariff 1 July 2011 exc. GST($/tonne) | Estimated tariff with PLF impact exc. GST ($/tonne) |
|---|---|---|
| **Inwards** | 1.94 | 2.91 |
| **Outwards** | 1.40 | 2.10 |

## Case study

To illustrate an example of the potential impact of the PLF on imported cement, it is estimated that the additional cost would equate to approximately 97 cents per tonne. In respect to exported bulk wheat, the increase would be approximately 70 cents per tonne.

## More information

For more information please contact PoMC at:

Email: rts@portofmelbourne.com

***Please note that the prices and case study examples are estimates only and may be subject to change. This Information Paper relates to dry bulk trade and is 1 of 6 in a series prepared by PoMC for port customers regarding the introduction of the PLF.***