



29 May 2026

2026-27 Tariff Compliance Statement

General Statement

Port of Melbourne

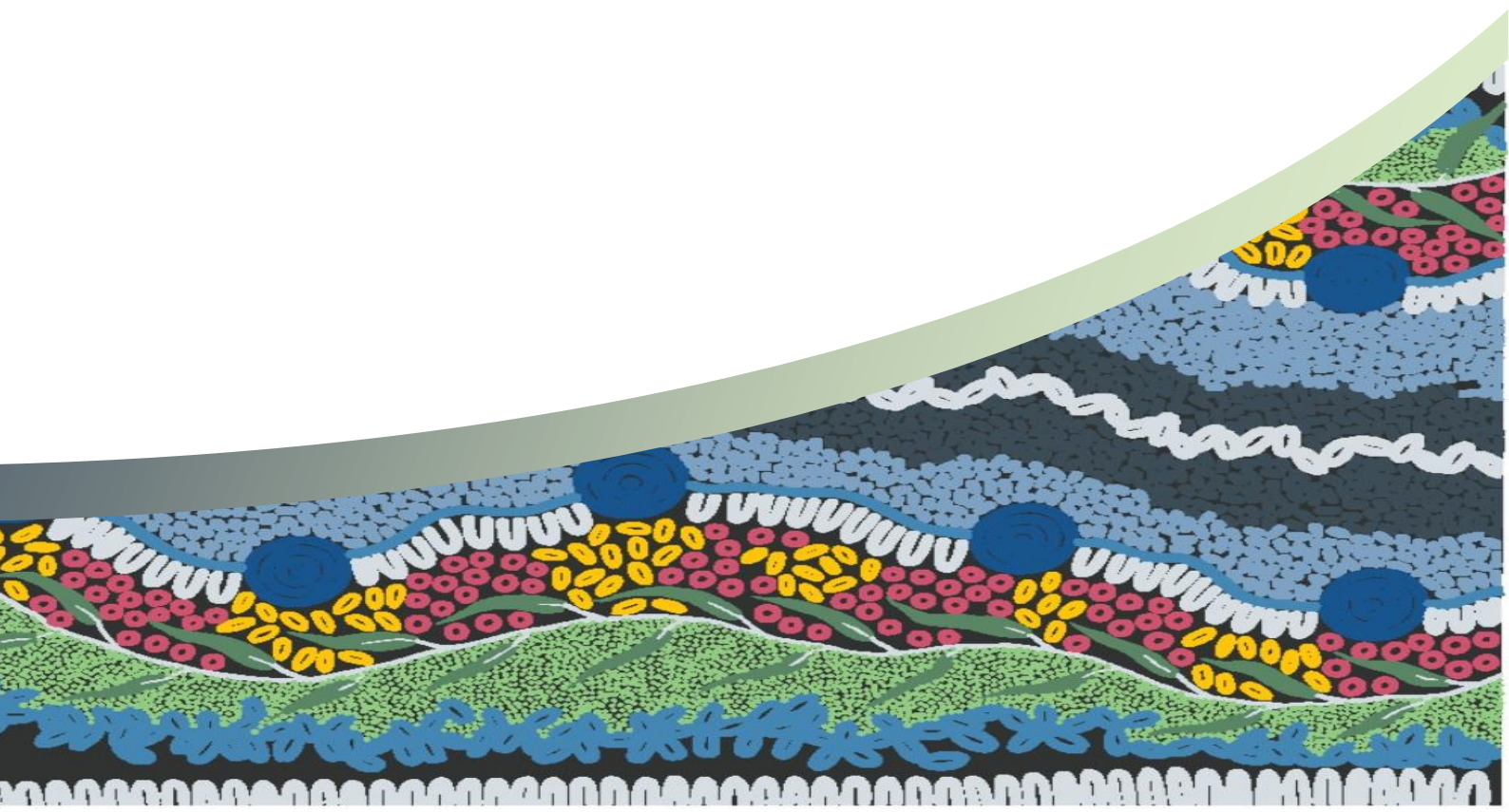


Acknowledgement of Country

Port of Melbourne acknowledges the Bunurong, Wadawurrung, and Wurundjeri Peoples of the Kulin Nation as the Traditional Custodians of the land and waters on which our business operates.

We recognise and value their unique cultural heritage, customs, spiritual beliefs and relationship with the land. We pay our respects to their Elders past, present and emerging, and to all Aboriginal and Torres Strait Islander peoples across the communities in which we work.

Artwork credit: Kamara Morgan (Yorta-Yorta, Gunai-Kurnai, Dja Dja Wurrung, Boonwurrung, Taungurung and Baraparapa), 2022, 'Connection to Country'.



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CEO foreword

I am pleased to present Port of Melbourne's 2026-27 Tariff Compliance Statement (TCS).

In 2023 we commenced our first long-term regulatory period, shifting from annual periods to a five-year period. This within-period TCS marks passing the mid-way point in our five-year journey.

In recent years we've continued our focus on embedding stakeholder engagement practices organisational wide - living our Stakeholder Engagement Principles to support the roll out of our projects and programs.



When we reflect on the adoption of a five-year period – designed to provide price stability and certainty for our customers and deliver outcomes for Port Users at the lowest efficient cost – we are on track to deliver on our \$700 million capital program over the period.

Last financial year, 113.6 million revenue tonnes were handled through the port, the majority of which was container trade. Imports are dominated by consumer goods such as furniture, domestic appliances, and clothing. We are also aware of our role in helping exporters to move agricultural goods through the port, originating from regional areas of south-eastern Australia.

Given these responsibilities, as the manager of the port, we are committed to delivering capacity and supply chain efficiencies to meet the growing needs of our economy.

Together with Port Users, our tenants, government, the Essential Services Commission and our broader stakeholder network we are proud to deliver critical infrastructure assets and serve as the key trade gateway that underpins economic growth in Victoria and throughout Australia.

Saul Cannon

Chief Executive Officer

Port of Melbourne

Executive summary

Our 2026-27 Tariff Compliance Statement

This document forms part of our annual Tariff Compliance Statement (TCS) to the Essential Services Commission (ESC). It demonstrates how our tariffs for Prescribed Services for the next financial year comply with the Pricing Order. Prescribed Services include the provision of channels, berths, short-term storage, and access to wharves, roads and rail.¹ Leasing of space and facilities on port land is classified as a non-prescribed service and is not covered by this TCS.²

The 2026-27 financial year is the fourth year of our established five-year regulatory period, which runs from 1 July 2023 until 30 June 2028. This TCS includes details on tariffs for 2026-27 and provides updates on stakeholder engagement, major projects, sustainability, trade and expenditure.

Our prices are set to increase at the rate of inflation

In our 2023-24 TCS (released May 2023)³ we determined that our Prescribed Service Tariffs for the regulatory period from 2023-24 to 2027-28 would be subject to the Tariffs Adjustment Limit (TAL), which requires that our Weighted Average Tariff Increase (WATI) be no more than the annual change in the Consumer Price Index (CPI).

Accordingly, in 2026-27 all tariffs for Prescribed Services will increase by 4.09% (subject to rounding), which is the rate of increase in the quarterly CPI series over the year to 31 March 2026. We have not made a rebalancing application to the ESC for the tariffs to apply in 2026-27, so all tariffs have been increased by the same percentage amount (before rounding) and there are no new or discontinued tariffs.

Our 2026-27 tariffs are set out in the accompanying Reference Tariff Schedule (RTS) and are effective from 1 July 2026 (Appendix A).

Table E.1 WATI and TAL, 2023-24 to 2027-28 regulatory period

	2023-24	2024-25	2025-26	2026-27	2027-28
Weighted Average Tariff Increase	7.02%	3.62%	2.40%	4.09%	CPI - 0%
Tariffs Adjustment Limit	7.02%	3.62%	2.40%	4.09%	CPI (March 2026 to March 2027)

¹ Prescribed Services are defined in section 49(1)(c) of the *Port Management Act 1995* (Vic).

² The ESC undertakes periodic reviews of our rental agreements with port tenants in accordance with section 53 of the *Port Management Act 1995* (Vic).

³ Our [2023-24 TCS](#) is available on our website. Please refer to this document for further details on how Port of Melbourne's 2026-27 Prescribed Service Tariffs comply with the Pricing Principles and Cost Allocation Principles defined in the Pricing Order.

We are continuing to invest in the port to deliver services to Port Users and progress the long-term interests of Victorian consumers

We apply sound forecasting methodologies and prudent and efficient capital planning, project management and governance practices. We have adapted our delivery to respond to Port User feedback or as circumstances change to ensure what we deliver is fit for purpose.

At the start of the five-year regulatory period we committed to a capital expenditure program of more than \$700 million over the regulatory period to deliver projects that are in the long-term interests of Victorian consumers. Over the first three years of the regulatory period, we have invested \$330.4 million in capital projects, which is broadly in line with our forecast of \$346.7 million.

We outlined nine major capital projects and programs that we planned to commence or deliver during the regulatory period, with a tenth project, Market Site, added in last year's TCS.⁴

As at March 2026, three of our major projects are complete: the Beacon Pile Replacement Program, the Webb Dock East 4 & 5 Berth Extension and the Port Rail Transformation Project. Of the remaining major projects, four are in Delivery Stage, and one each are in the Concept, Discovery and Procurement stages.

With Stage 1 works complete, the Swanson Dock West Remediation project is proceeding with changes to project timing, informed by discussions with affected tenants, to bring forward the most impactful portion of the project and to lengthen project staging. The project is now expected to be completed in 2032.

Sustainability is core to PoM's purpose and strategy, and critical to our future success

Through the delivery of sustainable port infrastructure, PoM aims to establish a sustainable and competitive supply chain which will benefit all Victorian communities.

Key milestones achieved in 2024-25 included:

- reducing our Scope 1 and 2 emissions by 30% compared to the previous year (representing a 62% reduction on our 2021-22 net zero baseline)
- ranking equal first place among Australian and international ports in the 2025 Global Real Estate Sustainability Benchmark Infrastructure Asset Assessment for the third year running, maintaining our 5-star rating.

Our adoption of a five-year regulatory period provides strong incentives to deliver outcomes for Port Users at the lowest efficient cost

Under the incentive properties of the five-year regulatory period, PoM bears the risks of deviations between actual and forecast trade and expenditure during the period.

This TCS includes a comparison of regulatory period forecasts with the most recent full financial year of actual data. In summary, in 2024-25:

- Trade outcomes were broadly in line with expectations: actual containerised trade of 3.32 million twenty-foot equivalent units (TEU) was 1.1% above forecast; non-containerised trade of 21.85 million revenue tonnes was 4.4% below forecast; and channel volumes of 244.87 million gross tonnes were 11.1% below forecast.
- Controllable prescribed operating expenditure (\$35.9 million) was 12.7% lower than forecast (\$41.1 million), due to lower than forecast expenditure on labour and repairs & maintenance.
- Actual prescribed capital expenditure of \$160.2 million was 10.9% above forecast (\$144.5 million). This was mainly driven by additional expenditure on renewal projects due to increased or unanticipated remediation scope (e.g. Swanson Dock West Remediation, South Wharf 31 Cavity

⁴ Our [2025-26 TCS](#) is available on our website.

Remediation and Yarra River Services Protection projects) and project scheduling changes (e.g. Beacon Pile Replacement Program and Short Road project).

We continue to effectively engage with stakeholders and build internal capability

Throughout 2025-26 we continued to keep stakeholders up to date by providing access to relevant and timely information. This included via industry updates to stakeholders, with circulation increasing by a third over the period to 1,600.

Throughout the reporting period we have undertaken significant consultation with stakeholders to help inform the development of PoM's 2055 Port Development Strategy, including to provide awareness of key issues affecting the port community and potential port development. While this TCS focusses on our current projects, further detail on this engagement and future projects can be found in the 2055 Port Development Strategy.⁵

Each year we support internal knowledge about engagement providing access to complete the IAP2 Engagement Essentials module. Since 2022-23, 110 staff have attended training as part of our continuing efforts to improve our engagement understanding and capability.

⁵ Our [2055 Port Development Strategy](#) is available on our website.

1 About this TCS

1.1 Purpose

Every year, the Port of Melbourne (PoM) is required to submit a Tariff Compliance Statement (TCS) to the Essential Services Commission (ESC). In the TCS we demonstrate how tariffs for the upcoming financial year comply with the Pricing Order, a regulatory instrument issued by the Governor in Council under section 49A of the *Port Management Act 1995* (Vic).

The Pricing Order regulates tariffs for Prescribed Services, which include the provision of channels, berths, short-term storage, and access to wharves, roads and rail.⁶ Leasing of space and facilities on port land is not classified as a Prescribed Service and is not covered in this TCS.

In the 2023-24 TCS (released May 2023), we adopted a five-year regulatory period covering 2023-24 to 2027-28. The regulatory period is the span of time over which we forecast the revenue required to recover the prudent and efficient costs of providing Prescribed Services — the Aggregate Revenue Requirement (ARR). This is done in accordance with the Pricing Principles and Cost Allocation Principles set out in the Pricing Order.

This year's TCS covers tariffs for 2026-27, the fourth year of our five-year regulatory period. Our rate of return and our forecasts of costs and trade volumes — which determined the ARR established at the beginning of the regulatory period — have been set for five years and have not been revisited.

This TCS focusses on elements of compliance that must be demonstrated annually, as well as other information to keep the ESC and Port Users informed about relevant matters. This includes:

- setting out the Prescribed Service Tariffs for 2026-27 (**Chapter 2**)
- providing updates on engagement with stakeholders (**Chapter 3**), progress on major projects (**Chapter 4**) and progress against our Sustainability Strategy (**Chapter 5**) over the past 12 months
- reviewing our trade and expenditure outcomes for 2024-25 (the most recently available full-year of actual data) (**Chapters 6 and 7**)
- presenting an estimate of the prevailing cost of debt (**Chapter 8**).

Accompanying this General Statement are several supporting appendices:

- The Reference Tariff Schedule for 2026-27 (**Appendix A**)
- A Tariff Compliance Model demonstrating how 2026-27 tariffs comply with key Pricing Order requirements (**Appendix B**)
- Details of our TCS governance and assurance processes (**Appendix C – Confidential**)
- Further analysis comparing actual trade, capital expenditure and operating expenditure to forecasts (**Appendices D, E and F – Confidential**)
- Details of capitalised costs (**Appendix G – Confidential**)
- An independent expert report on the prevailing cost of debt estimate for 2026-27 (**Appendix H**)
- A summary of how this TCS complies with each clause of the Pricing Order and commitments under PoM's 2022 Undertaking with the Victorian Government⁷ (**Appendix I**)
- A register of other supporting documents provided to the ESC (**Appendix J – Confidential**).

⁶ Prescribed Services are defined in section 49(1)(c) of the *Port Management Act 1995* (Vic).

⁷ See p. 11 of our [2023-24 TCS](#) for further details on our Undertaking with the Victorian Government.

1.2 Financial information and terminology

All financial information provided in this TCS is denominated in nominal dollars (referred to as “current price terms” in clause 8.1.1 of the Pricing Order), unless otherwise stated. Financial information for 2021-22 to 2024-25 are actual values and financial information for 2025-26 to 2027-28 reflect forecast values for the five-year regulatory period (as provided in the 2023-24 TCS), unless otherwise stated. Numbers in tables may not sum due to rounding.

All clause references relate to the Pricing Order, unless otherwise stated. Capitalised terms that are not otherwise defined have the meaning given in the Pricing Order.

2 Tariffs in 2026-27

In 2026-27 all tariffs for Prescribed Services will increase by 4.09% (subject to rounding), equal to the increase in the Consumer Price Index (CPI) over the year to 31 March 2026. Our 2026-27 tariffs are set out in the accompanying Reference Tariff Schedule (RTS) and are effective from 1 July 2026 (Appendix A).

Tariffs have been set to comply with the requirements of the Pricing Order.⁸ The Pricing Order defines a 'Pricing Order transition period' which runs until 2032 at earliest, or 2037 at latest.⁹ During the Pricing Order transition period, a price smoothing mechanism limits tariffs to the lesser of two constraints:

- The Tariffs Adjustment Limit (TAL), which limits weighted average annual tariff increases to the rate of inflation (CPI),¹⁰ or
- To recover no more than PoM's prudent and efficient costs of providing Prescribed Services, determined by the application of an accrual building block methodology over the regulatory period.¹¹

In the 2023-24 TCS, in accordance with these requirements, we determined a weighted average tariff increase of 0% in real terms for each year of the five-year regulatory period (Table 2.1).¹² This means that the weighted average tariff increase in each year of the regulatory period (2023-24 to 2027-28) cannot exceed the rate of inflation.

Consistent with the requirements of the Pricing Order, we confirm that, for 2026-27:

- All tariffs have been increased by the same percentage (before rounding)
- There are no new or discontinued tariffs
- The tariff for full outbound container wharfage services is set at the same percentage discount to the tariff for full inbound container wharfage services that was applicable in 2019-20
- The Weighted Average Tariff Increase (WATI) does not exceed the TAL.¹³

Table 2.1 WATI and TAL, 2023-24 to 2027-28

	2023-24	2024-25	2025-26	2026-27	2027-28
Weighted Average Tariff Increase	7.02%	3.62%	2.40%	4.09%	CPI - 0%
Tariffs Adjustment Limit	7.02%	3.62%	2.40%	4.09%	CPI (March 2026 to March 2027)

Note: The 2026-27 TAL and WATI are calculated as the percentage change in CPI between the March 2025 quarter and the March 2026 quarter. From 2026-27 onwards, the TAL and WATI are calculated based on the ABS quarterly CPI re-referenced as of October 2025 to align with the monthly CPI data. The CPI reference period is September 2025.

⁸ The Pricing Order and the *Port Management Act* are available on our [website](#).

⁹ Pricing Order, clause 3.4

¹⁰ Pricing Order, clause 3.1

¹¹ Pricing Order, clause 2.1.1(a)

¹² Refer to the [2023-24 TCS](#) for further details on how PoM's 2026-27 Prescribed Service Tariffs comply with the Pricing Principles and Cost Allocation Principles defined in the Pricing Order.

¹³ Our calculations demonstrating that the Weighted Average Tariff Increase does not exceed the TAL are provided at Appendix B.

3 Stakeholder engagement update

3.1 Overview

This chapter describes how we have effectively communicated and engaged with stakeholders since the last TCS¹⁴ and had regard to feedback in our decision making.¹⁵

In this TCS we report on our stakeholder engagement reflecting stakeholders' preferred topics established as part of the five-year regulatory period (Figure 3.1).

Figure 3.1 Stakeholder engagement topics of interest



3.2 Our process and regulatory requirements

As part of our business as usual approach, we develop bespoke strategic communications and engagement plans under the umbrella of our Stakeholder Engagement Framework principles, and apply:¹⁶

- Our Pricing Order Engagement Protocol (POEP), based on the requirements in the Pricing Order, which allows us to chart out our process and approach including stakeholder mapping¹⁷
- The IAP2 Public Participation Spectrum to appropriately assign a relevant level of involvement to each identified stakeholder
- The ESC's Statement of Regulatory Approach (SoRA v4.0) which guides us to demonstrate how we have engaged effectively and identified what we heard, how we closed the loop, and how Port Users inform our decision making (Table 3.1).¹⁸

¹⁴ Covering stakeholder engagement activity that took place between 1 April 2025 and 31 March 2026.

¹⁵ As required under clause 7.1.2(d) of the Pricing Order.

¹⁶ Our [Stakeholder Engagement Framework](#) is available on our website.

¹⁷ Our [POEP](#) is available on our website.

¹⁸ Essential Services Commission 2024, [Statement of Regulatory Approach — version 4.0: Port of Melbourne Pricing Order](#), 8 May.

Table 3.1 Process and regulatory requirements

Stakeholder Engagement Framework Our principles					
Genuine	Inclusive	Timely	Transparent	Accountable	Continuous Improvement
Pricing Order Engagement Protocol					
Identify need	Plan approach	Implement	Port User feedback	Consideration and decision making	
IAP2 Public Participation Spectrum					
Inform	Consult	Involve	Collaborate	Empower	
We will provide balanced, objective, accurate and consistent information to support stakeholders to understand issues, opportunities, and solutions.	We will seek feedback from stakeholders, listen to concerns and aspirations and inform them of the outcome of their feedback.	We will work directly with stakeholders to ensure their needs are directly and consistently understood and considered, and provide feedback on the outcome of their contribution.	We will partner with stakeholders, including: development of alternative plans, decision-making, and identifying preferred solutions.	We will engage with stakeholders to build networks, create opportunities and empower groups to lead the development of initiatives. Stakeholders are enabled / equipped to actively contribute to the achievement of outcomes.	
Statement of Regulatory Approach v4.0					
Details of consultation process with Port Users		Issues raised and feedback provided by Port Users		How PoM has taken into account the views of Port Users when making decisions	

3.3 Continuing our stakeholder engagement uplift

Our stakeholder engagement program is underpinned by continuing efforts to improve our engagement processes and embed engagement practices across our business. In this reporting period we have delivered additional IAP2 Engagement Essentials training, achieving training for 110 PoM staff since 2022-23.

3.4 Stakeholder engagement in 2025-26

In the 2025-26 within-period TCS, we included Market Site as one of our major projects.

Four of our 10 major projects were the subject of engagement programs in the reporting period, the details of which are described below. An update on progress made over the year for each major project is provided in chapter 4.

3.4.1 Maintenance Dredging Program



PoM has ongoing dredging obligations to ensure the safe passage of ships visiting the port. Dredging has been routinely conducted in Port Phillip and the port area for over 100 years to allow the safe navigation of vessels and the efficient transport of cargo.

As part of the Maintenance Dredging and Sweeping Campaign 2025-26, from mid-April to mid-May 2025 works were undertaken in and around the Southern and Northern areas of Port Phillip Bay. Prior to and

during the works, PoM's Dredging webpage included information on timing and dredging areas, and a link to the Ports Victoria webpage to access Notices to Mariners.

Broadcast information about the project prior to commencement was shared via electronic direct mailout to 48 stakeholders with additional notifications provided via email to government stakeholders, tenants, and additional key identified stakeholders. In addition, broad reaching communications were provided to 1,200 subscribed Industry Update stakeholders and over 2,000 Community Newsletter subscribers.

Two general enquiries were received throughout the period and were closed within one week.

Based on historical low levels of enquiry and Port Victoria issuing Notice to Mariners, an overview of a five-day sweeping program in March 2026 was featured on PoM's Dredging webpage. These works were carried out on weekdays and excluded weekends to minimise disruption and maintain safety for recreational users.

Our approach to sharing information and raising awareness about dredging and sweeping, including the provision of Notice to Mariners is delivered consistently year-to-year, and with consideration for lessons learned. PoM closed the loop on this short duration of works via the March 2026 Industry Update.

This engagement was delivered at the 'inform' level of IAP2, *provide stakeholders with balanced and objective information to assist them in understanding the problem, alternatives and/or solution.*

3.4.2 Beacon Pile Replacement Program



Since works commenced in August 2024, PoM has continued to provide regular project updates to stakeholders.

In this reporting period, stakeholders have been informed of project progress via the PoM Industry Update in May, July and November 2025 reaching approximately 1,200 stakeholders on each occasion.

In addition, the project was featured as part of a mid-year stakeholder event (see section 3.4.5 Maritime projects mid-year stakeholder event), and in August 2025 works commenced on Stage 2.

To provide further awareness of Stage 2 following the July Industry Update, a fact sheet was distributed to almost 30 local stakeholders and yacht clubs, complementing Notices to Mariners.

This engagement was delivered at the 'inform' level of IAP2, *provide stakeholders with balanced and objective information to assist them in understanding the problem, alternatives and/or solution.*

3.4.3 Roads Program



Given the many precincts throughout the port and spread of works under the Roads Program, broad-reaching and targeted channels are used to deliver project updates and relevant upcoming works notifications to tenants and port road users. This includes:

- PoM's Landside Logistics Working Group (LLWG) with invitations spanning almost 35 stakeholder industry representatives including stevedores and tenants, shipping lines, transport and logistics, peak bodies and government. The LLWG heard updates in May and September 2025, and March 2026
- PoM Industry Update reaching almost 1,200 stakeholders in May 2025 and January 2026

- Targeted tenant information provided in October 2025 and March 2026 supporting open, two-way dialogue as part of our business-as-usual relationships throughout the reporting period.

Stakeholders are directed to visit Road Network Updates | Port of Melbourne to keep up to date, given the volume of short duration works and mitigations in place to avoid unnecessary disruption.¹⁹

This engagement was delivered at the ‘inform’ level of IAP2, *provide stakeholders with balanced and objective information to assist them in understanding the problem, alternatives and/or solution.*

3.4.4 Market Site – Heavy Vehicle Facility

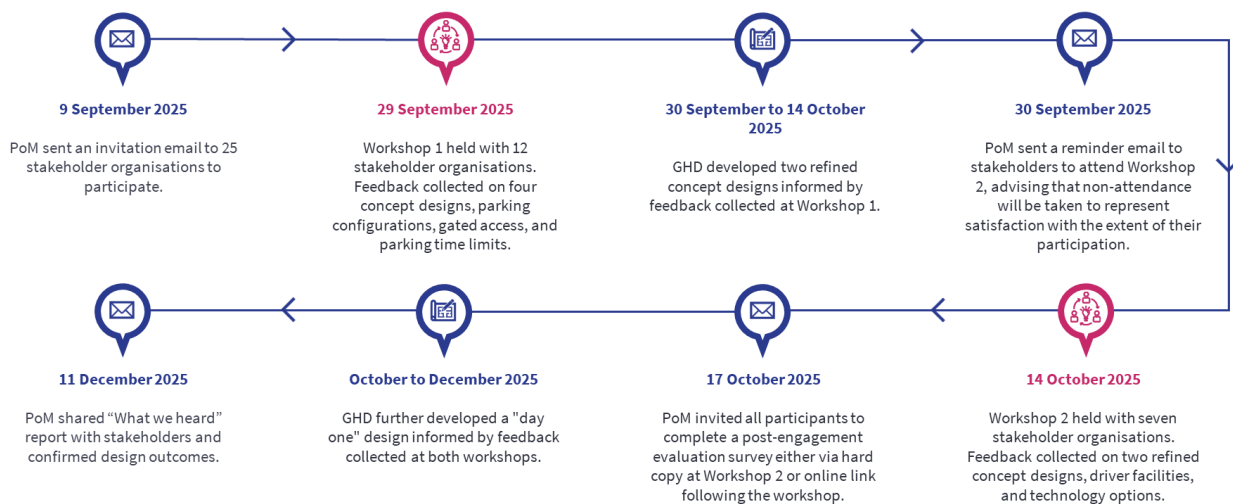


PoM has secured a long-term lease for 29 hectares of land at the former Melbourne Market Site (Market Site), as described in last year’s TCS. The lease, which extends to 2066, aligns with the Victorian Government’s existing 50-year port lease, established in 2016. It is proposed that a Heavy Vehicle (HV) Facility will occupy approximately 1.8 hectares of the site, with primary access to be constructed via a western court bowl from the Footscray Road service road.

PoM sought early stakeholder feedback to review and assess aspects of four concept designs for a future HV facility, informing the development of two refined concept designs. Consultation via two workshops was undertaken at this early stage to ensure stakeholder views could meaningfully influence the design process.

This engagement was delivered at the ‘Involve’ level of IAP2, *working directly with stakeholders throughout the process to ensure that concerns and aspirations are consistently understood and considered.*

Figure 3.2 Market Site HV Facility engagement timeline



What we heard as part of this engagement is available on our website at [Current projects - Port of Melbourne](#).

¹⁹ Our [Road Network Updates | Port of Melbourne](#) is available on our website.

Table 3.2 Market Site HV Facility engagement delivery with regard to the SoRA v4.0

SoRA v4.0 principle	How we followed this principle
<p>Start engagement early in its planning of projects, programs, and other initiatives.</p> <p>The engagement should be ongoing, to keep testing proposals with Port Users and stakeholders.</p>	<p>PoM commenced engagement with industry and tenants in the very early stages of design development, prior to lease commencement. The target date for the site to be operational is 2027-28.</p> <p>Delivery dates span September through to December as shown in Figure 3.2. This included reaching out to stakeholders, providing information prior to workshops, delivery of two facilitated workshops and closing the loop in December 2025, providing participants an update on ‘parking lot’ items and sharing the ‘what we heard’ report, prepared by engagement consultants, Insync.</p> <p>PoM has committed to keeping participants directly updated and provides broader updates to a wider audience via PoM’s Industry Update reaching ~1,200 subscribers.</p>
<p>Ensure engagement process prioritises matters that have a significant impact on PoM’s services and prices.</p>	<p>As this engagement was significantly early in the development of Market Site there were many unknowns at the time of delivery. PoM has and will continue to provide updates to participants on items that were noted in the ‘parking lot’ at both workshops. Many of these were resolved following workshop #1 and presented back as part of workshop #2.</p>
<p>Demonstrate that the engagement is genuine and clearly communicates the level of influence stakeholders will have on the decision.</p>	<p>Participants were provided with information for both workshops, prior to coming together. This approach was designed to set expectations and allow participants to gain an understanding of what to expect when committing (up to) six hours of workshoping time. Included as part of a background document:</p> <p>The aim of this engagement is to: <i>Review and assess elements of provided concept designs, to inform a refined concept design(s).</i></p> <p><u>Workshop 1: Insights and concept designs</u></p> <p><i>This workshop will include a presentation from PoM outlining negotiables and non-negotiables, to inform a group discussion with PoM and GHD as our design consultants. This is an opportunity to unpack pros and cons relating to concept designs and provide experiences that will help inform a future HV Facility.</i></p> <p>Lines of enquiry - Workshop #1</p> <p><i>Looking at the concept designs, are there preferred HV parking configurations for various HV models?</i></p> <p><i>Looking at the concept designs, what does your experience suggest are the pros and cons for each design?</i></p> <p><i>Do you have preferences regarding gated access that may improve accessibility to the site?</i></p> <p><i>Should there be time limits on parking? If so, what is the rationale for particular periods?</i></p>

SoRA v4.0 principle	How we followed this principle
	<p><u>Workshop 2: Preliminary designs</u></p> <p><i>This workshop provides an opportunity to address any actions or issues raised during Workshop 1 and will include an updated design(s) prepared by GHD.</i></p> <p>Lines of enquiry - Workshop #2</p> <p><i>Looking at the updated concept designs, what does your experience suggest are the pros and cons for each design?</i></p> <p><i>What are the must haves versus nice to have options for driver facilities located at Market Site?</i></p> <p><i>From your experiences, what technology could PoM consider exploring in the future (e.g. regarding a booking system)?</i></p>
<p>Tailor the form of engagement to suit the content on which it is seeking to engage, and to the circumstances facing Port Users and stakeholders.</p>	<p>Engagement methodology applied included two workshops with potential future users, focused on concept designs to inform refined, future designs.</p> <p>To achieve the best possible outcome and ensure participants were able to provide informed input and feedback, prior to the workshop participants were provided a document for pre-reading covering relevant background information for the engagement, which included:</p>
<p>Provide participants in its engagement process with appropriate information, given the purpose, form and the content of the engagement.</p>	<ul style="list-style-type: none"> • Market Site background information • HV Facility site development information including size and overview • Market Site map including highlighted HV Facility area • Lines of enquiry for both workshops (as highlighted above) • Information linking to IAP2, the Pricing Order Engagement Protocol and Statement of Regulatory Approach. <p>Large scale CAD drawings of parking designs and oversized templates were used to consistently capture feedback. To encourage participation during the workshops, a ‘parking lot’ feedback approach was adopted and forms for feedback were provided to participants. These actions facilitated lively discussion during the workshops.</p>
<p>Demonstrate how stakeholder feedback has influenced its decisions, including communicating to participants how their input influenced the decision.</p>	<p>What we heard at the workshops was captured in a ‘what we heard’ report prepared by Insync, PoM’s engagement contractor, with a digital copy provided to participants in December 2025.</p> <p>Feedback from participants included priority for number of parking bays and consideration of additional service-offerings (such as consideration for prayer facilities), driver behaviours and cognitive load.</p> <p>In addition, PoM is working through operational elements that will be communicated as work progresses.</p> <p>Given this, designs for this site are ongoing with feedback received from participants informing these designs. Since closing the loop with participants in December 2025, an update was provided in March 2026 on PoM’s progress.</p>

3.4.5 Maritime projects mid-year stakeholder event



PoM communicates broadly and provides updates on various port projects throughout the year. To supplement this, in July 2025, stakeholders attended a project update on key maritime projects at the Port Education Centre in Port Melbourne. This information session focused on key projects including:

- Swanson Dock West Remediation
- Beacon Pile Replacement Program
- Yarra River Protection Services
- Maintenance Dredging and Sweeping Campaign 2025-26.

An update was provided on project delivery timelines and progress, and innovative techniques used to deliver positive outcomes, such as water injection dredging. Additional time was provided throughout presentations for questions.

Attendees spanned shipping lines, tenants, peak bodies and industry including Westgate Punt representatives, providing community water-side access from Scienceworks to Spotswood and Westgate Landing. Positive feedback was received following the session with attendees expressing appreciation for direct time with PoM Project Managers and the Stakeholder Engagement Lead.

4 Major projects update

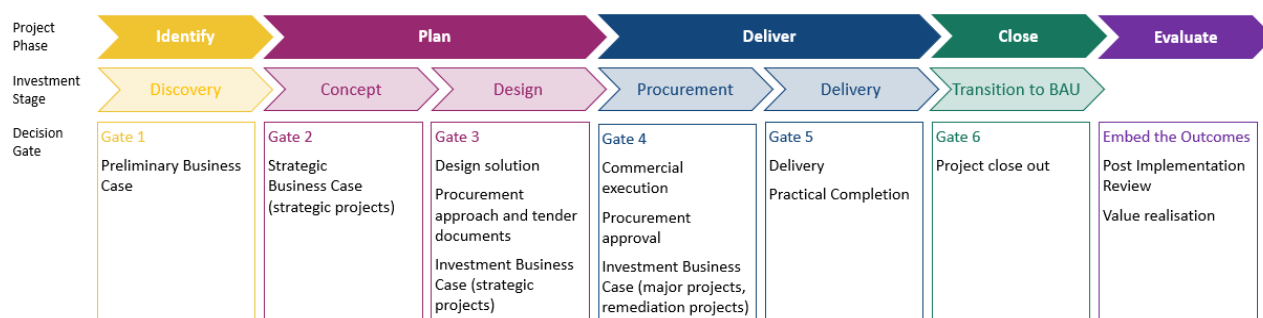
4.1 Our major projects and programs

In the 2023-24 TCS, we outlined nine major capital projects and programs that we planned to commence or deliver during the regulatory period and updated this to 10 in last year’s TCS. These projects and programs account for approximately 77% of the five-year capital expenditure forecast for the regulatory period.²⁰

Our major projects are managed under a rigorous Enterprise Project Management Framework (EPMF) to ensure the successful delivery and effective management of capital projects consistent with prudent and efficient capital expenditure. A key element of the EPMF is our Project Lifecycle, Investment Stage and Decision Gate process (summarised in Figure 4.1), which provides a staged approach to expenditure approval with specific controls and considerations at each investment stage.

As part of our approach to continuous improvement, the EPMF project phases and investment stages have been refined to more clearly reflect timing of decision gate approvals for business cases and setting of project budgets, and a final project phase (Evaluate) has been introduced to support future post-implementation reviews and value realisation.

Figure 4.1 EPMF Project Lifecycle Phase, Investment Stage and Decision Gate



4.2 Progress in 2025-26

Table 4.1 sets out our progress on major capital projects and programs over the year to March 2026.

As at March 2026, three of our 10 major projects are complete: the Beacon Pile Replacement Program, the Webb Dock East 4 & 5 Berth Extension project, and the Port Rail Transformation Project (PRTP). Four major projects are in Delivery, and one each are in the Concept, Discovery and Procurement stages.

Of the major projects and programs yet to be completed, three are proceeding with changes to expected completion dates (compared to original expected completion dates in the 2023-24 TCS):

- Swanson Dock West Remediation: Discussions with affected tenants informed the need for PoM to reconsider construction methodology, resulting in project scheduling changes, with the project now expected to be completed in 2032
- Port Capacity Enhancement Program (PCEP) and Stony Creek Pipe Bridge Replacement: As previously noted in the 2024-25 and 2025-26 TCSs, the projects are proceeding with changes to expected completion dates, with an alternative delivery schedule adopted for PCEP following

²⁰ Based on forecast capital expenditure as submitted in the 2023-24 TCS. Refer to chapter 5 of our [2023-24 TCS](#) for further details of the regulatory period capital expenditure forecast.

stakeholder engagement and revised project timing for Stony Creek Pipe Bridge Replacement following completion of options analysis to inform the most appropriate remediation strategy.

Notable progress over the year included:

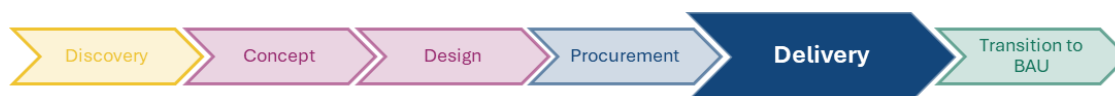
- Beacon Pile Replacement Program: Completion of the of works in March 2026
- Maintenance Dredging Program: Dredging and sweeping works in and around the Southern and Northern areas of Port Phillip Bay were successfully completed in May 2025
- PRTP: Completion of the additional ancillary upgrades to automated rail signalling
- Road Program: Delivery of Stage 1 remediation works at Mackenzie and Anderson roads and road safety barrier upgrades
- Swanson Dock West Remediation Project: Following completion of Stage 1 works, Stage 2 works commenced in September 2025.

Table 4.1 provides an overview of each of the major projects and programs, and the progress that took place during 2025-26.

Table 4.1 Major project updates

Swanson Dock West Remediation Project

EPMF Investment Stage as at March 2026



Project type

Renewal

Expected completion

2032 (Originally 2027-28)²¹

About the project

Swanson Dock West is an International Container Terminal comprising 944 metres of container handling berths, which were constructed in several stages between the 1960s and 1980s. This project involves remediation of wharves and retaining walls, and upgrades to bollards, to allow the terminal to continue to handle container vessels for the next 50 years.

Progress in 2025-26

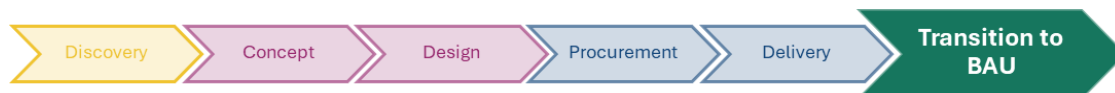
Stage 1 works, which focused on Berth 1, were completed in May 2025.

Discussions with affected tenants informed the need for PoM to reconsider construction methodology. This resulted in rescheduling to bring forward the most impactful portion of the project and lengthened project staging. The project is now expected to be completed in 2032.

Stage 2 works, focused on Berth 3, commenced in September 2025.

Port Rail Transformation Project

EPMF Investment Stage as at March 2026



Project type

Growth

Expected completion

Completed in 2024-25 (originally 2023-24)

About the project

This project involves the acquisition of existing rail assets and rail terminal land within the port, the construction of a new Coode Road rail terminal interfacing with the Swanson Dock East International Container Terminal, and other improvements to rail and road access infrastructure.

Progress in 2025-26

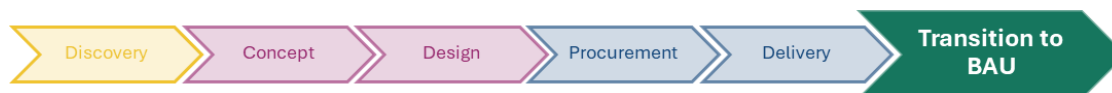
The project reached practical completion and was successfully handed over to PoM's tenants in August 2023.

Additional works were carried out to upgrade to automated rail signalling and were completed in June 2025.

²¹ Expected completion dates are compared against the original dates in the 2023-24 TCS. The Swanson Dock West Remediation project was originally expected to be completed in 2027-28, subsequently extended to 2029-30 in the 2025-26 TCS, and is now expected to be completed in 2032.

Webb Dock East 4 & 5 Berth Extension

EPMF Investment Stage as at March 2026



Project type

Growth

Expected completion

Completed in 2023-24 (no change)

About the project

This project was designed to restore the operational capacity of Webb Dock East and allow it to accommodate two large vessels simultaneously. It involved demolition of a redundant section of the wharf, construction of a new wharf and hardstand, and dredging of the berth pocket.

Progress in 2025-26

No change.

South Wharf Berth 28-29 Rehabilitation

EPMF Investment Stage as at March 2026



Project type

Renewal

Expected completion

2027-28

About the project

South Wharf berths 28-29 are commercial wharf facilities managed by PoM, located in the South Wharf precinct on the south bank of the Yarra River. This project consists of various rehabilitation works to allow customers to continue to use the berths and enable larger vessels to once again be serviced there, consistent with the original design expectations.

Progress in 2025-26

PoM undertook a feasibility assessment into the future use of South Wharf berths 28-29.

A detailed, invasive condition assessment is now planned in 2027, which will determine the scope and timing of remediation works required to support continued operations at the site. The outcomes from this assessment may affect the expected completion date.

Stony Creek Pipe Bridge Replacement

EPMF Investment Stage as at March 2026



Project type

Remediation

Expected completion

2026-27 (originally 2025-26)

About the project

The Stony Creek Pipe Bridge is located underneath the West Gate Bridge and supports multiple petroleum pipelines. The bridge is at the end of its design life.

This project involves periodic remediation works to extend the bridge's service life to 2055 and ensure pipeline operators can continue to operate, inspect and maintain product pipelines in accordance with current arrangements.

Progress in 2025-26

An Investment Business Case was approved in late 2025 for targeted remediation works. Procurement was undertaken to tender for these works and as at March evaluation of tender responses was underway.

Port Capacity Enhancement Program (PCEP)

EPMF Investment Stage as at March 2026



Project type

Growth

Expected completion

Targeting new capacity at Webb Dock North in 2036

About the project

This project involves the development of a container terminal at Webb Dock North to ensure that port capacity can meet the future demands of Victoria's growing economy, and the relocation of Tasmanian terminal operations to secure their future. Further details can be found on the [PCEP webpage](#).

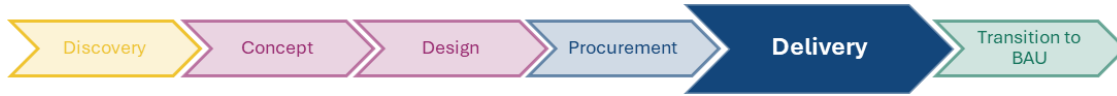
Project capital expenditure forecast for the regulatory period includes only the scope of works required for the planning and design activities necessary to enable the preparation of an Investment Business Case.

Progress in 2025-26

In 2025-26 project work focused on planning and development activities including progressing engineering designs and undertaking site investigations.

Market Site

EPMF Investment Stage as at March 2026



Project type

Growth

Expected completion

2029-30

About the project

Located on Footscray Road in the Dynon precinct. Potential uses being considered for the site include, but are not limited to, rail freight and intermodal activities, a Heavy Vehicle (HV) Facility, freight logistics and storage and empty container storage.

The initial phase of the project involves staged demolition and site clearance works within the Market Site precinct.

This project was added as a major project in the 2025-26 TCS.

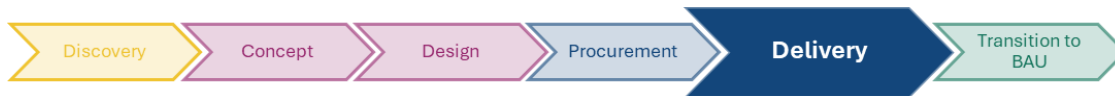
Progress in 2025-26

Demolition works at the site commenced in early 2026. Other project work during the year included undertaking site investigations and progressing detailed designs for civil works infrastructure.

Early engagement in 2025 with industry included two workshops on concept designs for the HV Facility. Further details about our engagement with stakeholders are provided in Chapter 3.

Maintenance Dredging Program

EPMF Investment Stage as at March 2026



Project type

Dredging

Expected completion

Ongoing

About the project

PoM has an ongoing program of periodic dredging campaigns to maintain channel depths and berth pockets to ensure that customers can continue to safely navigate the port.

Progress in 2025-26

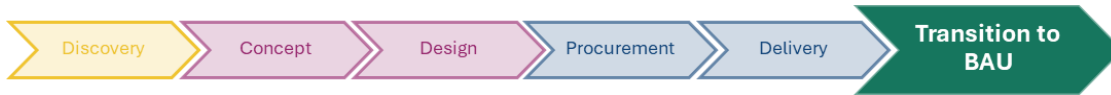
A major maintenance dredging campaign and sweeping program in the Southern and Northern areas of Port Phillip Bay was completed in May 2025 – see Chapter 3 for further information about our engagement with stakeholders.

In early March, a short sweeping program was completed within key areas of the Port Melbourne and South Channels. Additional minor sweeping works were undertaken in March 2026 to address recurring sand wave shoaling in the South Channel.

The next major campaign remains scheduled for 2026-27.

Beacon Pile Replacement Program

EPMF Investment Stage as at March 2026



Project type

Renewal

Expected completion

Completed in 2025-26 (originally 2027-28)

About the project

A program for the replacement and repair of Aids to Navigation, which provide navigational assistance to vessel traffic while in Port waters.

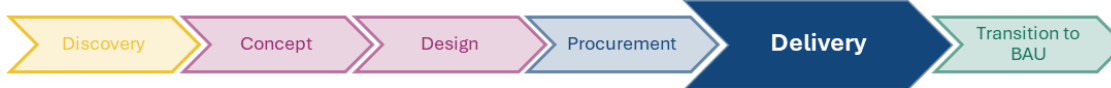
Progress in 2025-26

Delivered over two stages, this program of works was completed in March 2026. Beacon piles were replaced in the South and Port Melbourne Channels as part of Stage 1 works. Beacon piles across the Williamstown, Yarra River, South and Port Melbourne Channels, Point Cook Reef and Gellibrand Shoal were replaced as part of Stage 2.

PoM continued to provide regular updates to keep stakeholders informed as the project progressed (see Chapter 3 for further details about our engagement with stakeholders).

Roads Program

EPMF Investment Stage as at March 2026



Project type

Renewal

Expected completion

Ongoing

About the project

The Roads Program is a rolling, annual program of remediation and reconstruction works. This program will allow for continued access to the port and places of infrastructure as heavy vehicles continue to grow in volume and, potentially, in axle loads over time.

Progress in 2025-26

Stage 1 pavement and drainage remediation works at Mackenzie Road and Anderson Road were completed in May 2025. Seven new road safety barriers were installed throughout the Swanson, Coode Island and Yarraville precincts in late 2025. Works have been undertaken to implement a speed limit reduction (from 50km/h to 40km/h) within the Swanson Dock precinct.

PoM used a variety of channels to keep Port Users informed about the project and upcoming works notifications. Further information about our engagement with stakeholders is provided in Chapter 3.

5 Sustainability update

5.1 Our commitment to sustainability

Sustainability principles form part of our corporate strategy to guide our economic, environmental, social and governance objectives. Through the delivery of sustainable port infrastructure, PoM aims to establish a sustainable and competitive supply chain which will benefit all Victorian communities.

PoM refreshed its Sustainability Strategy in 2024-25 to assess current progress and identify future sustainability opportunities across four strategic themes:

- **Prosperity:** Ensure that trade, port infrastructure and the port value chain remain a significant driver of economic and societal benefit.
- **People:** Foster an inclusive, high-performing workplace that ensures the health, safety and wellbeing of our people.
- **Planet:** Ensure the port's resilience to long-term climate conditions, minimise impact on the environment, and seek resource efficiencies.
- **Partnerships:** Develop stakeholder relationships to support mutual sustainability objectives, increase the effectiveness of our actions, and maintain our social licence.

We are committed to reaching net-zero emissions for our operations by 2030 (Scope 1 and 2), and to managing risks and opportunities arising from climate change to ensure the Port's long-term sustainability and ongoing resilience of our assets.²²

We report our approach to climate change within our annual Sustainability Report,²³ and will continue to evolve this reporting in the future to meet the new Australian Sustainability Reporting Standards for mandatory climate-related financial disclosures.

5.2 Progress in 2024-25

Our 2025 Sustainability Report, released in December 2025, details our progress over 2024-2025. Some of our key milestones included:

- Reducing Scope 1 and 2 emissions by 30% compared to the previous year, bringing the total reductions since our net zero baseline year of 2021-22 to 62%
- Completing Phase 1 of the Low Carbon Methanol (LCM) Feasibility Study, which found that although the port has infrastructure to receive and store methanol, there are current and emerging challenges in the LCM supply chain that must be addressed before long-term bunkering in Melbourne is commercially viable²⁴
- Ranking equal first among Australian and international ports in the 2025 Global Real Estate Sustainability Benchmark (GRESB) Infrastructure Asset Assessment²⁵ for the third year running and maintaining our 5-star rating, scoring the maximum possible 100 points
- Achieving a 65% diversion from landfill for our corporate office waste
- Delivering 45 port education school sessions benefiting 2,229 students from 30 schools

²² Our [Climate Change Statement](#) is available on our website.

²³ Our [2025 Sustainability Report](#) is available on our website.

²⁴ The [Low Carbon Methanol Feasibility Study](#) was referred to as the 'Green Methanol Bunkering Feasibility Study' in the PoM 2025-26 TCS and is available on our website.

²⁵ The GRESB Infrastructure Asset Assessment assesses environmental, social and governance (ESG) performance at the asset level for infrastructure asset operators, fund managers and investors that invest directly in infrastructure, and is the leading ESG benchmark for real estate and infrastructure investments globally.

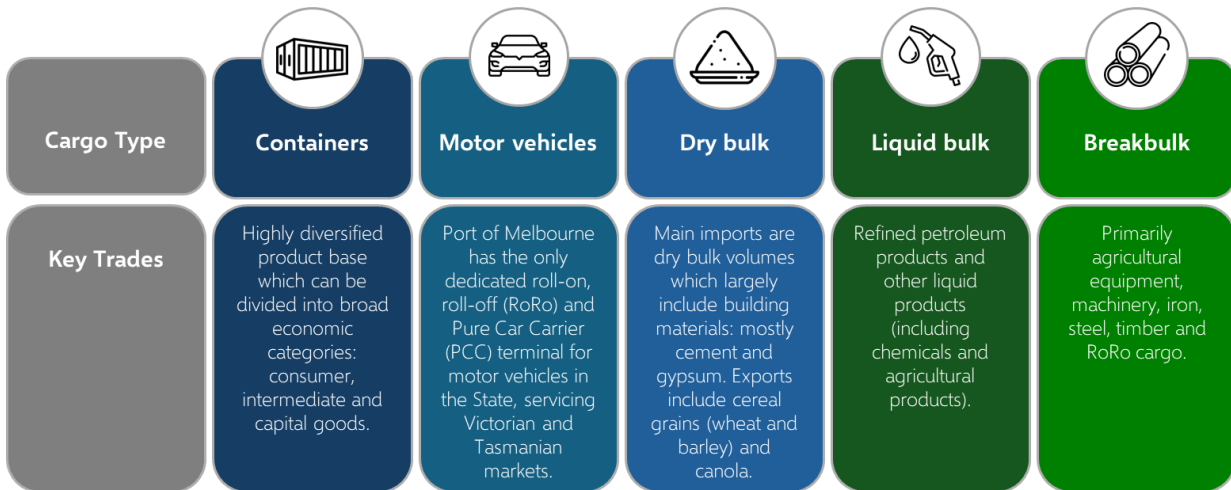
- Achieving “Tier 1 Skilled Workplace” certification in the Mental Health First Aid Australia Workplace Recognition Program
- Helping deliver 226,814 meals to vulnerable Victorians through PoM funding and volunteering at Foodbank Victoria
- Continuing our collaboration with The Nature Conservancy to deliver a targeted shellfish reef restoration initiative in Port Phillip Bay, with an additional 1.2 hectares of restored reef habitat contributed to date, building on previous restoration efforts and providing ecological enhancement over dredge spoil within the Dredged Material Grounds
- Employing sustainable construction practices on the Swanson Dock West Remediation project enabled significant waste diversion from landfill. As at completion of Stage 1 works in June 2025, the project cumulatively recycled 7,644 tonnes of concrete, 281 tonnes of steel, 9.4 tonnes of co-mingled waste and 8.0 tonnes of cardboard
- In partnership with Polaris Marine Group and in2Dredging, trailing water injection dredging in the Yarra River channel to assess its feasibility as a low impact approach for accessing protection structures over service pipelines during maintenance dredging. Compared to traditional methods, water injection dredging showed promising results, with improvements in efficiency, reductions in fuel use and lower infrastructure interaction. Further trials are planned in 2026.

6 Trade insights for 2024-25

6.1 Trade overview

The Port of Melbourne is the largest container and general cargo port in Australasia by throughput. The port handles a wide variety of cargo types including containers, motor vehicles, dry bulk, liquid bulk and breakbulk (Figure 6.1).

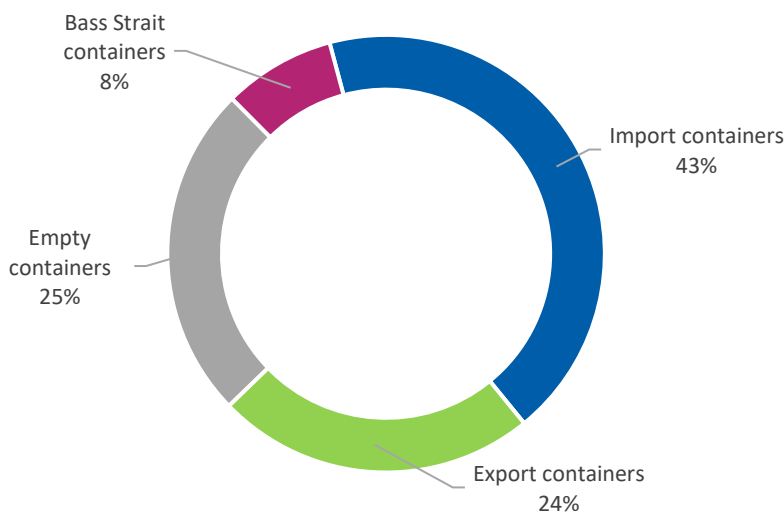
Figure 6.1 Trade composition and cargo type



Note: Breakbulk includes wheeled unitised cargoes.

In 2024-25, a total of 113.6 million revenue tonnes passed through the port, of which the majority was container trade. The largest component of container trade is overseas imports, followed by overseas exports (Figure 6.2). Imports are dominated by consumer goods such as furniture, domestic appliances, and clothing. The port’s primary export commodities are agricultural goods originating from regional areas of south-eastern Australia.

Figure 6.2 Container trade by category in 2024-25



Note: Import and export containers exclude Bass Strait containers. Bass Strait containers excludes empty containers, which are not subject to a tariff.

6.2 Trade performance

In 2024-25, container trade volumes were broadly in line with expectations: actual container trade of 3.32 million TEU was 1.1% above forecast, non-container trade of 21.85 million revenue tonnes was 4.4% below forecast and channel volumes of 244.87 million gross tonnes were 11.1% below forecast.²⁶

Table 6.1 Actual and forecast trade volumes from 2023-24 to 2024-25

Trades	Units (Millions)	2023-24 (Actual)	2024-25 (Forecast)	2024-25 (Actual)	Difference (Act – For)	Growth % (Year-on-Year)
Container trade*	TEU	3.2	3.3	3.3	+0.0	+5.1%
Non-container trade**	Revenue tonnes	24.4	22.9	21.9	-1.0	-10.4%
Channel volumes***	Gross tonnes	241.9	275.5	244.9	-30.6	+1.2%

*Container trade includes container import, export, empty and Bass Strait. Container - Bass Strait excludes empty containers, which are not subject to a tariff. **Non-container trade includes dry bulk, liquid bulk, breakbulk and motor vehicles. Breakbulk includes wheeled unitised cargoes.

***Channel volumes include dedicated and shared channels. Dedicated channels refers to the part of Port of Melbourne waters that are north of Fawkner Beacon. Shared channels refer to that part of Port of Melbourne waters extending from the open ocean interface to Point Richards in the direction of Geelong and Fawkner Beacon in the direction of Melbourne.

In 2024-25, total container trade increased 5.1%, driven by year-on-year growth across imports, exports and empties. Non-containerised trade declined 10.4% from the prior year, while channel volumes were stable, increasing by 1.2% from 2023-24.

6.2.1 Container trade



The year-on-year increase in container trade was reflected in increases in the main container trade categories: imports, exports and empties. Growth was supported by strong full import and export container performance, with favourable agricultural conditions supporting key exports and sustained transshipment activity.

6.2.2 Non-container trade



Non-container trade, comprising motor vehicles, liquid bulk, dry bulk and breakbulk, declined as a whole in 2024-25 against the prior year. In particular, breakbulk and liquid bulk volumes declined, while dry bulk and motor vehicles remained relatively stable year-on-year.

6.3 Channel volumes

Channel volumes in 2024-25 were relatively stable compared to the prior year; shared channel volumes grew by 1.0% and dedicated channel volumes grew by 1.5%.

²⁶ See Appendix D – Trade outcomes (CONFIDENTIAL) for analysis of 2024-25 actual versus forecast trade outcomes.

7 Expenditure insights for 2024-25

7.1 Capital expenditure

We apply sound forecasting methodologies and prudent and efficient capital planning, project management and governance practices. We have adapted our delivery to respond to port user feedback or as circumstances change to ensure what we deliver is fit for purpose.

Since the start of the regulatory period, PoM has invested \$330.4 million in capital projects compared to a forecast of \$346.7 million (Table 7.1).²⁷

The majority of the capital program has been driven by renewal projects, which account for approximately two-thirds of capex over the two-year period. Major renewal projects include Swanson Dock West Remediation, Beacon Pile Replacement and the Roads Program (refer to Chapter 4 for updates on major projects). Over the period 2023-24 to 2024-25, Swanson Dock West Remediation has been the largest project undertaken by PoM.

Table 7.1 Actual and forecast capital expenditure for 2024-25 and regulatory period to-date
\$million, nominal

Driver	2024-25			As of start of the regulatory period, 2023-24 to 2024-25		
	(Forecast)	(Actual)	Difference (Act – For)	(Forecast)	(Actual)	Difference (Act – For)
Dredging	15.5	16.9	+1.4	20.4	29.1*	+8.8
Growth	22.4	22.2	-0.2	103.6	78.6	-25.0
Renewal	106.5	121.1	+14.6	222.7	222.7	-0.0
Gross Prescribed Capex	144.5	160.2	+15.7	346.7	330.4	-16.3

Note: Capital expenditure is expressed in gross prescribed terms (i.e. before capital contributions and asset disposals are removed). Numbers in table may not sum due to rounding. *Revised from 2025-26 TCS to account for capital contribution in 2023-24.

Capital expenditure in 2024-25 of \$160.2 million was \$15.7 million (10.9%) above forecast.²⁸

The main drivers of higher actual than forecast expenditure on renewal projects in 2024-25 were:

- additional expenditure for Swanson Dock West Remediation, reflecting growth in project scope during Stage 1 works, with Stage 1 works completed in May 2025
- unanticipated or increased remediation requirements relative to forecast, including at South Wharf 31 and on Yarra River Services Protection works
- project scheduling changes for the Beacon Pile Replacement Program and the Short Road project.

²⁷ Unless otherwise stated, all capital expenditure is expressed in gross prescribed terms (i.e. before capital contributions and asset disposals are removed).

²⁸ Refer to Appendix E – Capital expenditure outcomes (CONFIDENTIAL) for further analysis and discussion of 2024-25 actual versus forecast capital expenditure.

Major growth projects include PRTP, PCEP and Market Site. Growth capex was in line with forecast in 2024-25, however there were some deviations between forecast and actuals for individual projects as follows:

- PCEP expenditure was below forecast due to the change in the delivery schedule prepared in March 2024 following stakeholder engagement
- PRTP expenditure was above forecast due to additional ancillary works carried out to upgrade to automated rail signalling
- Due to uncertainty regarding the Market Site project at the time the forecasts were developed, we did not forecast any expenditure in the regulatory period beyond 2023-24.

Dredging activities are ongoing and included a major dredging campaign in late 2024-25.

7.2 Operating expenditure

Actual prescribed operating expenditure in 2024-25 of \$157.9 million was 4.6% below forecast (Table 7.2).²⁹

7.2.1 Non-controllable prescribed operating expenditure

Non-controllable costs, listed below, accounted for 77.3% of PoM's prescribed operating expenditure in 2024-25:

- Port Licence Fee
- Cost Contribution Amount (PoM's contribution to Ports Victoria costs)
- Port Rail Transformation Agreement (PRTA) costs.

Total non-controllable prescribed operating expenditure in 2024-25 of \$122.0 million was slightly below forecast. This was mainly due to the Cost Contribution Amount, which was below forecast due to lower than anticipated channel volumes.

Table 7.2 Actual and forecast prescribed operating expenditure from 2023-24 to 2024-25
\$million, nominal

	2023-24 (Actual)	2024-25 (Forecast)	2024-25 (Actual)	Difference (Act – For)	Growth % (Year-on-Year)
Port Licence Fee	96.7	102.3	101.8	-0.5	+5.3%
Cost Contribution Amount	14.2	16.8	15.0	-1.8	+5.4%
PRTA costs	5.0	5.4	5.2	-0.2	+3.5%
Non-controllable prescribed opex	116.0	124.4	122.0	-2.5	+5.2%
Controllable prescribed opex	33.0	41.1	35.9	-5.2	+8.8%
Prescribed opex	149.0	165.6	157.9	-7.7	+6.0%

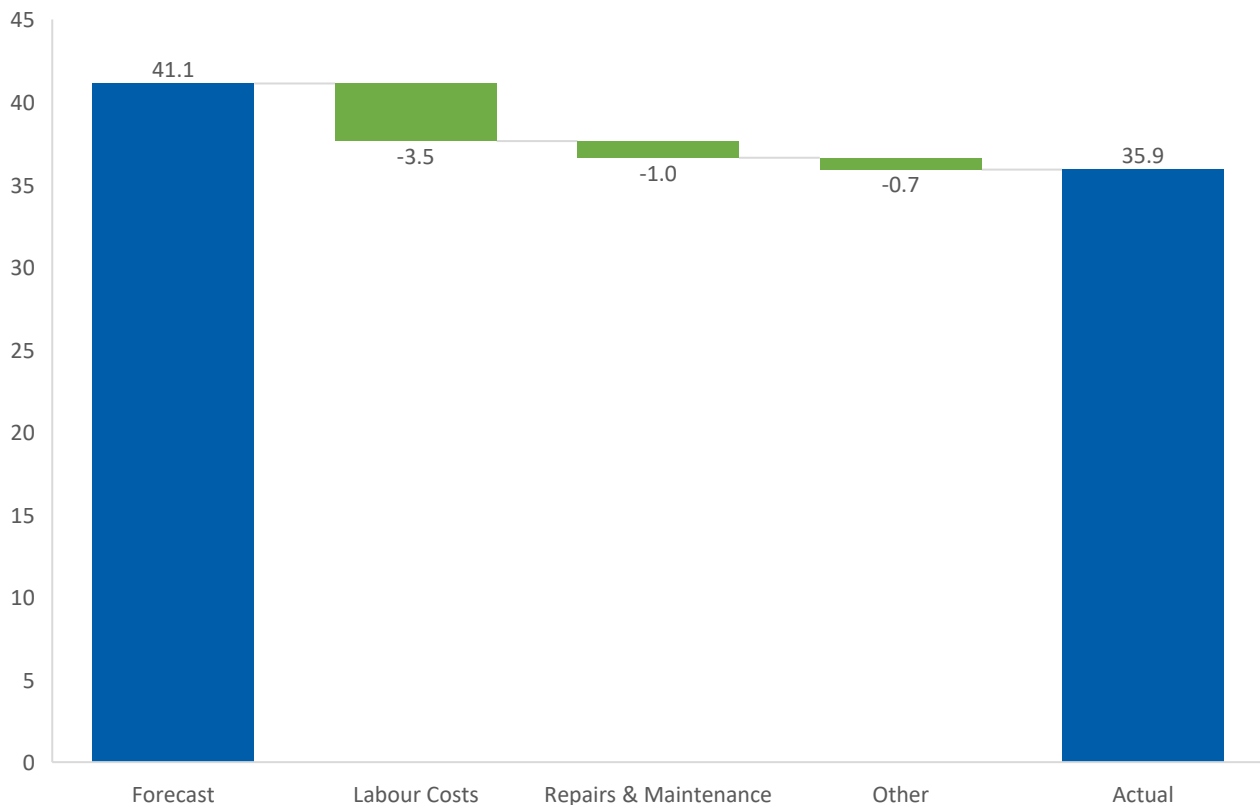
Numbers in table may not sum due to rounding.

²⁹ Refer to Appendix F – Operating expenditure outcomes (CONFIDENTIAL) for further analysis and discussion of 2024-25 actual versus forecast controllable operating expenditure.

7.2.2 Controllable prescribed operating expenditure

In 2024-25, actual controllable prescribed operating expenditure was 12.7% below forecast. The main drivers of the difference between actual and forecast were labour and repairs & maintenance (Figure 7.1), as set out below.

Figure 7.1 Actual and forecast controllable prescribed operating expenditure, 2024-25
\$million, nominal



Labour

Labour costs were lower than forecast mainly due to a shift in staff resources from operational activities to capital projects (while continuing to deliver operational responsibilities at lower cost).

Repairs & Maintenance

Repairs and maintenance forecast included \$1.4 million for demolition of a legacy asset with no planned operational use. In early 2024-25, however, potential opportunities were identified to repurpose one of the assets. Plans for demolition are on hold while these opportunities are being assessed.

Other

'Other' costs include professional services; security; utilities, administrative, rental & IT; and non-recurring items. In aggregate, these costs were \$0.7 million below forecast, with relatively minor differences between forecast and actual expenditure in each category. Expenditure was lower than forecast across all categories except utilities, administrative, rental & IT.

8 Rate of return on capital

In the 2023-24 TCS we adopted a pre-tax nominal Weighted Average Cost of Capital (WACC) of 9.34%, which was prepared by independent experts HoustonKemp using well accepted approaches.³⁰ This WACC was used to determine the allowance for the rate of return on capital for the purposes of determining the ARR for the current regulatory period.

The allowance for the rate of return on capital has been set for the five years of the current regulatory period and is not revisited in this TCS.

8.1 Cost of debt

The cost of debt estimate for the current regulatory period was based on a trailing average approach, which was the same approach adopted in previous regulatory periods. The 2023-24 TCS included an on-the-day estimate of the cost of debt for the first year of the regulatory period and used the same estimate for each subsequent year, with the intent that the on-the-day estimate would be calculated for each subsequent year when available and then the WACC and ARR would be updated at the end of the regulatory period (i.e. 'trued up').³¹

As set out in our 2023-24 TCS, we note that the trailing average approach may not be able to be given effect under the Pricing Order.³² Therefore, we decided that we will not implement updates to the cost of debt in the absence of further clarity as to whether this approach is available under the Pricing Order, or an amendment is made to the Pricing Order that provides for this approach. That is, we will retain the cost of debt estimate from the 2023-24 TCS for the remainder of the regulatory period.

However, to provide a comparison between the approaches, we engaged HoustonKemp to calculate an updated 2026-27 cost of debt estimate using data up to 31 March 2026 (Appendix H). HoustonKemp calculated a benchmark BBB prevailing cost of debt of 6.21% as at 31 March 2026, excluding debt raising costs. This translates to a trailing average cost of debt of 5.06% (including debt raising costs).

We note that:

- the trailing average cost of debt calculated by HoustonKemp as at 31 March 2026 is 18 basis points higher than the trailing average cost of debt from the 2023-24 TCS of 4.88%
- if we did update the trailing average cost of debt for the latest on-the-day estimate and subsequently update the WACC for 2026-27, it would be two basis points higher at 9.36% (pre-tax nominal).

Table 8.1 below provides a comparison of changes in the prevailing cost of debt against the regulatory period estimate, and the implications for the overall WACC. As shown in the table, the use of a fixed estimate of the trailing average cost of debt for the current regulatory period has a very small impact on the WACC compared to a counterfactual of updating the cost of debt annually.

³⁰ Refer to chapter 9 of our [2023-24 TCS](#) General Statement for a description of the approach to determining the WACC.

³¹ Refer to pp. 92–93 of the [2023-24 TCS](#) General Statement for further description of the proposed approach.

³² See discussion in chapter 6 of our [2024-25 TCS](#).

Table 8.1 Comparison of regulatory period cost of debt and WACC estimate with changes in the prevailing cost of debt

	Trailing average cost of debt	Pre-tax nominal WACC	Difference from regulatory period WACC estimate
Regulatory period	4.88%	9.34%	NA
2024-25	4.93%	9.34%	0 basis points
2025-26	4.97%	9.35%	1 basis point
2026-27	5.06%	9.36%	2 basis points