QUBE PORTS Pty Ltd
ABN 46 123 021 492

19 – 43 Enterprize Road
West Melbourne
VIC 3003

T: +61 3 9680 1200
F: +61 3 9680 1297

qube.com.au

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Mr Nathan Ullrich
MIRRAT
Webb Dock West
Port Melbourne Vic 3207

MIRRAT 2021/2022 Tariff Review

Dear Nathan,

We refer to the above tariff review provided by MIRRAT and in particular the proposed 2% increase in SAC and the proposed 5% increase for R&D on Breakbulk. Qube objects to these proposed increases and provides the following in support of the objection.

We note the following reasons supplied by MIRRAT as to why the proposed increases should apply

1. Fixed cost base has continued to rise
2. SAC tariffs held in 2020/2021 review
3. Sustained volume degradation
4. Increasing equipment costs
5. Expenses associated with COVID safe plans
6. R&D increase to recoup rising labour costs.

Fixed Cost Base

The statement “fixed cost base has continued to rise” is a very broad and sweeping statement, we request what costs are increasing and how they apply to SAC or R&D. MIRRAT has stated that 68% of fixed costs are in fact property related costs and this is recouped through the 5% rise in the FAC tariff. This only leaves 32% of your fixed cost base of which Qube believes only a small amount could be allocated to SAC or R&D.

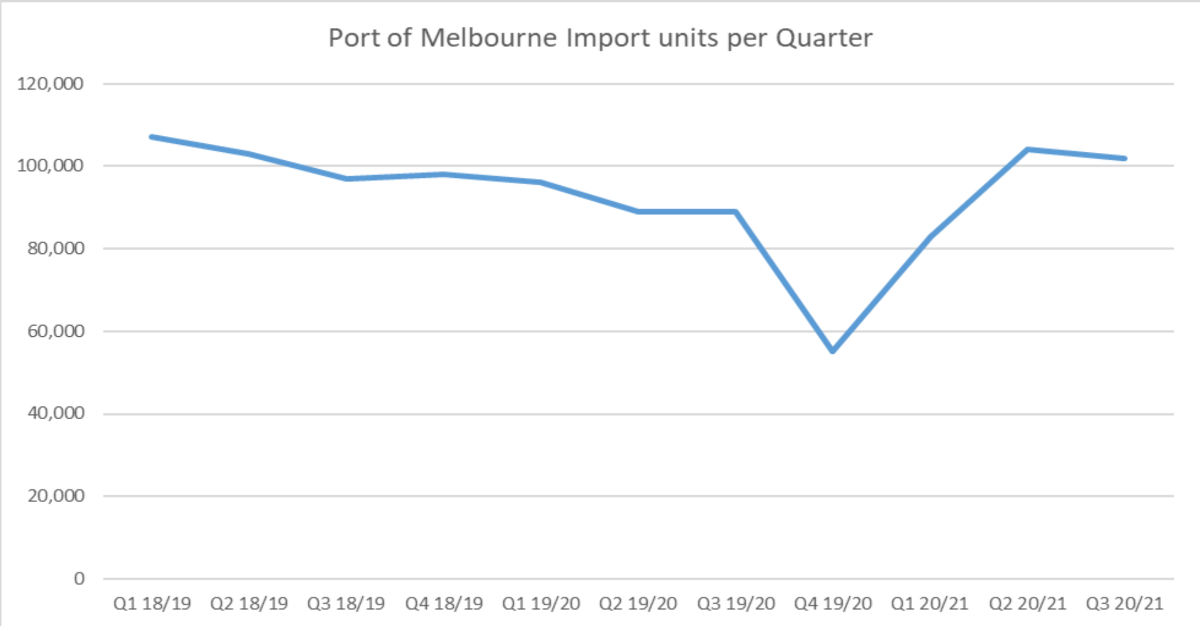
SAC Tariffs held Previous Year

Whilst we are sure all users of the terminal were appreciative that SAC tariffs were held the previous year MIRRAT still applied CPI to the balance of the tariffs (including R&D) which would have recouped a substantial increase in revenue. The SAC revenue in our view is a small portion of MIRRATS overall revenue.

In our view the revenue obtained from SAC on motor vehicles goes towards providing transport vans, amenities and little else. Since these are fixed costs with very little ability to rise even in line with CPI we struggle to understand any reasoning for significant increases in the MV SAC.

Sustained Volume Degradation

Qube is surprised that MIRRAT would propose the above as a reason behind the need to increase costs. Qube accepts as would anyone in the industry that during Q4 19/20 that there was a significant decrease of car volumes but since that time volumes through the port have rebounded well and the last two quarterly volumes are back to 18/19 volumes.



Source: Port of Melbourne Trade Reports

All businesses in the sector have had to put the COVID year behind and certainly no one should be in a position to recoup lost profits from a previous year.

Increased Equipment Costs

The small amount of equipment required in our view would be under a straight line depreciation and the variable costs would be fuel, which as we all know fluctuates continually and cannot be used as an excuse to raise rates.

Expenses associated with COVID Safe Plans

Every business had to deal with COVID Safe plans and in the majority of cases this was taken on as a sunk cost, we do not know of any business that has been able to use this cost as a reason to raise prices.

R&D increase to recoup rising labour Costs

Whilst we understand that MIRRAT labour costs increase 2.5% each year this increase should always be offset by improved work practices and efficiencies throughout the operation. Even if this is not achieved we do not understand how MIRRAT can impose a 5% labour cost increase for R&D considering labour is only a portion of R&D.
In addition the balance of the cost is equipment usage which would we assume be straight line depreciation. We are not aware of any additional equipment brought into the operation which would increase costs.

Summary

In summary, Qube object to the 2% increase in SAC on motor vehicles as there is no clear evidence that it is warranted. The most recent CPI for Melbourne is a 0.8% annual change which is obviously well below MIRRAT proposed increase.

Qube also object to the 5% increase in R&D which is clearly out of step with the rest of industry and in our view does not reflect the cost base of MIRRAT or the increasing volumes through the port of Melbourne.

We look forward to hearing from you in due course.

Yours sincerely

Dean Wells
General Manager Commercial
Qube Ports