



2020 Ports Price Monitoring Report

Key messages

- ▶ Prices set by Flinders Ports Pty Ltd (**Flinders Ports**) for Essential Maritime Services (**EMS**) (other than channel levies) and Pilotage Services, increased by between 2.5 percent and 3.6 percent for 2020-21.
- ▶ Flinders Ports advised that wage increases associated with Enterprise Bargaining Agreements (**EBAs**), along with increases to Navigational Service prices resulting from information technology investments and the gradual recovery of capital costs associated with new pilot vessels for Pilotage Services, were the key drivers underpinning the price increases.
- ▶ Channel levies for full containers (both 20 and 40 foot sizes) were increased by 2.2 percent for 2020-21 to allow partial recovery of the \$80 million Port Adelaide Outer Harbor channel widening project completed in 2019.
- ▶ Ports users are able to negotiate commercial prices with Flinders Ports. The standard price increases may therefore not be reflective of the actual prices paid by all ports users.

This Ports Price Monitoring Report (**Report**) relates to the ports prices set by Flinders Ports to apply during 2020-21, in accordance with the Ports Price Determination: 2017-22.¹

Under the *Maritime Services (Access) Act 2000 (MSA Act)*, the Essential Services Commission (**Commission**) is responsible for the pricing and access regulation applying to six proclaimed ports in South Australia: Port Adelaide, Port Giles, Wallaroo, Port Pirie, Port Lincoln and Thevenard.

Price regulation (in the form of price monitoring) applies to prices associated with EMS: cargo services, harbour services, navigational services and channel levies. In addition, the MSA Act also establishes a separate price monitoring regime for pilotage services.

The Commission has published this ports price monitoring report, which comments on factors underpinning price movements for 2020-21, to provide ports users with information on published ports prices at regulated ports in South Australia.

An overview of the South Australian ports regulatory regime, published by the Commission, is available on the Commission's website.²

Flinders Ports' 2020-21 prices

Table 1 summarises the overall price movements for EMS and Pilotage Services reported by Flinders Ports for 2020-21.

¹ All pricing data used in this Report is sourced from Flinders Ports, which is required to report this data to the Commission under the Ports Price Determination: 2017-22.

² Refer: <https://www.escosa.sa.gov.au/industry/ports/pricing-access/price-monitoring>.

Table 1: Overall price increases for 2020-21³

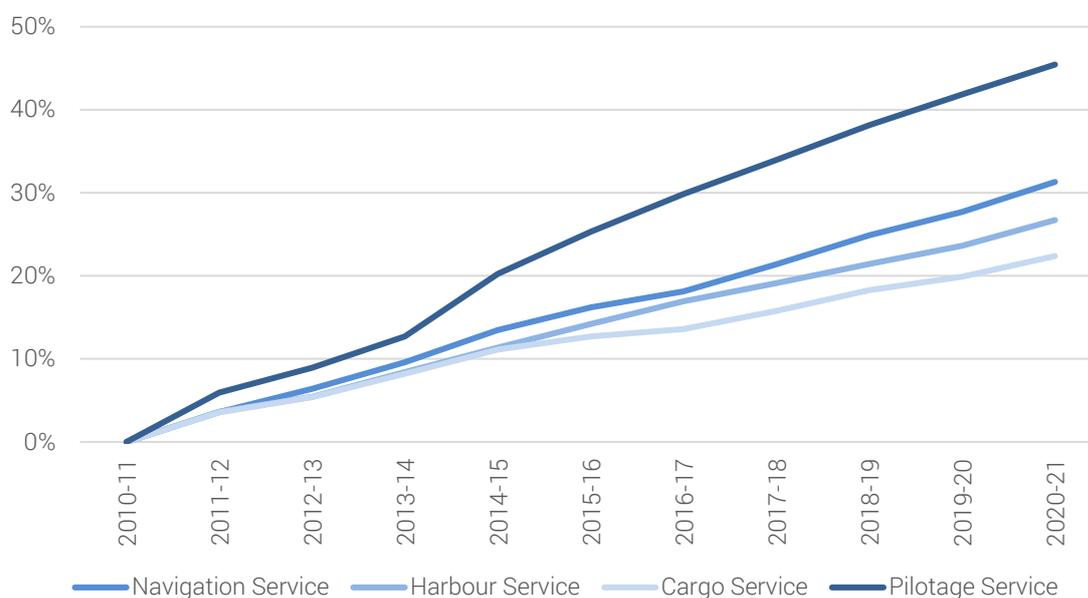
Port service		Overall price increase percentage
Cargo (EMS)		2.5 ⁴
Navigational (EMS)		3.6 ⁵
Harbour (EMS)	fixed component	3.2
	variable component	2.4 ⁶
Channel levy (EMS) ⁷	grain	1.3
	containers ⁸	2.2
Pilotage		3.6

Figure 1 shows the cumulative nominal price increases reported between 2010-11 and 2020-21 for EMS and Pilotage Services, excluding channel levies.

Flinders Ports advised that increased wage costs and the continued recovery of costs associated with the introduction of a Vessel Tracking System (VTS) through Navigational Service prices⁹ are the key drivers underpinning the upward price trend.

Since 2013-14, EBA wage increases approved by the Fair Work Commission were fully passed through by Flinders Ports to the labour cost component of EMS and Pilotage Service charges.

Figure 1: Cumulative price changes (nominal)¹⁰



³ Flinders Ports' price schedule is available at: <https://www.flindersports.com.au/ports-facilities/port-charges/>.

⁴ Actual price increase ranged between 2.5 percent and 2.7 percent.

⁵ Actual price increase ranged between 3.6 percent and 3.7 percent.

⁶ Actual price increase ranged between 2.3 percent and 3.2 percent.

⁷ Levies apply to Port Adelaide only.

⁸ Levy applies only to full containers loaded and discharged at the Flinders Adelaide Container Terminal.

⁹ In 2013, the Australian Maritime Safety Authority issued a Marine Order under the Navigation Act 2012 requiring the implementation of a VTS to improve the safety of navigational operations at major ports in Australia. Flinders Ports reports to the Commission on the cost-recovery of the VTS implementation annually.

¹⁰ Figure 1 excludes the channel levies. Price change for Harbour Services is based on a 45,000 gross registered tonne vessel on berth at Port Adelaide for 24 hours.

Cargo Service prices increased

Cargo Service prices increased by 2.5 percent for 2020-21, as summarised in Table 2. These charges are generally levied based on the volume of cargo loaded or discharged at the port, as well as fees charged to stevedores for the temporary occupancy of the land behind the berth.

Table 2: Components of increase in cargo service prices

Component	Percentage of total cost	Percentage change	Weighted average percentage change
Infrastructure based costs	85	2.4	2.0
Labour cost	15	3.3	0.5
Overall increase			2.5

Navigational service prices increased

Navigational Service prices increased by 3.6 percent for 2020-21, as summarised in Table 3. The increase includes a separate one percentage point levy to recover costs associated with implementation of the VTS.

The VTS is seen as key to improving the efficiency of vessel movements and managing the risk of incidents such as collisions or groundings. Flinders Ports has advised it intends to apply an annual one percentage point increase to Navigational Service prices until the overall cost of the VTS implementation is recovered.

Costs associated with the VTS consist of approximately \$1.65 million in capital expenditure and approximately \$100,000 in annual operating costs (with a CPI increase applied annually).

Although Flinders Ports has advised it intends to recover these costs over a 10-year period, the recovery period may fluctuate depending on vessel numbers as Navigational Service prices are levied on a per vessel basis.

Table 3: Components of increase in navigational service prices

Component	Percentage of total cost	Percentage change	Weighted average percentage change
Infrastructure-based costs	75	2.4	1.8
Labour cost	20	3.3	0.7
Operating costs	5	2.4	0.1
VTS			1.0
Overall increase			3.6

Harbour service prices increased

Harbour Service prices consist of a fixed component (levied on a per vessel basis) and a variable component (levied on per gross registered tonne per hour at berth).

The fixed component increased by 3.3 percent and the variable component by 2.4 percent, as summarised in Table 4. The fixed component increased by a greater amount as a result of increases in labour costs (for example, 3.3 percent) and operating costs (for example, 2.4 percent).

Table 4: Components of increase in Harbour Service prices

Component	Percentage of total cost	Percentage change	Weighted average percentage change
Labour costs	95	3.3	3.1
Operating costs	5	2.4	0.1
Fixed price increase			3.2
Variable price increase	100	2.4	2.4

As an example, Harbour Service prices for a 45,000 gross registered tonne vessel on berth at Port Adelaide for 24 hours would have increased by 3.1 percent for 2020-21, based on the above increase. This has been derived based on a combination of base charge (\$ per ship visit) and variable charge (\$ per gross registered tonne per hour).

Channel levies

Separate levies are charged against all grain and container vessels entering Port Adelaide. These levies contribute towards the costs of the channel deepening and widening projects that have been separately carried out at Outer Harbour to enable larger vessels to enter the port without having to rely on tidal assistance.¹¹

The channel levy associated with the channel deepening project at Outer Harbour was introduced in 2005 to allow the recovery of half of Flinders Ports' \$30 million commitment to the project.¹² Between 2012-13 and 2019-20, the channel deepening levy introduced for bulk grain vessels was increased from \$0.4189 per tonne of grain to \$0.4763, representing a compounded annual growth rate of approximately 1.9 percent. For 2020-21, the levy increased by 1.3 percent to \$0.4825 per tonne of grain.

In 2019, Flinders Ports completed its \$80 million channel widening project at Outer Harbour. Flinders Ports has stated that the channel widening project was undertaken to enable larger vessels to enter the port in response to the change in vessel size (width) as container vessels continue to transition in scale from Panamax to post Panamax dimensions. Key elements of the project included:

- ▶ widening the existing channel by 40 metres from 130 metres wide to 170 metres
- ▶ increasing the swing basin from 505 metres to 550 metres diameter
- ▶ relocation of up to 16 navigational aids, and
- ▶ removal of approximately 1.6 million cubic metres of material from the channel.

Between 2012-13 and 2019-20, the channel widening levy introduced for full containers was increased from \$5.90 per 20 foot equivalent container unit to \$26.90, representing a compounded annual growth rate of 24.2 percent. For 2020-21, the levy increased by 2.2 percent to \$27.50.

Over the same period, the levy for a 40 foot equivalent container unit was increased from \$11.80 to \$53.80, representing a compounded annual growth rate of 24.2 percent. For 2020-21, the levy increased by 2.2 percent to \$55.00.

Because the total price for a container vessel accessing the port is dependent on a wide range of factors (for example, frequency and duration of access, gross registered tonnage of the vessel, and the types of regulated and unregulated services required), the precise impact of the increase of the channel widening levy on the total price will vary for each port user.

¹¹ The separate channel deepening and widening projects were completed in 2005 and 2019 respectively.

¹² Refer: <https://www.flindersports.com.au/new-economic-era-dawns-sa-commits-channel-deepening/>.

Flinders Ports has advised that the magnitude of the price increase represents a negotiated commercial outcome and was determined having regard to its need to remain competitive with other comparable Australian Ports in container trade.

Further, Flinders Ports has stated that discussions regarding the channel widening project, and its related costs, were held with the container transport industry prior to the project commencing, and informed its business plan to undertake the project.

Pilotage service prices increased

Factors that influence pilotage costs include, but are not limited to: pilotage distance, salaries of pilots and boat crew, navigational hazards and the number of vessel calls.

Pilotage Service prices have increased by 3.6 percent in 2020-21, as summarised in Table 5.

Flinders Ports has previously advised that occupational specialisation is a key driver of wage growth for marine pilots. The specialised role, qualifications and subsequent bargaining power of pilots, who can work globally, means that these services are generally paid a higher wage premium relative to other ports staff.

Table 5: Components of increase in Pilotage Service prices

Component	Percentage of total cost	Percentage change	Weighted average percentage change
Labour cost	83	3.5	2.9
Capital cost	10	10	1.0
Maintenance cost	3	2.4	0.1
Other cost	4	-10	-0.4
Overall increase			3.6

Further information

An overview of the South Australian ports regulatory regime and annual ports price monitoring reports published by the Commission can be found at: <https://www.escosa.sa.gov.au/industry/ports/pricing-access/price-monitoring>.

The Essential Services Commission is an independent statutory authority with functions in a range of essential services including water, sewerage, electricity, gas, rail and maritime services, and also has a general advisory function on economic matters. For more information, visit www.escosa.sa.gov.au.

Essential Services Commission
GPO Box 2605 ADELAIDE SA 5001

Telephone: (08) 8463 4444 E-mail: escosa@escosa.sa.gov.au Web: www.escosa.sa.gov.au