



## 2023 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 7.1 percent and 19.8 percent for 2023-24.

In accordance with these price increases, Flinders Ports have also advised the following:

- ▶ For EMS, the key drivers underpinning the price increases from 1 July 2023 were associated with the Enterprise Bargaining Agreements (**EBA**), along with the continued recovery of costs associated with the implementation of a vessel tracking system (**VTS**) through navigational service charges.
- ▶ For Pilotage Services, the key drivers underpinning the price increase from 1 July 2023 were increased wage costs associated with the EBA, and capital costs associated with Flinders Ports' construction of new pilot vessels.
- ▶ For both EMS and Pilotage Services, indirect operating costs also contributed to these price increases, particularly in the areas of work health and safety (**WHS**), insurance (**I**) and information and communications technology (**ICT**).
- ▶ Channel levies for full containers (both 20 and 40 foot sizes) were increased by 7.9 percent for 2023-24 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 port prices set by Flinders Ports to apply during 2023-24, in accordance with the Ports Price Determination: 2022-27.<sup>1</sup>

Under the *South Australia Maritime Services (Access) Act 2000 (MSA Act)*, the Essential Services Commission (**Commission**) is responsible for the pricing and access regulation applying to six commercial 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 establishes a separate price monitoring regime for Pilotage Services.

<sup>1</sup> 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: 2022-27. Refer: <https://www.escosa.sa.gov.au/ArticleDocuments/21920/20220929-Ports-PriceDetermination2022-2027.pdf.aspx?Embed=Y>

The Commission has published this Report, which comments on factors underpinning price increases for 2023-24 (effective from 1 July 2023), to provide port users with information on published port prices at regulated ports in South Australia.

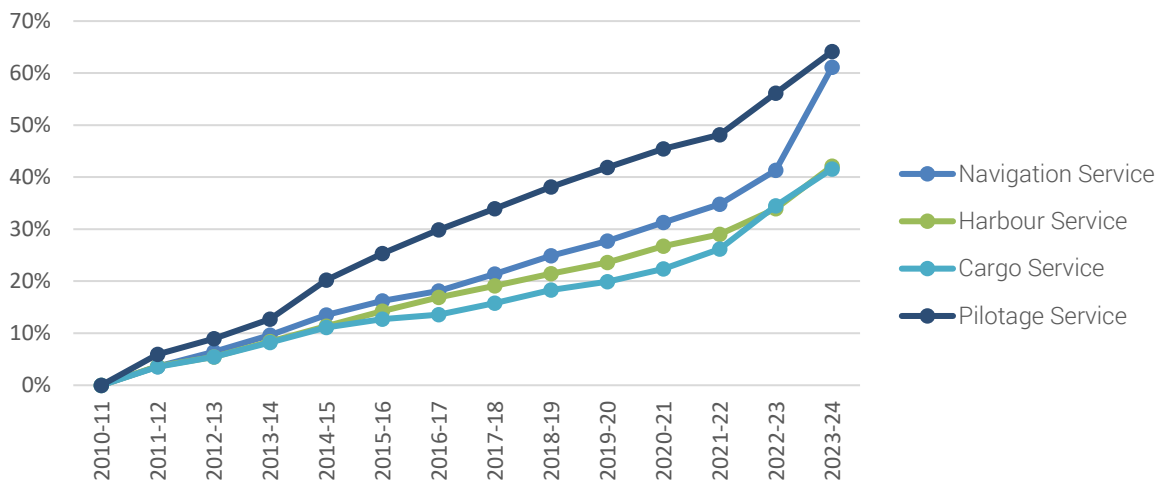
Past price monitoring reports since 2013 are available on the Commission's website.<sup>2</sup>

### Flinders Ports' 2023-24 ports services prices increased

Figure 1 shows the cumulative nominal price increases reported between 2010-11 and 2023-24 for EMS (cargo, navigational, and harbour) and Pilotage Services. Channel levies have been excluded from Figure 1 since the levies only apply to Port Adelaide.

Figure 1 illustrates that prices have increased in 2023-24 more than in previous years for cargo, navigational and harbour. Pilotage services increased by 8.0 percent which was the same amount as the previous year. It is noteworthy that one of the inputs applied to the price changes is the inflation rate. As outlined by Flinders Ports, the South Australian annual Consumer Price Index (CPI) inflation figure was 7.9 percent in March 2023 compared with 4.7 percent in March 2022.

Figure 1: Cumulative price changes (nominal)<sup>3</sup>



For EMS, key drivers underpinning the price increases from 1 July 2023 were associated with:

- ▶ EBA wage increases. Since 2013-14, these 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; and
- ▶ the continued recovery of costs associated with the implementation of a VTS through navigational service charges. In 2013, the Australian Maritime Safety Authority issued a Marine Order under the *Navigation Act 2012*<sup>4</sup> 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.

For Pilotage Services, the key drivers underpinning the price increase from 1 July 2023 were increased marine pilots' wage costs and capital costs associated with Flinders Ports' construction of new pilot vessels as part of the ongoing program to revitalise the ageing fleet.

Certain components of the indirect operating costs for both EMS and Pilotage Services have also increased (especially for cargo services), with increases ranging from 3 percent to 15 percent. The notable increases were related to:

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

<sup>3</sup> Since harbour services include a fixed and variable pricing component, to provide a consistent measurement with 2021-2022, the cumulative price change for harbour services is based on a 45,000 gross registered tonne vessel on berth at Port Adelaide for 24 hours.

<sup>4</sup> Refer: <https://www.amsa.gov.au/safety-navigation/navigating-coastal-waters/australian-legislative-framework-vts>.

- ▶ work health and safety (12.7 percent) as a result of meeting obligations for employee safety; and
- ▶ insurance (15 percent) due to increased premiums.

Navigational Services have increased by 19.8 percent, the largest annual increase over the previous 17 years. The primary driver of this increase relates to the recovery of costs incurred by Flinders Ports in undertaking hydrographic surveys of the channels, berths and waterways at all main shipping ports in South Australia. Flinders Ports has historically absorbed the associated hydrographic survey costs and as a result excluded them from the composition of costs that are recoverable under the navigational services charge. The increase in Navigational Services for 2023-24 reflects the one-off adjustment to Flinders Ports' cost base. Going forward Flinders Ports expects that the navigational service charge will move with any underlying movement in the actual cost base – consistent with other regulated charges.

Table 1 sets out the overall price increases for EMS and Pilotage Services reported by Flinders Ports for 2023-24<sup>5</sup>, which range from 4.7 percent for grain-related channel levies to 19.8 percent for navigational services. For each of the cargo, navigational and harbour service categories, the overall price increase is the average increase across various types of services<sup>6</sup>.

Table 1: Port services prices increase for 2023-24

Port service			Overall average price increase percentage
Essential Maritime Services (EMS)	Cargo		7.1 <sup>7</sup>
	Navigational		19.8 <sup>8</sup>
	Harbour	Fixed component	7.7
		Variable component	7.9 <sup>9</sup>
	Channel levies (apply to Port Adelaide only)	Grain	4.7
Containers		7.9	
Pilotage			8.0

### Cargo Service prices increased

Cargo service prices increased by 7.1 percent for 2023-24, 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 breaks down the related cost components of providing cargo services. The greatest cost expenditure is indirect operating costs, which is consistent with 2022-23.

<sup>5</sup> Flinders Ports' current pricing schedule is available at [https://www.flindersportholdings.com.au/wp-content/uploads/2023/06/Port-Charges-and-Pricing-Kit-from-1-JUL-2023-to-30-JUN-2024\\_Version3.pdf](https://www.flindersportholdings.com.au/wp-content/uploads/2023/06/Port-Charges-and-Pricing-Kit-from-1-JUL-2023-to-30-JUN-2024_Version3.pdf)

<sup>6</sup> For example, cargo services include (among other things) bulk cargo and other non-containerised cargo.

<sup>7</sup> Actual cargo price increases ranged between 6.9 percent and 7.3 percent.

<sup>8</sup> Actual navigational price increases ranged between 19.6 percent and 19.9 percent.

<sup>9</sup> Actual price increases for the variable component of harbour service charges ranged between 7.2 percent and 15 percent.

Table 2: Components of increase in cargo service prices

Component	Percentage of total cost	Percentage change	Weighted average percentage change
Direct operating costs (salary and wages)	7	8	0.6
Indirect operating costs (for example, WHS and ICT)	50	3 to 15	3.1
Infrastructure-based costs	43	7.9	3.4
Overall increase			7.1

### Navigational Service prices increased

Navigational service prices increased by 19.8 percent for 2023-24, as summarised in Table 3 which also breaks down the related cost components of providing navigational services.

The increase in navigational service prices includes a separate one percentage point levy to recover costs associated with implementation of the VTS.<sup>10</sup> Hydrographic surveys of the channels, berths and waterways at all main shipping ports in South Australia contributed 11 percent to the total increase.

Flinders Ports has advised that the VTS is seen as key to improving the efficiency of vessel movements and managing the risk of incidents such as collisions or groundings. Further, 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
Direct operating costs (salary and wages)	40	8	3.2
Indirect operating costs (for example, WHS and ICT)	10	3 to 15	0.6
Indirect operating cost – Hydrographic surveys			11.0
Infrastructure-based costs	50	8	4.0
Vessel Tracking System (VTS)			1.0
Overall increase			19.8

<sup>10</sup> The VTS residual amount to be recovered is approximately \$385,000.

## Harbour Service prices increased

Harbour service prices increased by 7.9 percent for 2023-24. The increase consisted 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 7.7 percent and the variable component by 7.9 percent, as summarised in Table 4 which also breaks down the related cost components of providing harbour services. The fixed component increased by a smaller amount than the variable component with increases in labour costs (7.9 percent) and operating costs (ranging from 3 percent to 15 percent).

Table 4: Components of increase in harbour service prices

Component	Percentage of total cost	Percentage change	Weighted average percentage change
Fixed component - direct operating costs (salary and wages)	89	7.9	7.0
Fixed component - indirect operating costs (for example, WHS and ICT)	11	3 to 15	0.7
Total fixed component increase			7.7
Total variable component increase			7.9

In order to illustrate the harbour service price increases over the fixed and variable components, for a 45,000 gross registered tonne vessel on berth at Port Adelaide for 24 hours, the price would have increased by 8.2 percent for 2023-24. 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 only. 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.<sup>11</sup>

**Channel deepening project:** 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.<sup>12</sup> Between 2012-13 and 2022-23, the channel deepening levy introduced for bulk grain vessels was increased from \$0.4189 per tonne of grain to \$0.50, representing a compounded annual growth rate of approximately 1.8 percent. For 2023-24, the levy increased by 4.7 percent to \$0.5235 per tonne of grain.

**Channel widening project:** In 2019, Flinders Ports completed its \$80 million channel widening project at Outer Harbour<sup>13</sup>. 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:

<sup>11</sup> The separate channel deepening and widening projects were completed in 2005 and 2019 respectively.

<sup>12</sup> Refer: <https://www.flindersportholdings.com.au/blog/2005/03/11/new-economic-era-dawns-sa-commits-channel-deepening/>.

<sup>13</sup> Refer: <https://www.flindersportholdings.com.au/portfolio/outer-harbor-channel-widening-project/>.

- ▶ widening the existing channel by 40 metres from 130 metres wide to 170 metres
- ▶ increasing the swing basin from 505 metres to 560 metres
- ▶ 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 2022-23, the channel widening levy introduced for full containers was increased from \$5.90 per 20-foot equivalent container unit to \$29.10, representing a compounded annual growth rate of 17.3 percent. For 2023-24, the levy increased by 7.9 percent to \$31.40.

Over the same period, the channel widening levy for a 40-foot equivalent container unit was increased from \$11.80 to \$58.20, representing a compounded annual growth rate of 17.3 percent. For 2023-24, the levy increased by 7.9 percent to \$62.80.

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.

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 for the project.

### **Pilotage Service prices increased**

Pilotage service prices have increased by 8 percent in 2023-24, as summarised in Table 5 which also breaks down the related cost components of providing pilotage services.

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.

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
Direct operating costs (salary and wages)	79	7.9	6.3
Direct operating costs (fuel)	4	1.4	0.1
Indirect operating costs (for example, WHS and ICT)	17	3 to 15	1.6
Pilot boat - recovery			0.7
Overall increase			8.0

### 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: [www.escosa.sa.gov.au/industry/ports/overview/ports-overview](http://www.escosa.sa.gov.au/industry/ports/overview/ports-overview).