



9 June 2017

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Patrick Terminals Infrastructure Surcharge

Please find attached an announcement by Patrick (50% owned by Qube) regarding the introduction of an infrastructure surcharge from 10 July 2017.

Qube notes that the infrastructure surcharge is being introduced by Patrick in response to higher costs going forward which cannot be absorbed in the current trading environment.

For further information, please contact:

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Patrick Terminals – Infrastructure Surcharge and Ancillary Charges: effective 10 July 2017

Rent, land tax and Council rates continue to increase considerably across Patrick's Terminals. We have been notified of rental increases within our property portfolio of over 140%, with some being backdated to 1 July 2015. These increases place a significant additional cost burden on our operations. The new management at Patrick has rigorously pursued a number of initiatives to improve efficiency and productivity but, faced with the current market conditions and the ongoing consequences of the port privatisations, we can no longer absorb these excessive charges over and above CPI within our operating margins.

In addition to the below charges, Patrick also incurs rising Terminal infrastructure maintenance costs relating to the landside interface operations. This maintenance is essential to continue to provide our customers with superior service levels. Since 2015, Patrick's investment in dedicated landside infrastructure of over \$285m across all of our Terminals has resulted in material improvements in the efficiency of the landside operations including reduced truck turn-around times and congestion. To date, none of these investment costs have been passed on to our customers.

Accordingly, from 10 July 2017, it has been decided to:

- introduce an infrastructure surcharge at the Sydney and Fremantle Terminals; and
- increase the existing infrastructure surcharge at Fisherman Islands and East Swanson Dock Terminals,

as part of the basis on which access to the Terminals is granted. The new surcharge at Sydney and Fremantle brings these Terminals into line with Patrick's other Terminals.

The infrastructure surcharge will be applied to both road and rail transport operators for all full container movements, both import and export, made at the Terminals. Road operators will be invoiced electronically via 1-Stop while rail operators will have the surcharge separately itemised on their rail invoice. Patrick recognises these charges may impact our transport and logistic customers' working capital requirements. We will, therefore, be extending the credit terms for all Patrick 1-stop charges (including VBS and Infrastructure surcharges) from the current 7 day terms to 30 day terms for all customers. Ongoing access to the Terminals is conditional upon prompt payment in accordance with Patrick's conditions.

The rates of the surcharges are as follows:

- Sydney \$25.45 per box
- Fremantle \$4.76 per box
- Fisherman Islands \$32.55 per box
- East Swanson Dock \$32.00 per box

Furthermore, increased labour and energy costs have forced us to increase all Ancillary Charges from 10 July 2017. The new rates have been published on Patrick's website (www.patrick.com.au).

We regret this change to our cost structure but without sacrificing infrastructure investment and further performance improvements, we have been left with no alternative.

Port Botany

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