



P&O Ports Australian Perspective

Port Valuation Workshop
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- Business activities
 - Container Services
 - Container terminals
 - P&O Trans Australia - landside
 - Automotive and general stevedoring
- Operations in
 - Each of the four capital city ports
 - Over 30 other regional locations

- Scale and growth

Containers	3.5m Teus	High, 2002 v 2003 12%
Cars	0.5m	Modest
B&GS	50mT	Low to decline

- Inter-port competition
- Landlords - Port Corporations
 - Significant variation in approach by state and port
 - Monopoly provider
 - Dual role - landlord / trade facilitators (and sometimes competitor?)
 - Control release of facilities

- Arrangements vary by
 - Location
 - Time of signing
- But, generally
 - Long term leases of land / licence of berth
 - Substantial P&O investment required
 - Paving and other building works – no reversionary value

And, of course, ever larger, more and more efficient equipment

- Principal direct property costs
 - Rent of land (+Port Corp improvements)
 - Land tax
 - Rates
- Increasing costs of doing business
 - Residential encroachment
 - Restrictions on operations
 - Road and rail
 - Increasing OH&S focus
 - Increasing security requirement

- Rent
 - Methodology varies by state, port, terms of lease and time of signing
 - Either periodic (2-5 year)
 - Market rental; or
 - Market capital value with fixed yield to Port Corp
 - Resulting rental increases
 - Approach varies by state / port
 - Seem to reflect residential property increases rather than business (permitted) use
 - Containers – ancillary activities away from port

- Management
 - Immediate point of friction with Port Corps
 - Resource intensive given
 - Lack of common approach
 - Frequency and varying time between reviews
 - Customer communication
- Investment
 - Undermines business case certainty
 - Can deter future investment

- Market Rental / Value
 - Monopoly landlord
 - Few, if any, comparables
 - Comparison issues:
 - Arms length / willing buyer / willing seller / without compulsion
 - Lease terms
 - Land condition
 - Access
- Land
 - Often reclaimed, poor foundation
 - Sometimes contaminated

Costly to remediate to enable permitted use

- Valuers, concerns re
 - Expertise in a specialist sector
 - Independence
- Market value - fixed yield
 - Fundamentally flawed

- Site aggregation
 - Reduced management time for P&O and Port Corps
 - Valuation goes some way to reflecting scale of investment in the port
- (Part) throughput based rental
 - Early concept (common in Asia)
 - Part fixed / part variable
 - Issues include
 - Competition
 - Investment versus capacity
 - But
 - Less management
 - Goal congruence / gain sharing

- Higher property costs are forcing change
 - Consolidation of automotive and B&GS facilities
 - Return of port land to community use

Brisbane



Sydney Harbour



- Conference ambitions
 - Consensus – international perspective
- Trade facilitation