

**PNG HARBOURS  
REGULATORY  
CONTRACT**

(Amended)

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## Parties

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1. **PNG Harbours Ltd** (company number 1-46339) (**PNG Harbours**).
2. **The Independent Consumer and Competition Commission**, a body corporate established under the *Independent Consumer and Competition Commission Act 2002* (the **Commission**).

## Recitals

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- A PNG Harbours has been declared by the Treasurer to be a regulated entity under section 32 of the *Independent Consumer and Competition Commission Act 2002*.
- B The Supply of Essential Port Services and Stevedoring Access the subject of this Contract have been declared by the Treasurer to be regulated services under section 32 of the *Independent Consumer and Competition Commission Act 2002*.
- C PNG Harbours is licensed under the *Harbours Act* to provide port facilities for loading and unloading vessels at declared ports and to provide berths and berth reservation services for vessels at declared ports.
- D This Contract is a regulatory contract that is binding on PNG Harbours and the Commission pursuant to the provisions of the *Independent Consumer and Competition Commission Act 2002* and the *Harbours Act*.
- E This Contract regulates the prices that PNG Harbours may charge for the Supply of Essential Port Services and Stevedoring Access.

**It is agreed** as follows.

## 1. General

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### 1.1 Definitions

**Actual Cumulative Expenditure** means:

- (a) all actual capital expenditure in relation to Port Assets undertaken by PNG Harbours in the period from 1 January 2003 to the date of the Capital Expenditure Progress Report (both dates inclusive), including capital works in progress; and

- (b) all capital expenditure in relation to Port Assets which, as at the date of the Capital Expenditure Progress Report, PNG Harbours has contracted unconditionally to undertake,

in each case including capital expenditure on assets to enable the safe, efficient and effective provision of Essential Port Services (such as secure fencing at a Declared Port and computer systems) but excluding any associated overheads.

**Adjusted Cumulative Expenditure** has the meaning given to it in clause 4.1(a)(iii).

**Approved FM Pass Through Amount** has the meaning given to it in clause 5.1(e)(ii).

**Approved Harbours Licence Pass Through Amount** has the meaning given to it in clause 5.3(c)(ii).

**Approved Port Closure** means the closure of a Declared Port which is approved or deemed to be approved by the Regulator under clause 8.1.

**Approved Tax Pass Through Amount** has the meaning given to it in clause 5.2(c)(ii).

**Berthing Service** means:

- (a) a port service consisting of providing berths for Vessels at a Declared Port; and  
(b) all services supplied in connection with the supply of such port services.

**Berth Reservation Service** means:

- (a) a port service consisting of providing berth reservations for Vessels at a Declared Port; and  
(b) all services supplied in connection with the supply of such port services.

**Business Day** means a day other than a Saturday or a Sunday or a day that is a public holiday in Port Moresby.

**Capital Expenditure Progress Report** means a report submitted to the Regulator in accordance with clause 4.1(a).

**Capital Expenditure Ratio** has the meaning given in clause 4.1(d).

**Commencement Date** means the date this regulatory contract takes effect pursuant to Section 37(2) of the *Independent Consumer and Competition Commission Act 2002*.

**Compliance Notice** means a notice given to PNG Harbours by the Regulator under clause 6.1(g).

**Contestable Services** means a service other than an Essential Port Service that is provided using or that is otherwise related to Essential Port Services and includes stevedoring, pilotage and storage services.

**Contract** means this PNG Harbours Regulatory Contract.

**Customer** means a person to whom Essential Port Services are supplied by PNG Harbours or a person who is seeking to have Essential Port Services supplied by PNG Harbours.

**Declared Port** means a port declared under Section 2 of the *Harbours Act*.

**Default Notice** means a notice given to PNG Harbours by the Regulator under clause 6.2(b).

**Essential Port Services** means Berth Reservation Services, Berthing Services and Wharfage Services.

**First Regulatory Year** means the period from the Commencement Date to 31 December 2002 (both dates inclusive).

**FM Pass Through Amount** has the meaning given to it in clause 5.1(a).

**Force Majeure Event** means:

- (a) a cyclone, storm, flood, volcanic eruption, drought that continues for more than two years, earthquake, bushfire, tidal wave or landslide; or
- (b) an act of public enemy, war (declared or undeclared), sabotage, blockade, revolution, riot, insurrection, civil commotion or any violent or threatening actions,

which results or is likely to result in an increase in the costs incurred by PNG Harbours in supplying an Essential Port Service or in complying with the provisions of any legislation, or of any codes or guidelines made or published by the Regulator under the *Independent Consumer and Competition Commission Act 2002*, which must be complied with in relation to the supply of Essential Port Services.

**Force Majeure Event Claim** means a claim given to the Regulator by PNG Harbours under clause 5.1(b)(ii).

**Force Majeure Event Notice** means a notice given to the Regulator by PNG Harbours under clause 5.1(b)(i).

**Harbours Licence Fees** means any licence fees payable by PNG Harbours under the *Harbours Act* where the relevant licences are required to enable PNG Harbours to provide Essential Port Services.

**Harbours Licence Pass Through Amount** has the meaning given to it in clause 5.3(a).

**Minimum Service Standards** means the service levels or standards specified in Schedule 4.

**Negative Tax Change Event** means a Tax Change Event which results in PNG Harbours incurring materially lower costs than it would have incurred but for that event in supplying an Essential Port Service.

**Negative Tax Pass Through Amount** has the meaning given to it in clause 5.2(e).

**Permitted FM Pass Through Amount**, at any time in respect of a Force Majeure Event, means the increased costs that PNG Harbours has actually incurred as at that time (as calculated by PNG Harbours under clause 5.1(a) or by the Regulator under clause 5.1(e), as appropriate):

- (a) in supplying an Essential Port Service; and
- (b) in complying with the provisions of any legislation, or of any codes or guidelines made or published by the Regulator under the *Independent Consumer and*

*Competition Commission Act 2002*, which must be complied with in relation to the supply of Essential Port Services,

as a result of the occurrence of that Force Majeure Event.

**Permitted Harbours Licence Pass Through Amount**, in respect of a Regulatory Year, means the amount (PHL<sub>t</sub>) calculated as follows:

$$PHL_t = LF_t - K200,000 \left( \frac{PNG\ CPI_{t-1}}{PNG\ CPI_{2001}} \right)$$

where:

LF<sub>t</sub> is the aggregate of the Harbours Licence Fees paid by PNG Harbours which are referable to that Regulatory Year;

PNG CPI<sub>t-1</sub> is the Adjusted PNG CPI for the 12 month period ending 30 September in Regulatory Year<sub>t-1</sub> and is calculated in accordance with Part 4 of Schedule 2;

PNG CPI<sub>2001</sub> is the Adjusted PNG CPI for the 12 month period ending 30 September 2001 and is calculated in accordance with Part 4 of Schedule 2.

**Permitted Tax Pass Through Amount**, in respect of a Tax Change Event, means the increase in costs that PNG Harbours has incurred and is likely to incur over the term of this Contract (as calculated by PNG Harbours under clause 5.2(a) or by the Regulator under clause 5.2(c), as appropriate) in supplying an Essential Port Service as a result of the occurrence of the Tax Change Event.

**PNG Harbours** means PNG Harbours Ltd (company number 1-46339) or any person that subsequently carries on substantially the same business, using substantially the same assets, as the business carried on and assets used by PNG Harbours Ltd as at the Commencement Date.

**Port Assets** means:

- (a) all assets owned or leased by PNG Harbours located in Papua New Guinea which are used or are intended by PNG Harbours to be used in connection with the provision of Essential Port Services by PNG Harbours; and
- (b) all assets which PNG Harbours has contractually undertaken to acquire in Papua New Guinea and which are intended by PNG Harbours to be used in connection with the provision of Essential Port Services by PNG Harbours.

**Positive Tax Change Event** means a Tax Change Event which results in PNG Harbours incurring materially higher costs than it would have incurred but for that event in supplying an Essential Port Service.

**Positive Tax Pass Through Amount** has the meaning given to it in clause 5.2(a).

**Quarter** means a period of three months from 1 January to 31 March (both dates inclusive), 1 April to 30 June (both dates inclusive), 1 July to 30 September (both dates inclusive) or 1 October to 31 December (both dates inclusive).

**Real Actual Accumulated Capital Expenditure**, in respect of any Regulatory Year t means the amount calculated as follows:

$$\sum_{i=1}^n ACE^i \times \frac{PNG\ CPI\ 2002}{PNG\ CPI^i}$$

where:

**n** is the number of Regulatory Years from 2003 to Regulatory Year t, inclusive;

**ACE<sup>i</sup>** means the actual capital expenditure incurred by PNG Harbours on or after 1 January 2003 in Regulatory Year t;

**CPI<sup>i</sup>** means the Adjusted PNG CPI for the 12 month period ending 30 September in Regulatory Year i and is calculated in accordance with Part 4 of Schedule 2;

**PNG CPI 2002** is the Adjusted PNG CPI for the 12 month period ending 30 September 2002 and is calculated in accordance with Part 4 of Schedule 2.

**Real Budgeted Accumulated Capital Expenditure**, in respect of any Regulatory Year t, means the amount set out in Part 1 of Schedule 7.

**Regulator** means the Independent Consumer and Competition Commission established under the *Independent Consumer and Competition Commission Act 2002*.

**Regulatory Principles** means the principles set out in Schedule 5.

**Regulatory Year** means the First Regulatory Year or a period of 12 months commencing on 1 January of a year during the term of this Contract.

**Related Corporation** has the meaning given in section 2(3) of the *Corporations Act 1997*.

**Relevant Interest** has the meaning given to it in the *Securities Act 1997* (PNG).

**Relevant Interest Holder in PNG Harbours** means a person who has a Relevant Interest in not less than 20% of the shares in PNG Harbours that confer a right to vote at any meeting of members of PNG Harbours.

**Relevant Tax** means any Tax payable by PNG Harbours other than:

- (a) income tax or any tax on fringe benefits or capital gains;
- (b) any tax on payroll;
- (c) land tax or any other tax on the ownership or occupancy of premises;
- (d) customs and import duties;
- (e) municipal rates, taxes and other charges imposed by the National Capital District Commission established under the *National Capital District Commission Act 2001*, any Provincial or Local-level Governments or any other local authorities;
- (f) stamp duty, withholding tax or similar taxes and duties;
- (g) penalties, fines, interest, charges, fees or other amounts for late payments relating to any Tax; or
- (h) any Tax that replaces any of the Taxes referred to in paragraph (a) to (f),

(except where any such Tax referred to in (a) to (h) above is applied only to PNG Harbours or is applied to PNG Harbours in a discriminatory way).

**Remedial Notice** means a notice given to PNG Harbours by the regulator under clause 6.2(a).

**Required Harbours Licence Pass Through Amount** has the meaning given to it in clause 5.3(f).

**Required Tax Pass Through Amount**, in respect of a Tax Change Event, means the costs that PNG Harbours has saved and is likely to save over the term of this Contract (as determined by the Regulator under clause 5.2(e)) in supplying an Essential Port Service as a result of the occurrence of the Tax Change Event.

**Service Standards Report** means a report given to the Regulator by PNG Harbours under clause 6.1(b).

**Stevedoring Access** means the right of stevedores to enter upon the port and associated facilities operated by a licensee for the purposes of loading and unloading ships and other vessels, but does not include the right to move cargo between ships and other vessels and stacking areas, or to store, sort, stack or deliver cargo within the transit sheds and open stacking areas within the boundaries of a declared port.

**Subsequent Regulatory Year** means any Regulatory Year after the First Regulatory Year.

**Subsidiary** has the meaning given in the *Corporations Act 1997*.

**Tax** means any tax, levy, impost, deduction, charge, rate, duty or withholding which is levied or imposed by the National Government, a Provincial or Local-level Government or any agency, department, instrumentality or other authority of the National Government or of a Provincial or Local-level Government.

**Tax Change Event** means:

- (a) a change in (or change in application or official interpretation of) a Relevant Tax or the way in which a Relevant Tax is calculated;
- (b) the removal of a Relevant Tax; or
- (c) the imposition of a Relevant Tax,

which results in PNG Harbours incurring materially higher or lower costs than it would have incurred but for that event in supplying an Essential Port Service.

**Total Forecast Capital Expenditure** means the sum of the Yearly Forecast Capital Expenditures in respect of Regulatory Years 2002 to 2006 (both inclusive).

**Uncontrollable Cumulative Expenditure** has the meaning given to it in clause 4.1(a)(ii).

**Vessel** means a ship, boat or other vessel used for any purpose on the sea or in navigation.

**Wharfage Services** means:

- (a) a port service consisting of providing port facilities for loading or unloading Vessels at a Declared Port; and
- (b) all services supplied in connection with the supply of such port services,

but does not include the provision of such services to pleasure craft less than 10 metres in length, vessels of primitive build or warships.

**Yearly Forecast Capital Expenditure**, in respect of any Regulatory Year  $t$ , means the amount ( $YFCE_t$ ) calculated as follows:

$$YFCE_t = C_t \times PNGCPI_{t-1} / PNGCPI_0$$

where:

$C_t$  means the amount specified in Schedule 6 with respect to Regulatory Year  $t$ ;

$PNGCPI_{t-1}$  is the Adjusted PNG CPI for the 12 month period ending 30 September in Regulatory Year  $t-1$  and is calculated in accordance with Part 4 of Schedule 2; and

$PNGCPI_0$  is the Adjusted PNG CPI for the 12 month period ending 30 September 2001 and is calculated in accordance with Part 4 of Schedule 2.

## 1.2 Principles of interpretation

- (a) Unless the contrary intention appears, the following principles of interpretation apply to this Contract:
- (i) words denoting persons include corporations, unincorporated associations, firms, governments and governmental agencies;
  - (ii) a reference to a person includes a person's agents, successors and permitted assigns, persons who have control over any assets of a person and receivers, managers, trustees, administrators and liquidators and similar persons appointed over:
    - (A) a person; or
    - (B) any assets of a person;
  - (iii) headings are only included for convenience and do not affect the interpretation of this Contract;
  - (iv) a reference to a clause or Schedule is to a clause of, or Schedule to, this Contract;
  - (v) a reference to an agreement, document or regulatory instrument (including this Contract) is a reference to that agreement, document or regulatory instrument as varied, novated or replaced from time to time (whether or not the parties thereto remain the same);
  - (vi) a reference to legislation is a reference to legislation in force in Papua New Guinea; and
  - (vii) a reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.
- (b) All calculations made under or for the purposes of this Contract must be rounded to four significant digits.

- (c) When a calculation is required under this Contract:
  - (i) Regulatory Year “t”, Subsequent Regulatory Year “t” or calendar year “t” is the Regulatory Year, Subsequent Regulatory Year or calendar year (as the case may be) in respect of which the calculation is being made;
  - (ii) Regulatory Year “t-1”, Subsequent Regulatory Year “t-1” or calendar year “t-1” is the Regulatory Year, Subsequent Regulatory Year or calendar year (as the case may be) immediately preceding Regulatory Year “t”, Subsequent Regulatory Year “t” or calendar year “t”; and
  - (iii) Regulatory Year “t-2”, Subsequent Regulatory Year “t-2” or calendar year “t-2” is the Regulatory Year, Subsequent Regulatory Year or calendar year (as the case may be) immediately preceding Regulatory Year “t-1”, Subsequent Regulatory Year “t-1” or calendar year “t-1”.

### **1.3 Revoking or altering decisions**

- (a) If the Regulator has made a decision under this Contract and later concludes that the decision was made on the basis of information provided to the Regulator that was false or misleading in a material particular, then, subject to clause 1.3(b), the Regulator may revoke the decision and make a new decision in substitution for the revoked decision.
- (b) Before the Regulator revokes and substitutes a decision pursuant to clause 1.3(a), the Regulator must first:
  - (i) notify PNG Harbours of the proposed revocation and of the proposed new decision (including the proposed date of effect of the revocation and new decision), and allow PNG Harbours a reasonable opportunity to make submissions to the Regulator regarding the proposed revocation and the proposed new decision (including submissions as to whether the original decision was based on information that was false or misleading in a material particular); and
  - (ii) take into account any matters contained in a submission made by PNG Harbours pursuant to paragraph (i).
- (c) A new decision made under clause 1.3(a) applies from:
  - (i) if notice of the new decision is required to be published under clause 1.4(a)(ii) – the later of the date on which that notice is so published and any date specified by the Regulator in that notice as the date from which the new decision is to apply; and
  - (ii) if notice of the new decision is not required to be published under clause 1.4(a)(ii) - the later of the date the new decision is made and any date specified by the Regulator in making that new decision as the date from which the new decision is to apply.
- (d) A new decision made under clause 1.3(a) must only differ from the revoked decision to the extent necessary to correct for:

- (i) the false or misleading information on which the revoked decision was based; and
- (ii) the application of the revoked decision during the period in respect of which that decision was in effect.

#### **1.4 Notices**

- (a) The Regulator must ensure that a notice of each decision made by the Regulator under this Contract (other than a decision made pursuant to clause 1.5) is:
  - (i) sent to the Ministers responsible for the *Harbours Act* and the *Independent Consumer and Competition Commission Act 2002*;
  - (ii) published in the National Gazette and a newspaper circulating nationally; and
  - (iii) sent to PNG Harbours.
- (b) The Regulator must ensure that a copy of each decision made by the Regulator under this Contract, together with a copy of its reasons for that decision, is:
  - (i) sent to the Ministers responsible for the *Harbours Act* and the *Independent Consumer and Competition Commission Act 2002*;
  - (ii) sent to PNG Harbours; and
  - (iii) made available for inspection and purchase by members of the public.

#### **1.5 Modification of time periods**

The Regulator may, by written notice to PNG Harbours, extend:

- (a) the time by which a thing required to be done by PNG Harbours must be done; or
- (b) the period within which a thing required to be done by PNG Harbours must be done,

as requested in writing by PNG Harbours.

#### **1.6 Term**

The term of this Contract commences on the Commencement Date and ends on 31 December 2011 (both dates inclusive).

## **2. Tariffs**

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### **2.1 Maximum tariffs for First Regulatory Year: Supply of Essential Port Services**

- (a) The maximum amount that PNG Harbours may charge for the supply of an Essential Port Service during the First Regulatory Year is the applicable tariff set out in Schedule 1, plus the amount of any value added tax payable by PNG Harbours in relation to that supply.
- (b) In so far as the supply of an Essential Port Service during the First Regulatory Year is concerned, PNG Harbours must not charge a Customer more for the supply of

such Essential Port Service that is set out in Schedule 1 than the amount of that tariff as set out in Schedule 1, plus the amount of any value added tax payable by PNG Harbours in relation to that supply.

- (c) PNG Harbours must not charge a tariff for the supply of an Essential Port Service during the First Regulatory Year that is not set out in Schedule 1, and the tariffs set out in Schedule 1 cannot be varied for the First Regulatory Year (save that PNG Harbours may allow any Customer a discount to such a tariff).
- (d) Nothing in this clause 2.1 affects the operation of clauses 5 and 9.

## **2.2 Maximum Tariffs for Subsequent Regulatory Years: Supply of Essential Port Services**

- (a) PNG Harbours may, in accordance with this clause 2.2 and clause 3, change the tariffs it charges for the supply of an Essential Port Service during a Subsequent Regulatory Year to any Customer. For the avoidance of doubt, except as provided in clauses 2.2(c), 4, 5, 6 or 7, PNG Harbours may not change an existing tariff, cease to offer an existing tariff or introduce a new tariff for such supply of an Essential Port Service otherwise than in accordance with the procedure set out in clause 3.
- (b) The tariffs for the supply of Essential Port Services that are set out in a statement for a Subsequent Regulatory Year  $t$  that is given by PNG Harbours to the Regulator pursuant to clause 3.1(a) must be such that:

- (i) if there were no Approved Port Closures during the previous Regulatory Year  $t - 1$ :

$$AR_t \leq ESPC_t$$

where

$AR_t$  is the change in forecast average revenue for that Subsequent Regulatory Year as a result of the new tariffs specified in the statement for Subsequent Regulatory Year  $t$ , calculated in accordance with Part 1 of Schedule 2; and

$ESPC_t$  is the Essential Services Price Control for that Subsequent Regulatory Year  $t$ , calculated in accordance with Part 2 of Schedule 2; or

- (ii) if there was one or more Approved Port Closure during the previous Regulatory Year  $t - 1$ :

$$AR(APC)_t \leq ESPC_t$$

where

$AR(APC)_t$  is the change in forecast average revenue for that Subsequent Regulatory Year  $t$  as a result of the new tariffs specified in the statement for Subsequent Regulatory Year  $t$ , adjusted to allow for one or more Approved Port Closure, calculated in accordance with Part 3 of Schedule 2; and

ESPC<sub>t</sub> is the Essential Services Price Control for that Subsequent Regulatory Year t, calculated in accordance with Part 2 of Schedule 2.

- (c) In so far as the supply of an Essential Port Service during a Subsequent Regulatory Year t is concerned, and subject to clauses 3, 4, 5, 6 and 7, PNG Harbours must not charge a Customer more for a tariff for the supply of an Essential Port Service i during Subsequent Regulatory Year t than an amount (MP<sub>t</sub><sup>i</sup>) calculated as follows (expressed in Kina and rounded to two decimal places):

$$MP_t^i \leq AP_{t-1}^i * RC_t$$

where:

AP<sub>t-1</sub><sup>i</sup> is the amount of that tariff (if any) that was approved, deemed to be approved or set by the Regulator (as the case may be) pursuant to clause 3.1 for the Regulatory Year immediately preceding the relevant Subsequent Regulatory Year. Where the Regulatory Year immediately preceding the relevant Subsequent Regulatory Year is the First Regulatory Year, AP<sub>t-1</sub><sup>i</sup> is the amount of the tariff (if any) that is set out in Schedule 1 (as varied, if at all, in accordance with this Contract);

RC<sub>t</sub> means the Rebalancing Control for Subsequent Regulatory Year t, calculated in accordance with Schedule 3.

MP<sub>t</sub><sup>i</sup> must be the same amount for each Declared Port such that the maximum price that may be charged for the supply of an Essential Port Service is a single rate applicable to all Declared Harbours.

- (d) The tariffs for the supply of Essential Port Services that are set out in the statement for that Subsequent Regulatory Year that is given by PNG Harbours to the Regulator pursuant to clause 3.1(a) must be consistent with the requirements of clause 2.2(c).

### **2.3 Discrimination**

The tariffs PNG Harbours charges for the supply of an Essential Port Service (including any discounts allowed in respect of those tariffs), must not discriminate unreasonably between Customers who are in substantially the same circumstances. If the Regulator, after consulting with PNG Harbours, notifies PNG Harbours that any tariffs (including any discounts allowed in respect of those tariffs) which PNG Harbours is charging for the supply of an Essential Port Service do unreasonably discriminate between such Customers, then PNG Harbours must immediately change those tariffs or amounts (including any discounts allowed in respect of those tariffs or amounts) so as to remove that discrimination and must advise the Regulator of those changed tariffs or amounts.

### **2.4 Leisure craft, vessels of primitive build and warships**

PNG Harbours must provide port facilities for loading or unloading leisure craft of less than 10 metres in length, vessels of primitive build and warships, at each Declared Port if and to the extent to which such facilities existed as at the date of this Contract and all services supplied in connection with the supply of such services at each Declared Port, free of charge.

### **3. Altering Tariffs**

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#### **3.1 Annual variation**

- (a) PNG Harbours must, for each Subsequent Regulatory Year, give the Regulator a statement in accordance with clause 3.1(b) that:
  - (i) sets out PNG Harbours proposed tariffs for the supply of Essential Port Services for that Subsequent Regulatory Year; and
  - (ii) demonstrates compliance of those proposed tariffs with the relevant requirements set out in clause 2.2 and Schedules 2 and 3.
- (b) A statement referred to in clause 3.1(a) must be given to the Regulator by the second Friday in November of the Regulatory Year immediately preceding the relevant Subsequent Regulatory Year.
- (c) The Regulator must not approve a statement given by PNG Harbours under clause 3.1(a) if the statement does not demonstrate compliance of the proposed tariffs with the relevant requirements set out in clause 2.2 and Schedules 2 and 3.
- (d) The Regulator must approve a statement given by PNG Harbours under clause 3.1(a) if the statement demonstrates compliance of the proposed tariffs with the relevant requirements set out in clause 2.2 and Schedules 2 and 3.
- (e) If the Regulator does not notify PNG Harbours of the Regulator's decision regarding a statement given by PNG Harbours under clause 3.1(a) by the first Monday in December of the Regulatory Year immediately preceding the relevant Subsequent Regulatory Year, the Regulator is deemed to have approved the statement with effect from that day.
- (f) The tariffs in any statement given by PNG Harbours under clause 3.1(a), being a statement which is approved or deemed to have been approved by the Regulator, apply from the later of:
  - (i) the date on which the Regulator approves or is deemed to have approved the statement; and
  - (ii) the start of the Subsequent Regulatory Year in respect of which the tariffs are to apply.
- (g) If PNG Harbours does not provide a statement to the Regulator as required by and in accordance with clause 3.1(a), or such a statement is so provided but (by the first Monday in December of the Regulatory Year immediately preceding the relevant Subsequent Regulatory Year) the Regulator notifies PNG Harbours of the Regulator's decision not to approve that statement, then the Regulator may reset the relevant tariffs for the relevant Subsequent Regulatory Year in a manner in which the Regulator could have approved the tariffs if they were included in a statement given by PNG Harbours under clause 3.1(a). The Regulator must notify PNG Harbours in writing of the tariffs so set by the Regulator. The tariffs set by the Regulator apply from the later of:
  - (i) the date on which the Regulator notifies PNG Harbours of the tariffs; and

- (ii) the start of the Subsequent Regulatory Year in respect of which the tariffs are to apply.

### 3.2 Maximum tariffs

In so far as the supply of an Essential Port Service during a Subsequent Regulatory Year is concerned, and subject to clauses 4, 5 and 8, PNG Harbours must not charge a Customer more than the applicable tariff that is approved, deemed to be approved or set by the Regulator (as the case may be) pursuant to clause 3.1 for that Subsequent Regulatory Year, plus the amount of any value added tax payable by PNG Harbours in relation to that supply.

## 4. On-going Regulation

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### 4.1 Mid-term review of Capital Expenditure Program

- (a) PNG Harbours must, in accordance with clause 4.1(b), submit a Capital Expenditure Progress Report for the calendar years 2003 to 2006 (inclusive) that sets out:
  - (i) the Actual Cumulative Expenditure; and
  - (ii) the amount (if any) of that Actual Cumulative Expenditure which is attributable to the reinstatement or repair of any Port Asset where the need for that reinstatement or repair has arisen as a result of damage or destruction caused by the occurrence, after the Commencement Date, of a cyclone, storm, flood, earthquake, tidal wave, landslide, act of public enemy, war (declared or undeclared), sabotage, revolution, riot, insurrection or civil commotion, (such amount of the Actual Cumulative Expenditure referred to in this clause 4.1(a)(ii) being referred to as the **Uncontrollable Cumulative Expenditure**); and
  - (iii) if the Actual Cumulative Expenditure reduced by the Uncontrollable Cumulative Expenditure (such reduced amount being referred to as the **Adjusted Cumulative Expenditure**) is less than 80% of the estimated\* Total Forecast Capital Expenditure, and PNG Harbours considers that the difference between the Adjusted Cumulative Expenditure and the estimated Total Forecast Capital Expenditure is the result of more efficient capital expenditure, the details of such efficient capital expenditure.
- (b) The Capital Expenditure Progress Report referred to in clause 4.1(a) must be given to the Regulator not earlier than 31 July 2006 and not later than 31 August 2006, and must be certified by a registered company auditor (as defined in section 2 of the *Accountants Act 1996*) as being not false or misleading.
- (c) The Regulator or PNG Harbours may, within 5 days after the Capital Expenditure Progress Report referred to in clause 4.1(a) is submitted to the Regulator, give

\* This amount will be estimated because PNGCPI<sub>2006</sub> will not be known as at the date of submission of the Capital Expenditure Progress Report.

written notice to the other of them that it requires the appointment of an international consultant for the purposes of this clause 4.1. As soon as reasonably practicable after the giving of any such notice and after consulting with PNG Harbours, the Regulator must appoint an appropriately qualified independent international consultant to report to the Regulator and PNG Harbours, by 15 November 2006, as to the amount of the Adjusted Cumulative Expenditure.

- (d) After considering the Capital Expenditure Progress Report submitted by PNG Harbours pursuant to clause 4.1(a), any report provided in accordance with clause 4.1(c) by an international consultant (if any) appointed pursuant to that clause, and any further information obtained by the Regulator pursuant to clause 4.1(e) or otherwise provided by PNG Harbours, the Regulator must, not earlier than 22 November 2006 and not later than 30 November 2006, notify PNG Harbours of its determinations as to the amount of the Adjusted Cumulative Expenditure and the Regulator's determination of the Capital Expenditure Ratio (being the proportion that the Adjusted Cumulative Expenditure is of the Total Forecast Capital Expenditure).
- (e) PNG Harbours must, at its expense, provide the Regulator and any international consultant appointed pursuant to clause 4.1(c) with such access to PNG Harbours' records, employees and contractors as the Regulator or the international consultant requires for the purposes of this clause 4.1.
- (f) The reasonable costs of any international consultant appointed pursuant to clause 4.1(c) must be borne by PNG Harbours.

#### **4.2 Subsequent Regulatory Contract**

- (a) **PNG Ports** may, in accordance with clause 4.2(b), submit to the Regulator a draft **PNG Ports** Regulatory Contract which **PNG Ports** considers should bind it for a period of five years commencing with effect from (and including) **1 January 2010** and any written submission as to its form and content that **PNG Ports** considers appropriate.
- (b) The draft **PNG Ports** Regulatory Contract and any submissions, as referred to in clause 4.2(a), must be given to the Regulator by **30 May 2009**.
- (c) After considering:
  - (i) the draft **PNG Ports** Regulatory Contract and any submissions made by **PNG Ports** under clause 4.2(a);
  - (ii) any submissions made by any other person in relation to the form or content of the **PNG Ports** Regulatory Contract which should bind **PNG Ports** following the expiry of this Contract; and
  - (iii) the particular circumstances of the Essential Port Services supply industry in Papua New Guinea,

the Regulator must publish a draft **PNG Ports** Regulatory Contract that is proposed to bind **PNG Ports** for a period of five years commencing with effect from (and including) **1 January 2010**.

- (d) In preparing the draft **PNG Ports** Contract referred to in clause 4.2(c), the Regulator must also take into account:
- (i) the legitimate business interests of **PNG Ports**;
  - (ii) the legitimate interests of suppliers to, and customers of, **PNG Ports**;
  - (iii) the nature and uses of the services the prices of which would be regulated under the draft **PNG Ports** Regulatory Contract;
  - (iv) the costs of supplying the services the prices of which would be regulated under the draft **PNG Ports** Regulatory Contract;
  - (v) the costs of complying with relevant health, safety, environmental, social and other legislation and regulatory requirements applying to the Essential Port Services supply industry in Papua New Guinea;
  - (vi) the return on assets required to sustain past and future investment in the Essential Port Services supply industry in Papua New Guinea;
  - (vii) any relevant international benchmarks for prices, costs and return on assets in comparable industries, taking into account the particular circumstances of Papua New Guinea;
  - (viii) the financial implications of the draft **PNG Ports** Regulatory Contract (if it were to come into force) for **PNG Ports** and the Essential Port Services supply industry in Papua New Guinea;
  - (ix) any other factors specified in or under relevant legislation; and
  - (x) any other factors the Regulator considers relevant.
- (e) In addition, the draft **PNG Ports** Regulatory Contract referred to in clause 4.2(c):
- (i) must not be inconsistent with, and must be prepared in accordance with, the Regulatory Principles; and
  - (ii) must comply with the requirements of the Independent Consumer and Competition Commission Act 2002.
- (f) The Regulator must publish the draft **PNG Ports** Regulatory Contract referred to in clause 4.2(c) by **31 August 2009**.
- (g) **PNG Ports** may, in accordance with clause 4.2(h), make such written submissions to the Regulator as it thinks appropriate in relation to the form and content of the draft PNG Ports Regulatory Contract published by the Regulator and referred to in clause 4.2(c).
- (h) The submissions referred to in clause 4.2(g) must be given to the Regulator by **30 September 2009**.
- (i) After considering:
- (i) any submissions made by PNG Ports under clause 4.2(g); and
  - (ii) any submissions made by any other person in relation to the form or content of the draft PNG Ports Regulatory Contract referred to in clause 4.2(c),

the Regulator must publish a final draft of the PNG Harbours Regulatory Contract referred to in clause 4.2(c) by not later than **18 December 2009**.

- (j) In preparing the final draft of the PNG Ports Regulatory Contract referred to in clause 4.2(i), the Regulator must also take into account the matters referred to in clause 4.2(d).
- (k) In addition, the final draft of the PNG Ports Regulatory Contract referred to in clause 4.2(i):
  - (i) must not be inconsistent with, and must be prepared in accordance with, the Regulatory Principles;
  - (ii) must comply with the requirements of the Independent Consumer and Competition Commission Act 2002; and
  - (iii) must be for a period of five years commencing with effect from (and including) **1 January 2010**.
- (l) The Regulator may issue statements of regulatory intent which elaborate on how the Regulator will exercise its powers under this clause 4.2.

#### **4.3 Discriminatory Competition**

- (a) PNG Harbours and the Regulator must consult in the event that any third party commences the provision of Essential Port Services where the third party receives any financial assistance or guarantee from the Independent State of Papua New Guinea or an agency thereof which is on terms more favourable than those which would be available to PNG Harbours in equivalent circumstances as a consequence of the provision of concessional finance, guarantee or political risk insurance terms, concessional tax treatment or exemption from any tax or regulatory requirement (***Discriminatory Competition***). In this event, PNG Harbours may make submissions to the Regulator about the financial effect of the Discriminatory Competition upon revenue and capital expenditure requirements of PNG Harbours.
- (b) The Regulator or PNG Harbours may, within 5 days after the submissions referred to in clause 4.3(a) are submitted to the Regulator, give written notice to the other of them that it requires the appointment of an international consultant for the purpose of this clause 4.3. As soon as reasonably practicable after the giving of any such notice and after consulting with PNG Harbours, the Regulator must appoint an appropriately qualified independent international consultant to report to the Regulator and PNG Harbours, within 30 days after the appointment, as to the financial effect of the Discriminatory Competition upon revenue and capital expenditure requirements of PNG Harbours.
- (c) After considering the submissions by PNG Harbours pursuant to clause 4.3(a), any report provided in accordance with clause 4.3(b) by an international consultant (if any) appointed pursuant to that clause, and any further information obtained by the Regulator or otherwise provided by PNG Harbours, the Regulator must, not later than 60 days after first receiving submissions from PNG Harbours, or, if applicable,

the report of the international consultant, whichever is the later, notify PNG Harbours of its determinations as to the following matters:

- (i) any adjustment to tariffs PNG Harbours is permitted to charge for the supply of Essential Port Services; or
- (ii) any alteration to the amounts specified in Schedule 6 as Yearly Forecast Capital Expenditure,

necessary to place PNG Harbours in the same position as if the Discriminatory Competition had not occurred and the permitted tariffs and amounts specified in Schedule 6 will be amended in accordance with any such determination with effect from the date specified by the Regulator in its determination.

- (d) PNG Harbours must, at its expense, provide the Regulator and any international consultant appointed pursuant to clause 4.3(b) with such access to PNG Harbour's records, employees and contractors as the Regulator or the international consultant requires for the purposes of this clause 4.3.
- (e) The reasonable costs of any international consultant appointed pursuant to clause 4.3(b) must be borne by PNG Harbours.

#### 4.4 Exchange Rate Movements

- (a) If in any Regulatory Year:
  - (i) the Real Actual Accumulated Capital Expenditure incurred by PNG Harbours since 1 January 2003 exceeds the Real Budgeted Accumulated Capital Expenditure by more than 10% (***Additional Capital Expenditure***); and
  - (ii) paragraph 4.4(a)(i) would still be satisfied even if the following had not been incurred or carried out:
    - (A) Uncontrollable Accumulative Expenditure; and
    - (B) projects not identified in Schedule 8; and
    - (C) projects identified in Schedule 8 but scheduled in Schedule 9 to be carried out after the relevant Regulatory Year; and
  - (iii) the US dollar/kina exchange rate for the Regulatory Year concerned is below that set out in Part 2 of Schedule 7,then PNG Harbours may request the Regulator to carry out a review under paragraph 4.4(b).
- (b) If following receipt of a written request under paragraph 4.4(a) the Regulator is satisfied that:
  - (i) each of the conditions specified in paragraph 4.4(a) have been met; and
  - (ii) the tariffs PNG Harbours would otherwise be permitted to charge under this regulatory contract would not allow it to recover the additional capital expenditure costs caused by the US dollar/kina exchange rate being below that set out on Part 2 of Schedule 7; and

(iii) the Additional Capital Expenditure that has been incurred was economically efficient in that it represents the best available price for the capital works concerned available in the Papua New Guinea market,

then the Regulator must make a determination making such adjustment to the tariffs permitted to be charged by PNG Harbours for the supply of Essential Port Services as the Regulator considers appropriate. Any such adjustment will take effect on the date specified by the Regulator in its determination.

- (c) The Regulator must notify PNG Harbours within 60 days after first receiving a written request under paragraph 4.4(a) whether or not it is satisfied of each of the matters specified in paragraph 4.4(b) and, if so, the determination the Regulator has made making such adjustment to the tariffs permitted to be charged by PNG Harbours for the supply of Essential Ports Services as the Regulator considers appropriate.
- (d) PNG Harbours must, at its expense, provide the Regulator with such access to PNG Harbour's records, employees and contractors as the Regulator requires for the purposes of this paragraph 4.4.

#### **4.5 Minimum capital expenditure**

PNG Harbours must ensure that the projects listed in Schedule 8 are undertaken such that the Adjusted Cumulative Expenditure for the calendar years 2003 to 2006 results in a Capital Expenditure Ratio of at least 60%. In the event that the Capital Expenditure Ratio is less than 60%, the Regulator's remedies will include, but not be limited to, the right to determine a Capital Efficiency Factor (as defined in Part 2 of Schedule 2) which the Regulator considers appropriate.

## **5. Regulated Pass Through**

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### **5.1 Force Majeure Event Pass Through**

#### Application by PNG Harbours

- (a) If a Force Majeure Event occurs, PNG Harbours may seek the Regulator's approval to charge Customers, in addition to the maximum amounts that PNG Harbours is otherwise permitted to charge for the supply of Essential Port Services pursuant to clauses 2 and 3, an amount (***FM Pass Through Amount***) that is not greater than the Permitted FM Pass Through Amount (as calculated by PNG Harbours) in respect of that Force Majeure Event as at the date of the Force Majeure Event Claim (if any) given to the Regulator pursuant to clause 5.1(d) in respect of that Force Majeure Event.
- (b) To seek the Regulator's approval to pass through an FM Pass Through Amount under clause 5.1(a), PNG Harbours must give the Regulator:
- (i) a Force Majeure Event Notice pursuant to clause 5.1(c) within 3 months of the Force Majeure Event occurring; and

- (ii) a Force Majeure Event Claim pursuant to clause 5.1(d) within 12 months of the Force Majeure Event occurring.
- (c) A Force Majeure Event Notice must specify:
  - (i) details of the Force Majeure Event concerned; and
  - (ii) the date the Force Majeure Event occurred.
- (d) A Force Majeure Event Claim must specify:
  - (i) details of the Force Majeure Event concerned;
  - (ii) the date the Force Majeure Event occurred;
  - (iii) the increase in costs that PNG Harbours has actually incurred as at the date of the Force Majeure Event Claim:
    - (A) in supplying Essential Port Services; and
    - (B) in complying with the provisions of any legislation, or of any codes or guidelines made or published by the Regulator under the *Independent Consumer and Competition Commission Act 2002*, which must be complied with in relation to the supply of Essential Port Services,

as a result of the occurrence of the Force Majeure Event;
  - (iv) the extent (if any) to which PNG Harbours has the benefit of any insurance against the consequences of the Force Majeure Event;
  - (v) the FM Pass Through Amount PNG Harbours proposes in relation to the Force Majeure Event;
  - (vi) the basis on which PNG Harbours proposes to apply the FM Pass Through Amount to Customers; and
  - (vii) the date from, and period over, which PNG Harbours proposes to apply the FM Pass Through Amount to Customers,

and must be accompanied by evidence of the increase in costs referred to in paragraph (iii).

Approval by Regulator

- (e) If the Regulator receives a Force Majeure Event Claim under clause 5.1(d) in relation to a Force Majeure Event, the Regulator must decide whether the Force Majeure Event occurred and, if the Regulator decides the Force Majeure Event occurred, the Regulator must decide:
  - (i) the Permitted FM Pass Through Amount in respect of the Force Majeure Event;
  - (ii) the basis on which the FM Pass Through Amount proposed by PNG Harbours in relation to the Force Majeure Event or the Permitted FM Pass Through Amount in respect of the Force Majeure Event as determined by the Regulator (whichever is the lesser) (the **Approved FM Pass Through Amount**) may be applied to Customers; and

- (iii) the date from, and period over, which the Approved FM Pass Through Amount in respect of the Force Majeure Event may be applied to Customers,

and notify PNG Harbours in writing of the Regulator's decision and the reasons for the Regulator's decision.

- (f) If the Regulator does not give a notice to PNG Harbours under clause 5.1(e) within 20 Business Days of receiving:
  - (i) a Force Majeure Event Claim from PNG Harbours under clause 5.1(d); and
  - (ii) such evidence of the increase in costs referred to in clause 5.1(d)(iii) as is required by the Regulator,

then, on the 21<sup>st</sup> Business Day after receiving that Force Majeure Event Claim and that evidence, the Regulator is deemed to have notified PNG Harbours of its decision that:

- (iii) the FM Pass Through Amount proposed by PNG Harbours in relation to the relevant Force Majeure Event in the Force Majeure Event Claim be the Approved FM Pass Through Amount in respect of that Force Majeure Event; and
- (iv) the basis on, date from and period over which that Approved FM Pass Through Amount may be applied to Customers are as specified in the Force Majeure Event Claim.

#### Relevant Factors

- (g) In making a decision under clause 5.1(e), the Regulator must take into account:
  - (i) the matters and proposals set out in the Force Majeure Event Claim;
  - (ii) the extent to which it would have been reasonable for PNG Harbours to have procured insurance against the consequences of the Force Majeure Event; and
  - (iii) any amount recoverable by PNG Harbours under insurances against the consequences of the Force Majeure Event and of which PNG Harbours has the benefit,

and, subject to the requirement that PNG Harbours is not to be compensated for losses against which it would have been reasonable for PNG Harbours to have been insured, or for losses to the extent they are able to be compensated for by claiming under insurances of which PNG Harbours has the benefit, the Regulator must seek to ensure that PNG Harbours is fully (but not over) compensated for the increase in costs referred to in clause 5.1(d)(iii) to the extent that it was reasonable for PNG Harbours to incur those costs, taking into account:

- (iv) the relative amounts of Essential Port Services supplied by PNG Harbours to each Customer or class of Customer;
- (v) the time cost of money for the period over which the Approved FM Pass Through Amount is to be applied;

- (vi) the basis on and period over which the Approved FM Pass Through Amount is to be applied;
- (vii) any previous application of this clause 5.1 which has resulted in PNG Harbours recovering an amount either more or less than the amount required to fully (but not over) compensate it in respect of a previous Force Majeure Event in accordance with this clause 5.1; and
- (viii) any other factors the Regulator considers relevant.

Application of Approved FM Pass Through Amount

- (h) PNG Harbours may, after:
  - (i) receipt or deemed receipt of a notice under clause 5.1(e) or (f) allowing PNG Harbours to pass through an Approved FM Pass Through Amount; and
  - (ii) publishing a notice in a daily newspaper circulating nationally that sets out:
    - (A) the Approved FM Pass Through Amount which the Regulator has approved or is deemed to have approved;
    - (B) the circumstances giving rise to the Approved FM Pass Through Amount; and
    - (C) the basis on, date from and period over which PNG Harbours will apply the Approved FM Pass Through Amount to Customers,

apply the Approved FM Pass Through Amount on the basis, from the date and over the period specified or deemed to be specified in the notice from the Regulator.
- (i) The effect of an Approved FM Pass Through Amount must be:
  - (i) shown on the bill of each affected Customer; or
  - (ii) otherwise notified to such Customers in a manner approved by the Regulator.

Relevance of Approved FM Pass Through Amount

- (j) An Approved FM Pass Through Amount applied by PNG Harbours under this clause 5.1 is not to be taken into account in the application of clauses 2 and 3.

**5.2 Tax Pass Through**

Application by PNG Harbours

- (a) If a Positive Tax Change Event occurs, PNG Harbours may seek the Regulator's approval to charge Customers, in addition to the maximum amounts that PNG Harbours is otherwise permitted to charge Customers for the supply of Essential Port Services pursuant to clauses 2 and 3, an amount (**Positive Tax Pass Through Amount**) that is not greater than the Permitted Tax Pass Through Amount (as calculated by PNG Harbours) in respect of that Tax Change Event.

- (b) To seek the Regulator's approval to pass through a Positive Tax Pass Through Amount under clause 5.2(a), PNG Harbours must give the Regulator a statement within 6 months of the Tax Change Event occurring, specifying:
- (i) details of the Tax Change Event concerned;
  - (ii) the date the Tax Change Event took effect;
  - (iii) the increase in costs that PNG Harbours has incurred and is likely to incur over the term of this Contract in supplying Essential Port Services as a result of the occurrence of the Tax Change Event;
  - (iv) the Positive Tax Pass Through Amount PNG Harbours proposes in relation to the Tax Change Event;
  - (v) the basis on which PNG Harbours proposes to apply the Positive Tax Pass Through Amount to Customers; and
  - (vi) the date from, and period over, which PNG Harbours proposes to apply the Positive Tax Pass Through Amount to Customers,
- and accompanied by evidence of the actual and likely increase in costs referred to in paragraph (iii).
- (c) If the Regulator receives a statement under clause 5.2(b) in relation to a Positive Tax Change Event, the Regulator must decide whether that Tax Change Event occurred and, if the Regulator decides the Tax Change Event occurred, the Regulator must decide:
- (i) the Permitted Tax Pass Through Amount in respect of that Tax Change Event;
  - (ii) the basis on which the Positive Tax Pass Through Amount proposed by PNG Harbours in relation to that Tax Change Event or the Permitted Tax Pass Through Amount in respect of that Tax Change Event as determined by the Regulator (whichever is the lesser) (the **Approved Tax Pass Through Amount**) may be applied to Customers; and
  - (iii) the date from, and period over, which the Approved Tax Pass Through Amount in respect of that Tax Change Event may be applied to Customers,
- and notify PNG Harbours in writing of the Regulator's decision and the reasons for the Regulator's decision.
- (d) If the Regulator does not give a notice to PNG Harbours under clause 5.2(c) within 20 Business Days of receiving:
- (i) a statement from PNG Harbours under clause 5.2(b); and
  - (ii) such evidence of the actual and likely increase in costs referred to in clause 5.2(b)(iii) as is required by the Regulator,
- then, on the 21<sup>st</sup> Business Day after receiving PNG Harbours' statement and that evidence, the Regulator is deemed to have notified PNG Harbours of its decision that:

- (iii) the Positive Tax Pass Through Amount proposed by PNG Harbours in relation to the relevant Tax Change Event in PNG Harbours' statement be the Approved Tax Pass Through Amount in respect of that Tax Change Event; and
- (iv) the basis on, date from and period over which that Approved Tax Pass Through Amount may be applied to Customers are as specified in PNG Harbours' statement.

#### Required Tax Pass Through

- (e) If a Negative Tax Change Event occurs, the Regulator may require PNG Harbours to pass through to Customers an aggregate amount (**Negative Tax Pass Through Amount**) that is not greater than the Required Tax Pass Through Amount (as determined by the Regulator) in respect of that Tax Change Event. In such a case, the Regulator must decide:
  - (i) the Negative Tax Pass Through Amount in respect of that Tax Change Event;
  - (ii) the basis on which that Negative Tax Pass Through Amount must be applied to Customers; and
  - (iii) the date from, and period over, which the Negative Tax Pass Through Amount in respect of that Tax Change Event must be applied to Customers,

and notify PNG Harbours in writing of the Regulator's decision and the reasons for the Regulator's decision.
- (f) PNG Harbours must provide the Regulator with such information as the Regulator requires for the purpose of making a decision under clause 5.2(e) within the time specified by the Regulator.

#### Relevant Factors

- (g) In making a decision under clause 5.2(c) or 5.2(e), the Regulator must (in the case of a decision under clause 5.2(c)) take into account the matters and proposals set out in PNG Harbours' statement and:
  - (i) in the case of a decision under clause 5.2(c) - the Regulator must ensure that PNG Harbours is fully (but not over) compensated for the actual and likely increase in costs referred to in clause 5.2(b)(iii); and
  - (ii) in the case of a decision under clause 5.2(e) – the Regulator must ensure that the aggregate amount that PNG Harbours is required to pass through to Customers is an amount that is equivalent to (but not more than) the costs that PNG Harbours has saved and is likely to save over the term of this Contract in supplying Essential Port Services as a result of the occurrence of the Negative Tax Change Event,

taking into account:

- (iii) the relative amounts of Essential Port Services supplied by PNG Harbours to each Customer or class of Customer;
- (iv) the time cost of money for the period over which the Approved Tax Pass Through Amount or the Negative Tax Pass Through Amount (as the case may be) is to be applied;
- (v) the basis on and period over which the Approved Tax Pass Through Amount or the Negative Tax Pass Through Amount (as the case may be) is to be applied;
- (vi) any previous application of this clause 5.2 which has resulted in an Approved Tax Pass Through Amount or a Negative Tax Pass Through Amount in respect of a previous Tax Change Event being more or less than the amount which it should have been for the purposes of this clause 5.2;
- (vii) any change in the way or rate at which another Tax is calculated, or the removal or imposition of another Tax, which, in the Regulator's opinion, is complementary to the Tax Change Event concerned;
- (viii) the effect of any other previous Tax Change Event that has occurred since the later of the Commencement Date and the last decision made under this clause 5.2 in relation to a Tax Change Event; and
- (ix) any other factors the Regulator considers relevant.

Application of Approved Tax Pass Through Amount or Negative Tax Pass Through Amount

- (h) PNG Harbours may, after:
  - (i) receipt or deemed receipt of a notice under clause 5.2(c) or (d) allowing PNG Harbours to pass through an Approved Tax Pass Through Amount; and
  - (ii) publishing a notice in a daily newspaper circulating nationally that sets out:
    - (A) the Approved Tax Pass Through Amount which the Regulator has approved or is deemed to have approved;
    - (B) the circumstances giving rise to the Approved Tax Pass Through Amount; and
    - (C) the basis on, date from and period over which PNG Harbours will apply the Approved Tax Pass Through Amount to Customers,apply the Approved Tax Pass Through Amount on the basis, from the date and over the period specified or deemed to be specified in the notice from the Regulator.
- (i) PNG Harbours must, after receipt of a notice under clause 5.2(e) requiring PNG Harbours to pass through a Negative Tax Pass Through Amount to Customers, apply the Negative Tax Pass Through Amount on the basis, from the date and over the period specified in the notice from the Regulator.

- (j) The effect of an Approved Tax Pass Through Amount or a Negative Tax Pass Through Amount must be:
  - (i) shown on the bill of each affected Customer; or
  - (ii) otherwise notified to such Customers in a manner approved by the Regulator.

### 5.3 Harbours Licence Pass Through

- (a) Subject to clause 5.3(b), PNG Harbours may at any time propose to the Regulator that it charge Customers an amount (**Harbours Licence Pass Through Amount**) that is not greater than the Permitted Harbours Licence Pass Through Amount in respect of a Regulatory Year (the **Relevant Regulatory Year**) (to the extent that amount is positive).
- (b) In order to seek the Regulator's agreement to pass through a Harbours Licence Pass Through Amount referred to in clause 5.3(a), PNG Harbours must give the Regulator a statement, by 31 January of the Regulatory Year immediately following the Relevant Regulatory Year, specifying:
  - (i) the Harbours Licence Pass Through Amount proposed by PNG Harbours;
  - (ii) the amount of the Harbours Licence Fees referable to the Relevant Regulatory Year which have been paid by PNG Harbours;
  - (iii) the basis on which PNG Harbours proposes to apply the Harbours Licence Pass Through Amount to Customers; and
  - (iv) the date from, and period over, which PNG Harbours proposes to apply the Harbours Licence Pass Through Amount to Customers,and must be accompanied by evidence of the payments referred to in paragraph (ii).
- (c) If the Regulator receives a statement under clause 5.3(b), the Regulator must decide:
  - (i) the Permitted Harbours Licence Pass Through Amount in respect of the Relevant Regulatory Year;
  - (ii) the basis on which the Harbours Licence Pass Through Amount proposed by PNG Harbours or the Permitted Harbours Licence Pass Through Amount as determined by the Regulator (whichever is the lesser) (the **Approved Harbours Licence Pass Through Amount**) may be applied to Customers; and
  - (iii) the date from, and period over, which the Approved Harbours Licence Pass Through Amount may be applied to Customers,and notify PNG Harbours in writing of the Regulator's decision and the reasons for the Regulator's decision.
- (d) If the Regulator does not give a notice to PNG Harbours under clause 5.3(c) within 20 Business Days of receiving:

- (i) a statement from PNG Harbours under clause 5.3(b); and
- (ii) such evidence of the payments referred to in clause 5.3(b)(ii) as is required by the Regulator,

then, on the 21<sup>st</sup> Business Day after receiving PNG Harbours' statement and that evidence, the Regulator is deemed to have notified PNG Harbours of its decision that:

- (iii) the Harbours Licence Pass Through Amount proposed by PNG Harbours in PNG Harbours' statement be the Approved Harbours Licence Pass Through Amount; and
  - (iv) the basis on, date from and period over which that Approved Harbours Licence Pass Through Amount may be applied to Customers are as specified in PNG Harbours' statement.
- (e) The Regulator may require PNG Harbours to pass through to Customers or otherwise apply for the benefit of Customers or potential Customers an amount that is equal to the Permitted Harbours Licence Pass Through Amount in respect of any Regulatory Year (to the extent that amount is negative).
- (f) If the Regulator requires PNG Harbours to pass through to Customers or otherwise apply for the benefit of Customers or potential Customers, a Permitted Harbours Licence Pass Through Amount as referred to in clause 5.3(e), the Regulator must decide:
- (i) that amount (such amount being referred to as the **Required Harbours Licence Pass Through Amount**);
  - (ii) the basis on which that Required Harbours Licence Pass Through Amount must be passed through to Customers or applied for the benefit of Customers or potential Customers; and
  - (iii) the date from, and period over, which that Required Harbours Licence Pass Through Amount must be passed through to Customers or how and when the Required Harbours Licence Pass Through Amount must be applied for the benefit of Customers or potential Customers,
- and notify PNG Harbours in writing of the Regulator's decision and the reasons for the Regulator's decision.
- (g) PNG Harbours agrees to provide the Regulator with such information as the Regulator may request for the purpose of making a decision under clause 5.3(f) within the time specified by the Regulator.
- (h) PNG Harbours may, after:
- (i) receipt or deemed receipt of a notice under clause 5.3(c) or (d) allowing PNG Harbours to pass through an Approved Harbours Licence Pass Through Amount; and

- (ii) publishing a notice in a daily newspaper circulating nationally that sets out:
  - (A) the Approved Harbours Licence Pass Through Amount which the Regulator has approved or is deemed to have approved;
  - (B) the circumstances giving rise to the Approved Harbours Licence Pass Through Amount; and
  - (C) the basis on, date from and period over which PNG Harbours will apply the Approved Harbours Licence Pass Through Amount to Customers,

apply the Approved Harbours Licence Pass Through Amount on the basis, from the date and over the period specified or deemed to be specified in the notice from the Regulator.

- (i) PNG Harbours agrees that, after receipt of a notice under clause 5.3(f) requiring PNG Harbours to pass through a Required Harbours Licence Pass Through Amount to Customers or to apply a Required Harbours Licence Pass Through Amount for the benefit of Customers or potential Customers, it will do so on the basis, from the date and over the period specified in the notice from the Regulator.
- (j) The effect of an Approved Harbours Licence Pass Through Amount or a Required Harbours Licence Pass Through Amount must be:
  - (i) shown on the bill of each affected Customer; or
  - (ii) notified by public advertisement in a national newspaper; or
  - (iii) otherwise notified to such Customers in a manner agreed by PNG Harbours and the Regulator.

## **6. Service Standards**

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### **6.1 Minimum Service Standards**

- (a) PNG Harbours must ensure that the Minimum Service Standards specified in Schedule 4 are satisfied in respect of each Declared Port at all times.
- (b) PNG Harbours must submit to the Regulator no later than 1 March each year a Service Standards Report that demonstrates PNG Harbours' compliance with clause 6.1(a) and contains evidence of that compliance. The Service Standards Report must be in such form (if any) as is required by the Regulator.
- (c) The Regulator may at any time audit PNG Harbours' compliance with clause 6.1(a). Without limiting the steps which the Regulator may take when conducting such an audit, the Regulator may:
  - (i) require PNG Harbours to provide information relevant to its compliance with clause 6.1(a); and
  - (ii) inspect any assets, premises, property or records of PNG Harbours relevant to its compliance with clause 6.1(a).

- (d) The Regulator must notify PNG Harbours within 10 Business Days of commencing an audit under clause 6.1(c).
- (e) The Regulator or PNG Harbours may at any time give written notice to the other of them that it requires the appointment of an independent international consultant for the purposes of this clause 6.1. As soon as reasonably practicable after the giving of any such notice and after consulting with PNG Harbours, the Regulator must appoint an appropriately qualified independent international consultant to report to the Regulator and PNG Harbours, within three months, as to:
  - (i) whether PNG Harbours is in compliance with clause 6.1(a); and
  - (ii) if PNG Harbours is not in compliance with clause 6.1(a), the relevant Minimum Service Standards that have not been complied with and the nature and extent of the non-compliance.
- (f) The Regulator must not exercise its power under clauses 6.1(c) or (e) more than once per calendar year.
- (g) After considering:
  - (i) any Service Standards Report submitted by PNG Harbours to the Regulator in accordance with clause 6.1(b).
  - (ii) any report provided in accordance with clause 6.1(d) by an international consultant (if any) appointed pursuant to that clause; and
  - (iii) any further information obtained by the Regulator pursuant to clauses 6.1(c) or (h) or otherwise,

the Regulator must determine whether or not PNG Harbours is in compliance with clause 6.1(a) and must give PNG Harbours a Compliance Notice informing PNG Harbours of that determination as soon as practicable after making its determination. If the Regulator has determined that PNG Harbours is not in compliance with clause 6.1(a), the Regulator must specify in its Compliance Notice the relevant Minimum Service Standards that have not been complied with and must provide details of the non-compliance, including the Declared Port at which the Minimum Service Standards have not been satisfied.
- (h) PNG Harbours must, at its expense, provide the Regulator and any international consultant appointed pursuant to clause 6.1(e) with such access to PNG Harbours' assets, premises, property, records, employees and contractors as the Regulator or the international consultant requires for the purposes of this clause 6.1.
- (i) The reasonable costs of any international consultant appointed pursuant to clause 6.1(d) must be borne by PNG Harbours.

## **6.2 Minimum Standards Price Discount**

- (a) If the Regulator gives PNG Harbours a Compliance Notice in accordance with clause 6.1 stating that PNG Harbours is not in compliance with clause 6.1(a), the Regulator may within five Business Days of giving that notice give PNG Harbours a

Remedial Notice requiring PNG Harbours to remedy the non-compliance with clause 6.1(a) within a reasonable period specified by the Regulator in the notice.

- (b) If PNG Harbours fails to:
- (i) remedy its non-compliance with clause 6.1(a) within the period specified in a Remedial Notice; and
  - (ii) provide the Regulator with evidence to the satisfaction of the Regulator demonstrating PNG Harbours' compliance with clause 6.1(a), within the period specified in a Remedial Notice,
- the Regulator may give PNG Harbours a Default Notice. A Default Notice must specify the relevant Minimum Service Standards that have not been complied with and must provide details of the non-compliance, including the Declared Port at which the Minimum Service Standards have not been satisfied. A separate Default Notice must be issued for each Declared Port.
- (c) From the day immediately following the day on which PNG Harbours receives a Default Notice in accordance with clause 6.2(b) until the day on which the Regulator notifies PNG Harbours in writing that the Regulator is satisfied that PNG Harbours is in compliance with clause 6.1(a), the maximum amount that PNG Harbours may charge for the supply of an Essential Port Service at the Declared Port specified in that Notice of Default is an amount equal to 80% of the  $MP^i_t$  determined in accordance with clause 2.2(c) and approved, deemed to be approved or set by the Regulator (as the case may be) pursuant to clause 3.1 for each Regulatory Year during which the Default Notice remains on foot. PNG Harbours may at any time after service of a Default Notice notify the Regulator that it considers that it is in compliance with clause 6.1(a). Within 10 Business Days of receiving such a notice the Regulator must notify PNG Harbours in writing whether or not the Regulator is satisfied that PNG Harbours is in compliance with clause 6.1(a).
- (d) For the avoidance of doubt:
- (i) a reduction in a maximum amount that may be charged by PNG Harbours for the supply of an Essential Port Service during Regulatory Year  $t$  as a result of clause 6.2(c) is not to be taken into account in any calculation made under clause 2.2(b) or (c), whether during that Regulatory Year  $t$  or during any subsequent Regulatory Year. In particular, the reduction in maximum amount that may be charged is not to be taken into account in any calculation or determination of  $AP^i_{t-1}$  (as defined in clause 2.2(c))  $p^i_t$ , or  $p^i_{t-1}$  (as defined in Schedule 2); and
  - (ii) if a Default Notice is given in Regulatory Year  $t$  and the Regulator has not notified PNG Harbours that the Regulator is satisfied that PNG Harbours is in compliance with clause 6.1(a) by the commencement of Regulatory Year  $t+1$  or any subsequent Regulatory Year, then from the commencement of that Regulatory Year  $t+1$  (and each subsequent Regulatory Year) the maximum amount that PNG Harbours may charge for the supply of an

Essential Port Service  $i$  at the Declared Port specified in that Notice of Default becomes an amount equal to 80% of the new  $MP^i_t$  calculated for Regulatory Year  $t + 1$  (or the subsequent Regulatory Year, as the case may be) in accordance with clause 2.2(c) and approved, deemed to be approved or set by the Regulator (as the case may be) pursuant to clause 3.1.

## **7. Competition Policy**

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### **7.1 Ring Fencing**

- (a) If the Regulator considers it necessary or desirable to do so in order to promote competition in a market for Contestable Services, it may serve a notice on PNG Harbours specifying steps PNG Harbours must take in order to separate its Essential Port Services business from a Contestable Services business or businesses operated by PNG Harbours or Relevant Interest Holder in PNG Harbours. PNG Harbours must comply with any such notice within 20 Business Days of service of the notice or within such longer period as the Regulator may allow.
- (b) Without limiting what may be required by the Regulator under paragraph 7.1(a) the Regulator may require:
  - (i) that PNG Harbours not provide Contestable Services (although a Relevant Interest Holder in PNG Harbours or a Subsidiary of PNG Harbours would be free to do so);
  - (ii) require that any contract, arrangement or understanding between PNG Harbours and a Relevant Interest Holder in PNG Harbours or a Subsidiary of PNG Harbours providing Contestable Services in relation to the provision of Essential Port Services by PNG Harbours to the shareholder of PNG Harbours not be entered into unless first approved by the Regulator;
  - (iii) that confidential information provided by a user of Essential Port Services to PNG Harbours not be provided to employees, contractors or advisers of PNG Harbours or a Relevant Interest Holder in PNG Harbours or a Subsidiary of PNG Harbours involved in the provision of Contestable Services.

### **7.2 Stevedoring Access**

PNG Harbours agrees to charge for Stevedoring Access on a fair and reasonable basis and, in the event of a dispute in respect of the amount of a charge for Stevedoring Access, PNG Harbours agrees to charge such amount for Stevedoring Access as the Regulator determines to be fair and reasonable.

### **7.3 Non discrimination**

PNG Harbours must not in connection with the supply of an Essential Port Service or Stevedoring Access discriminate unreasonably between Customers who are in substantially the same circumstances.

## **8. Obligation to Supply Essential Port Services**

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### **8.1 Approved Port Closures**

- (a) Subject to clause 8.1(h), PNG Harbours must provide Essential Port Services to each person who seeks the provision of those services at a Declared Port.
- (b) PNG Harbours may apply to the Regulator at any time for authorisation to close one or more Declared Harbours. Each application must be in respect of one Declared Port only. The application must:
  - (i) be in such form (if any) as is required by the Regulator; and
  - (ii) be supported by an explanation of why the closure of that port is sought by PNG Harbours; and
  - (iii) set out in sufficient detail the reasons why PNG Harbours considers that the closure of that port satisfies the criteria for closure specified in clause 8.1(c); and
  - (iv) contain sufficient information, data, or other material to enable the Regulator to determine whether the application satisfies the criteria for closure specified in clause 8.1(c).
- (c) The Regulator may approve a closure of a Declared Port only if the Regulator is satisfied that:
  - (i) alternate port facilities are available to serve existing users' needs in the particular location; or
  - (ii) for any other reason, the Declared Port is no longer required by users.
- (d) The Regulator:
  - (i) must consult with the relevant government department or authority responsible for ports and harbours; and
  - (ii) may require PNG Harbours to provide such further information, explanations or other material as the Regulator requires; and
  - (iii) may inspect any assets, premises, property, accounts, records or other information or material of PNG Harbours,in order to determine whether to, or whether it is authorised to, approve a closure of a Declared Port.
- (e) The Regulator or PNG Harbours may, within 20 Business Days of an application to close a Declared Port submitted by PNG Harbours to the Regulator under clause 8.1(b), give written notice to the other of them that it requires the appointment of an

independent international consultant for the purposes of this clause 8.1. As soon as reasonably practicable after the giving of any such notice and after consulting with PNG Harbours, the Regulator must appoint an appropriately qualified independent international consultant to report to the Regulator and PNG Harbours whether PNG Harbours' application satisfies the criteria for closure specified in clause 8.1(c).

- (f) After considering:
- (i) any information, explanations or other material provided by PNG Harbours under clause 8.1(b) or 8.1(d)(ii);
  - (ii) any information, data or other material obtained by the Regulator under clause 8.1(d)(i) or (iii);
  - (iii) any report provided in accordance with clause 8.1(e) by an international consultant (if any) appointed pursuant to that clause; and
  - (iv) the criteria for closure specified in clause 8.1(c),
- the Regulator must determine whether or not to approve a closure of a Declared Port sought by PNG Harbours.
- (g) The Regulator must give PNG Harbours notice of its determination to approve or not approve the closure of a Declared Port under clause 8.1(f) within three months. If the Regulator does not so notify PNG Harbours within that period, it is deemed to have approved the closure of the Declared Port.
- (h) If the Regulator notifies PNG Harbours that it has approved the closure of a Declared Port, or if the Regulator is deemed to have approved the closure of the Declared Port under clause 8.1(g), PNG Harbours is not obliged to supply Essential Port Services to any person, and is not subject to Minimum Service Standards, in respect of that closed port from the last day of the Regulatory Year in which that approval was provided.
- (i) An approval or deemed approval by the Regulator of the closure of a Declared Port is automatically revoked if, at any time after that approval, PNG Harbours provides any person with an Essential Port Service in respect of that closed port.
- (j) PNG Harbours must, at its expense, provide the Regulator and any international consultant appointed pursuant to clause 8.1(e) with such access to PNG Harbours' assets, premises, property, accounts, records, other information or material, employees and contractors as the Regulator or the international consultant requires for the purposes of this clause 8.1.
- (k) The reasonable costs of any international consultant appointed pursuant to clause 8.1(e) must be borne by PNG Harbours.

## **9. Amendment of Regulatory Contract**

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### **9.1 Agreed Amendments**

- (a) Subject to clause 9.1(b), this Contract may be varied from time to time by written agreement between the Regulator and PNG Harbours but any such variation must not be inconsistent with the Regulatory Principles or the requirements of the *Independent Consumer and Competition Commission Act 2002*.
- (b) No variation may be made to this Contract unless:
  - (i) at least 40 Business Days prior to any such variation taking effect:
    - (A) the Regulator has published a notice describing the proposed variation in both the National Gazette and a daily newspaper circulating nationally and inviting the making of submissions in relation to the proposed variation not less than 20 Business Days after the date of publication of that notice;
    - (B) the Regulator has provided a notice to the Minister responsible for the *Harbours Act* describing the proposed variation; and
    - (C) the Regulator has made available, for inspection or purchase by the public, copies of the precise form of the proposed variation; and
  - (ii) the Regulator has considered such submissions in relation to the proposed variation as it receives under clause 9.1(b)(i).

### **9.2 Amendments made by virtue of the operation of the Independent Consumer and Competition Commission Act 2002**

If, with the consent of PNG Harbours, any service comprising Essential Port Services or Stevedoring Access ceases to be a regulated service (as that term is defined in the *Independent Consumer and Competition Commission Act 2002*), this Contract will be varied, in accordance with the operation of section 33(4) of the *Independent Consumer and Competition Commission Act 2002*, by deleting any reference in this Contract to such of those services as have ceased to be regulated services.

## **10. Termination of Regulatory Contract**

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### **10.1 Agreed termination**

This Contract may be terminated at any time by written agreement between the Regulator and PNG Harbours.

### **10.2 Termination by virtue of the operation of the Independent Consumer and Competition Commission Act 2002**

This Contract will terminate automatically if PNG Harbours ceases to be a regulated entity (as that term is defined in the *Independent Consumer and Competition Commission Act 2002*).

## SCHEDULE 1 - MAXIMUM TARIFFS FOR FIRST REGULATORY YEAR

### A. Maximum tariffs for Wharfage Services

The maximum amount that may be charged for the supply of a Wharfage Service during the First Regulatory Year is the tariff (rate per unit multiplied by number of units loaded or unloaded, as the case may be) calculated according to the following table.

Cargo	Unit	Overseas cargo (rate per unit)		Coastal cargo (rate per unit)	
		Inward K	Outward K	Inward K	Outward K
Horse, cattle, dogs, sheep, goats, pigs	Each animal	3.21	3.21	3.21	3.21
Oils (in bulk), Petroleum (in bulk)	Tonne of 1,000 litres	3.21	3.21	1.61	1.61
Palm Oil	Tonne of 1,000 litres	-	2.89	1.61	1.61
Boats, Iron Tanks (Empty)	Metre length	16.04	16.04	4.01	4.01
Charcoal, Coal Coke, Road Metal, Sand soil, cement, returned empties	Tonne/Weight	7.69	4.65	2.32	2.32
Copra, cocoa, coffee, bagged agriculture produce	Tonne/Weight	7.69	3.21	1.77	1.77
Goods not enumerated above	Tonne Weight or cubic metre whichever is greater	7.69	4.65	2.32	2.32
Containers	Container (empty or full)	29.44	29.44	Nil	Nil

where:

Tonne means one cubic metre;

Weight means 1,000 kilograms or, in the case of bulk oil, oils or petroleum, 1,000 litres;

If the Unit is specified to be "Tonne/Weight", the applicable tariff is the greater of the tariff calculated on the basis of the number of Tonnes of the cargo loaded or unloaded (as the case may be) and the Weight of the cargo loaded or unloaded (as the case may be).

"Overseas Cargo - Inward" means cargo to be unloaded from a vessel, which cargo was loaded onto the vessel at any place outside of Papua New Guinea.

"Overseas Cargo – Outward" means cargo to be loaded onto a vessel, which cargo is intended at the time of loading to be unloaded outside of Papua New Guinea.

"Coastal Cargo – Inward" means cargo to be unloaded from a vessel, which cargo was loaded onto the vessel at any place within Papua New Guinea.

"Coastal Cargo – Inward" means cargo to be unloaded from a vessel, which cargo is intended at the time of loading to be unloaded at any place within Papua New Guinea.

Only 50% of wharfage inwards and outwards for transshipment payable at the port of transshipment.

## B. Maximum tariffs for Berth Reservation Services

The maximum amount that may be charged for the supply of a Berth Reservation Service during the First Regulatory Year in respect of a particular vessel is the tariff set out in the following table.

Type of vessel	Berth reservation Schedule of rates
Overseas vessels – cargo and passenger vessels at the ports of Port Moresby, Lae, Rabaul and Madang	<b>K 294</b> per occasion
Overseas vessels – cargo and passenger vessels - at other ports	<b>K 147</b> per occasion
Overseas tankers – large	<b>K 442</b> per occasion
Overseas tankers – small	<b>K 221</b> per occasion
Overseas vessel of any type or at any port- each alteration to arrival time	<b>K 74</b> per occasion
Coastal vessels – POM, Lae, Rabaul, and Madang	<b>K 147</b> per occasion
Coastal vessels – at other ports	<b>K 74</b> per occasion
Coastal vessels – any, port each alteration to arrival time	<b>K 29.44</b> per occasion

## C. Maximum tariffs for Berthing Services

The maximum amount that may be charged for the supply of a Berthing Service during the First Regulatory Year in respect of a particular vessel is the tariff set out in the following table.

Type of vessel	Berthage Schedule of rates
Overseas vessels (including cargo, passenger and tankers)	K 0.95 /metre LOA / hour alongside PNGH wharf
Coastal vessels – under 20 metres (or part thereof)	K 0.15 / metre LOA / hour alongside PNGH wharf
Coastal vessels – 20 metres <LOA< 49 metres	K 0.20 / metre LOA / hour alongside PNGH wharf
Coastal vessels – 49<LOA	K 0.23 / metre LOA / hour alongside PNGH wharf

where:

PNGH wharf means a wharf in a Declared Port owned, operated or controlled by PNG Harbours.

A coastal vessel carrying cargo loaded at any place outside of Papua New Guinea will be charged for Berthing Services at the rate applicable for overseas vessels until such overseas cargo is completely unloaded at which time it will revert to being a coastal vessel.

## SCHEDULE 2 – TARIFF FORMULAE

### Part 1. Average Revenue Change (No Port Closures)

The change in forecast average revenue for Subsequent Regulatory Year t ( $AR_t$ ) is calculated as follows:

$$AR_t = \frac{\sum_{i=1}^n p^i_t * q^i_{t-1}}{\sum_{i=1}^n p^i_{t-1} * q^i_{t-1}}$$

where

there are n tariffs;

$p^i_t$  is the rate for tariff i proposed to apply in Regulatory Year t in a statement given under clause 3.1;

$p^i_{t-1}$  is the rate for tariff i that applied in Regulatory Year t-1; and

$q^i_{t-1}$  is the actual chargeable quantity in relation to tariff i that was supplied by PNG Harbours in the 12 months between 30 September of Regulatory Year t-1 and 30 September of Regulatory Year t-2.

### Part 2. Essential Services Price Control

The Essential Services Price Control for Regulatory Year t (**ESPC<sub>t</sub>**) is calculated as follows:

$$ESPC_t = \frac{PNGCPI_{t-1}}{PNGCPI_{t-2}} + X_t - CEF_t$$

where:

$PNGCPI_{t-1}$  is the Adjusted PNGCPI for the 12 month period ending 30 September in Regulatory Year t-1 and is calculated in accordance with Part 4 of this Schedule 2; and

$PNGCPI_{t-2}$  is the Adjusted PNGCPI for the 12 month period ending 30 September in Regulatory Year t-2 and is calculated in accordance with Part 4 of this Schedule 2.

$X_t$  is the Price Control Factor for Regulatory Year t and equals:

- (a) where Regulatory Year t is 2003 : 0.16;
- (b) where Regulatory Year t is 2004 : 0.12; and
- (b) in any other case: 0; and

$CEF_t$  is the Capital Efficiency Factor for Regulatory Year t and equals:

- (a) where Regulatory Year t is a Regulatory Year preceding 2007: zero; and

- (b) where Regulatory Year t is 2007 or a subsequent Regulatory Year: the value of  $CEF_t$  as calculated pursuant to Part 5 of this Schedule 2.

### Part 3. Average Revenue Change (Approved Port Closures)

The change in forecast average revenue for Subsequent Regulatory Year t [ $AR(APC)_t$ ], adjusted to allow for one or more Approved Port Closure, is calculated as follows:

$$AR(APC)_t = \frac{\sum_{i=1}^n p^i_t * \{ q^i_{t-1} - cpq^i_{t-1} \}}{\sum_{i=1}^n \{ p^i_{t-1} * q^i_{t-1} \} - \{ doc + ahoc \}}$$

where

there are n tariffs;

$p^i_t$  is the rate for tariff i proposed to apply in Regulatory Year t in a statement given under clause 3.1;

$p^i_{t-1}$  is the rate for tariff i that applied in Regulatory Year t-1;

$q^i_{t-1}$  is the actual chargeable quantity in relation to tariff i that was supplied by PNG Harbours in the 12 months between 30 September of Regulatory Year t-1 and 30 September of Regulatory Year t-2;

$cpq^i_{t-1}$  is the actual chargeable quantity in relation to tariff i that was supplied by PNG Harbours in respect of ports closed on the last day of Regulatory Year t – 1, which quantity was supplied during the 12 months between 30 September of Regulatory Year t-1 and 30 September of Regulatory Year t-2;

doc is the total amount of direct operating and maintenance costs (expressed in Kina) incurred by PNG Harbours during the 12 months between 30 September of Regulatory Year t-2 and 30 September of Regulatory Year t-3 in respect of ports closed during Regulatory Year t- 1; and

ahoc is the total amount [per annum] of avoidable head office costs incurred by PNG Harbours [during the 12 months between 30 September of Regulatory Year t-2 and 30 September of Regulatory Year t-3] in respect of ports closed during Regulatory Year t- 1 and likely not to be incurred by PNG Harbours in Regulatory Year t as a result of the port closures.

### Part 4. Adjusted PNG CPI

The Adjusted PNG CPI for the 12 month period ending on 30 September in Regulatory Year t or calendar year t ( $PNGCPI_t$ ) is calculated as follows:

$$PNGCPI_t = \{ PNGCPI_{(q4, t-1)} + PNGCPI_{(q1, t)} + PNGCPI_{(q2, t)} + PNGCPI_{(q3, t)} \} / 4$$

where:

PNGCPI for a Quarter (q) is the Adjusted CPI All Groups Series for All Urban Centres published by the National Statistics Office;

$PNGCPI_{(q4, t-1)}$  is the PNGCPI for the Quarter ending on 31 December in Regulatory Year t-1 or calendar year t-1;

$PNGCPI_{(q1, t)}$  is the PNGCPI for the Quarter ending on 31 March in Regulatory Year t or calendar year t ;

$PNGCPI_{(q2, t)}$  is the PNGCPI for the Quarter ending on 30 June in Regulatory Year t or calendar year t; and

$PNGCPI_{(q3, t)}$  is the PNGCPI for the Quarter ending on 30 September in Regulatory Year t or calendar year t.

In all cases, the Adjusted PNG CPI is to be adjusted to remove betel nut and fresh food prices.

### Part 5. Capital Efficiency Factor (CEF<sub>t</sub>)

The Capital Efficiency Factor for Regulatory Year t where Regulatory Year t is 2007 or a subsequent Regulatory Year (CEF<sub>t</sub>) has the value set out in the following table corresponding to the value of the Capital Expenditure Ratio (CER<sub>t</sub>) determined by the Regulator under clause 4.1:

CER <sub>t</sub>	CEF <sub>t</sub>
Less than 0.60	Refer Section 4.5
At least 0.60 but less than 0.65	0.0324
At least 0.65 but less than 0.70	0.0282
At least 0.70 but less than 0.75	0.0241
At least 0.75 but less than 0.80	0.0200
At least 0.80	0

### Part 6. Changes in calculation of CPI

If a source of data described in this Contract is no longer published, or if any other change occurs in relation to such data which would cause the continued use of the source to result in inaccurate comparisons between data calculated using the source prior to the change and data calculated using the source after the change, then the Regulator may by notice to PNG Harbours substitute an alternative source of such data to apply from a date determined by the Regulator in the notice.

### **SCHEDULE 3 - REBALANCING CONTROL**

The Rebalancing Control for Regulatory Year  $t$  ( $RC_t$ ) is calculated as follows:

$$RC_t = ESPC_t + 0.015$$

where:

$ESPC_t$  means the Essential Services Price Control for Regulatory Year  $t$  as determined in accordance with Part 2 of Schedule 2.

## **SCHEDULE 4 - MINIMUM SERVICE STANDARDS**

1. Wharves must be maintained:
  - in a condition which is suitable for safely berthing a vessel with a minimum size of Length 57m, Beam 9.8m, Draft 3.3m;
  - in such condition to enable the safe carriage of a fully loaded standard “20 foot” container, placed onto a standard tractor-drawn 4 wheel container-trailer.
2. A suitable hardstand area must be maintained at each wharf or end of causeway to allow for the manoeuvre of a tractor and container-trailer. As a minimum, the hardstand must be reasonably smooth and level gravel, free draining, and have area allocated for the storage of at least 10 containers, stacked single height.
3. Roads and pavements within a wharf must be maintained in a well graded condition, free of large potholes or failed areas, freely draining and such that container trucks can load, unload and turn without undue hindrance.
4. The minimum security requirement will be a robust 1.8m high chain wire fence maintained around each wharf area, with lockable access gates 4.2m wide. The fence must not have holes or gaps which would allow an unauthorised person to enter.
5. A suitably equipped office must be maintained and must be manned at least during normal office hours, with functioning radio facilities available for communication from, to and with vessels wishing to obtain Essential Port Services or requiring any other service.
6. Town water must be available to reprovision vessels.
7. Full telecommunications service must be supplied to the port office.
8. Power (3ph 415 v) must be available, supported by a functioning back-up generator of suitable capacity, if primary power supply is Elcom reticulated supply.

## **SCHEDULE 5 - REGULATORY PRINCIPLES**

1. There must be an examination of:
  - (a) the value of capital stock at the end of the term of this Contract, which must be the depreciated value of the actual prudent capital expenditures undertaken during the term of this Contract. The depreciation method to be applied to this capital amount must be the current cost accounting approach applying a depreciated optimised replacement cost (the DORC methodology). The actual capital expenditure made during the term of this Contract must be reviewed to ensure that it was prudent and should be included in the asset base going forward. No amount may be included in the value of capital stock with respect to capital items in existence as at the Commencement Date of this Regulatory Contract<sup>1</sup>;
  - (b) the appropriate rate of return to apply in setting the new price path; and
  - (c) the level of future capital expenditure and operating expenditure to maintain service levels, including any efficiency factor to be applied to operating expenditure.
2. PNG Harbours must be regulated under an incentive regulation approach.
3. A building block approach must be adopted, consisting of the following components:
  - (a) initial capital stock;
  - (b) return on capital (WACC);
  - (c) new capital expenditure;
  - (d) return of capital - economic depreciation; and
  - (e) operating expenses.
4. Consideration must be given to establishing a glide path adjustment with a sharing of efficiency gains between PNG Harbours and consumers of Essential Port Services.
5. Consideration must be given to the number of ports, stand alone costs of each port and subsidies existing between ports.

<sup>1</sup> All capital existing as at the Commencement Date of this Regulatory Contract has been treated as sunk and valued at zero for the purposes of this Regulatory Contract.

## SCHEDULE 6 - YEARLY FORECAST CAPITAL EXPENDITURE

	Regulatory Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Yearly Forecast Capital Expenditure*</b>	Nil	K4,000,000	K19,400,000	K19,500,000	K1,700,000	K3,000,000	K11,000,000	K10,000,000	K2,000,000

\* Excludes all associated overheads.

## **SCHEDULE 7 - EXCHANGE RATE MOVEMENTS**

### **Part 1 – Real Budgeted Accumulated Capital Expenditure**

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2003	K4.0m
2004	K23.4m
2005	K42.9m
2006	K44.6m
2007	K47.6m
2008	K58.6m
2009	K68.6m
2010	K70.6m

### **Part 2 – Assumed US Dollars/Kina Exchange Rate**

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2003	0.24
2004	0.23
2005	0.22
2006	0.21
2007	0.20
2008	0.20
2009	0.19
2010	0.18

## SCHEDULE 8 - PROJECTS

**NOTE: The budget capital expenditure amounts are as shown in the Revised Total US\$ column, converted to Kina at 0.26 USD to one Kina.**

Alotau Berth 1 (Overseas)

Item	Description	Rate \$US	Quantity	Total \$US	Revised Total US\$
1.	<b>Dredging</b> to RL-11.0 m CD				
1.1	Mob/Demob	35,000	Item	35,000	
1.2	Dredge by crane/grab	4.0	5,000 m <sup>3</sup>	20,000	
	<b>S/T</b>			55,000	
2.	<b>Repair Pile Heads</b> Demolish & Rebuild.				
2.1	Rebuild muffs on 33% of piles	<b>S/T</b> 3,800	34 No.	129,000	129,000
3.	<b>Repair Deck</b> (Spalling, delam)				
3.1	RC Beam soffits – (all 21)	7,000	30 m <sup>3</sup>	210,000	210,000
3.2	Slab Soffit 5%	7,000	12 m <sup>3</sup>	84,000	84,000
3.3	Surface delam. repair 1% incl. edge	2,000	5 m <sup>3</sup>	10,000	10,000
3.4	Steel kerbs to wharf ends.	100	40 m	4,000	4,000
3.5	Steel cope protection to face	100	90 m	9,000	9,000
3.6	Replace ladder	2,000	1 No.	2,000	2,000
	<b>S/T</b>			319,000	319,000
4.	<b>Fenders</b> (75% replacement)				
4.1	400 Arch fenders incl. fixing	<b>S/T</b> 900	53 m	48,000	48,000
5.	<b>Services &amp; Sheds</b>				
5.1	Replace Ø50 Water Line.	35	20	1,000	1,000
5.2	Firefighting (Hose reels, alarms, extinguishers)	20,000	Item	20,000	20,000
5.3	Check CP (Strobe type)	2,000	Item	2,000	2,000
<del>5.4</del>	<del>Remove derelict tide gauge</del>	<del>1,000</del>	<del>Item</del>	<del>1,000</del>	
<del>5.5</del>	<del>Chip &amp; Paint minor corrosion to fuel line.</del>	<del>1,000</del>	<del>Item</del>	<del>1,000</del>	
<del>5.6</del>	<del>Chip &amp; Paint to Light towers</del>	<del>5,000</del>	<del>Item</del>	<del>5,000</del>	
<del>5.7</del>	<del>Repair sections of fence.</del>	<del>28</del>	<del>25 m</del>	<del>1,000</del>	
5.8	Electrical upgrade to lights & sheds.	10,000	Item	10,000	10,000
5.9	Shed 1 general maintenance (minor wall impact, holes in roof & walls, etc.)	10,000	Item	10,000	
5.10	Pavement, esp. near gatehouse 2 coat seal.	20	300	6,000	6,000
5.11	Clean up fuel spills & fix drainage problems to open storage.	5,000	Item	5,000	
5.12	Upgrade Ablution Block.	10,000	Item	10,000	10,000
5.13	Repair damaged drainage grates.	1,000	Item	1,000	1,000
5.14	Maintenance to office, gatehouse.	5,000	Item	5,000	5,000
	<b>S/T</b>			78,000	55,000
	<b>REPAIR WORKS</b>	<b>S/T</b>		629,000	551,000

Item	Description	Rate \$US	Quantity	Total \$US	Revised Total US\$
	<b>MOB/DEMOB/HOUSING/OVERHEADS 20%</b>			125,000	110,000
	<b>CONSTRUCTION</b>	<b>S/T</b>		754,000	661,000
	<b>CONTINGENCY</b>	<b>10%</b>		75,000	
	<b>PROJECT MANAGEMENT &amp; DESIGN 10%</b>			75,000	50,000
	<b>TOTAL US\$</b>			<b>\$904,000</b>	<b>711,000</b>

#### Alotau Berth 2 (Coastal)

Item	Description	Rate \$US	Quantity	Total \$US	Revised Total US\$
1.	<b>Dredging</b> to RL-6.0 m				
1.1	Mob/Demob	35,000	Item	35,000	
1.2	Dredge by crane/grab	4.0	1,000	4,000	
	<b>S/T</b>			39,000	
2.	<b>Repair Deck</b> Note: 33% of soffit has spalled and probably 100% of lower steel is now useless in deck. Overlay has strengthened deck therefore leave. Beams appear OK.				
2.1	Surface repairs.	2,000	1 m <sup>3</sup>	2,000	2,000
2.2	Edge repairs.	2,000	2 m <sup>3</sup>	4,000	4,000
2.3	Replace ladders.	2,000	2 No.	4,000	4,000
	<b>S/T</b>			10,000	10,000
3.	<b>Fenders</b>				
3.1	New 300 Ø Fenders 2.4 m long with chains.	400	12 m	5,000	5,000
3.2	Renovate existing chains (minor)	2,000	Item	2,000	2,000
	<b>S/T</b>			7,000	7,000
4.	<b>Services &amp; Sheds</b>				
4.1	Check CP (Strobe type)	2,000	Item	2,000	
4.2	Firefighting incl. in Berth 1	–	–	–	
4.3	Shed 2 general maintenance.	5,000	Item	5,000	
4.4	Barge ramp reconstruction.	40,000	Item	40,000	40,000
	<b>S/T</b>			47,000	40,000
	<b>REPAIR WORKS</b>	<b>S/T</b>		103,000	57,000
	<b>MOB/DEMOB/HOUSING/OVERHEADS</b>			21,000	
	<b>CONSTRUCTION</b>	<b>S/T</b>		124,000	57,000
	<b>CONTINGENCY</b>	<b>10%</b>		12,000	
	<b>PROJECT MANAGEMENT &amp; DESIGN 10%</b>			12,000	5,000
	<b>TOTAL US\$</b>			<b>\$148,000</b>	<b>62,000</b>

#### Buka

Item	Description	Rate \$US	Quantity	Total \$US
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Item	Description	Rate \$US	Quantity	Total \$US	
1.	<b>Dredging RL - 6.0m CD</b>				
1.1	Mob/Demob. Crane & Grab.	40,000	Item	40,000	40,000
1.2	Dredge (hard)	8.0	1,000 m <sup>3</sup>	8,000	8,000
	<b>S/T</b>			48,000	48,000
2.	<b>Structural</b>				
2.1	Demolish deck & lower level stair.	100	204 m <sup>2</sup>	21,000	21,000
2.2	Concrete encase tops of piles.	2,800	18 No.	51,000	51,000
2.3	New deck to suit Arbilift + 25T Container (400 slab) assuming pile capacity is OK.	1,200	82 m <sup>3</sup>	100,000	100,000
2.4	Test piles	5,000	Item	5,000	5,000
2.5	Demolish top of fender piles & fender waler & remove collapsed pile.	4,000	Item	4,000	4,000
2.6	Cast fender panel over piles + encase piles.	1,170	60 m <sup>3</sup>	70,000	70,000
2.7	New 400 Arch. fenders to wharf.	900	15 No.	14,000	14,000
2.8	New 1,000 Cell + panels to dolphins.	6,000	2 No.	12,000	12,000
	<b>S/T</b>			277,000	277,000
3.	<b>Miscellaneous</b>				
3.1	Pavement regrading & drainage.	20,000	Item	20,000	20,000
3.2	Remove gabions & revet.	100	50	5,000	5,150
3.3	New small bollards for banana boats.	1,000	Item	1,000	1,000
3.4	New electrics/water supply shed & office clean up.	20,000	Item	20,000	20,000
	<b>S/T</b>			46,000	46,000
	<b>REPAIR WORKS</b>	<b>S/T</b>		371,000	371,000
	<b>MOB/DEMOB/HOUSING/OVERHEADS 20%</b>			75,000	75,000
	<b>CONSTRUCTION</b>	<b>S/T</b>		446,000	446,000
	<b>CONTINGENCY</b>	<b>10%</b>		45,000	45,000
	<b>PROJECT MANAGEMENT &amp; DESIGN 10%</b>			45,000	45,000
	<b>TOTAL US\$</b>			\$536,000	\$536,000.00

Note: The above costs are to reinstate the existing wharf for coastal usage only. A new wharf is currently being planned at this site which would increase the vessel size.

#### Kavieng

Item	Description	Rate \$US	Quantity	Total \$US	Revised Total \$US
1.	<b>Dredging to RL -11.0 m CD.</b>				
1.1	Mob/Demob. Crane + Grab.	50,000	Item	50,000	
1.2	Dredge.	4.0	500	2,000	
	<b>S/T</b>			52,000	
2.	<b>Structural</b>				

Item	Description	Rate \$US	Quantity	Total \$US	Revised Total \$US
2.1	Demolish & rebuild all pile muffs.	2,800	120 No.	336,000	336,000
2.2	Replace all deck steel beams 25OUC73 with 300 x 12 to lower flange; incl. demolition.	2,000	46 T	92,000	92,000
2.3	Repair spalls to deck soffit & fender panel.	13,000	20 m <sup>3</sup>	260,000	260,000
2.4	Repair woth/drummy areas of deck & chipped cope.	3,310	30 m <sup>3</sup>	100,000	100,000
2.5	Replace Upper/Lower berth stairway.	5,000	Item	5,000	5,000
2.6	Repair broken deck joints.	5,000	Item	5,000	5,000
	<b>S/T</b>			798,000	798,000
<b>3.</b>	<b>Fendering/Bollards/Services</b>				
3.1	New fendering 400 Arch incl. demolition of previous.	880	94 No.	83,000	83,000
3.2	New timber rubbing strips to small boat jetty.	90	25 m	3,000	3,000
3.3	Renew service hangers & rusty parts of valve platforms.	5,000	Item	5,000	5,000
3.4	Install CP to northern dolphin.	500	8 No.	4,000	4,000
3.5	New bolts to all bollards, + paint.	1,500	8 No.	12,000	12,000
	<b>S/T</b>			107,000	107,000
<b>4.</b>	<b>Miscellaneous</b>				
4.1	Upgrade electrics generally.	10,000	Item	10,000	10,000
4.2	Maintenance to lighting incl. masts.	10,000	Item	10,000	
4.3	New radio mast.	2,000	Item	2,000	
4.4	Renovate Sheds, Offices & Ablutions, Maybe demolish part of Shed 1.	100,000	Item	100,000	50,000
4.5	Pavement, 2 coat seal.	20	2,500 m <sup>2</sup>	50,000	50,000
4.6	Fire fighting upgrade.	5,000	Item	5,000	5,000
4.7	Replace fence	28	310 m	9,000	
	<b>S/T</b>			186,000	115,000
	<b>REPAIR WORKS</b>	<b>S/T</b>		1,143,000	1,020,000
	<b>MOB/DEMOB/HOUSING/OVERHEADS 10%</b>			115,000	100,000
	<b>CONSTRUCTION COST</b>	<b>S/T</b>		1,258,000	1,120,000
	<b>CONTINGENCY</b>	<b>10%</b>		125,000	
	<b>PROJECT MANAGEMENT &amp; DESIGN 10%</b>			125,000	40,000
	<b>TOTAL US\$</b>			<b>\$1,508,000</b>	<b>1,160,000</b>

Kieta (Overseas Berth 1)

Item	Description	Rate \$US	Quantity	Total \$US	Revised Total \$US
<b>1.</b>	<b>Dredging to RL -11.0 m CD.</b>				
1.1	Mob/Demob. Crane + Grab.	40,000	Item	40,000	
1.2	Dredge (incl. removal dumped vehicles)	4.0	6,000 m <sup>3</sup>	24,000	
	<b>S/T</b>			64,000	

Item	Description	Rate \$US	Quantity	Total \$US	Revised Total \$US
2.	<b>Structural</b>				
2.1	Extend pile encasements to LWM on 'Old' section piles.	3,800	42 No.	160,000	160,000
2.2	Chip & paint sheet piles.	60	360 m <sup>2</sup>	22,000	22,000
2.3	Concrete encase dolphin piles upper section.	8,000	Item	8,000	8,000
	<b>S/T</b>			190,000	190,000
3.	<b>Fendering/Bollards/Services</b>				
3.1	Ø 1,200 x 2.0 long fender with chains.	3,000	1 No.	3,000	3,000
3.2	New chains to Ø 1,200 x 2.0 long fender.	1,000	1 No.	1,000	1,000
3.3	New water service with hydrants.	60	300 m	18,000	18,000
	<b>S/T</b>			22,000	22,000
4.	<b>Miscellaneous</b>				
4.1	Remove burnt out sheds.	5	3,100 m <sup>2</sup>	16,000	16,000
4.2	Re-pave yard (part) & clean up (2 coat seal).	20	6,000 m <sup>2</sup>	120,000	120,000
4.3	Minor fence repairs.	28	100 m	3,000	
4.4	New electrics & lights.	30,000	Item	30,000	30,000
4.5	New ablutions, renovate gatehouse.	30,000	Item	30,000	30,000
	<b>S/T</b>			199,000	196,000
	<b>REPAIR WORKS</b>	<b>S/T</b>		475,000	408,000
	<b>MOB/DEMOB/HOUSING/OVERHEADS 30%</b>			140,000	140,000
	<b>CONSTRUCTION COST</b>	<b>S/T</b>		615,000	548,000
	<b>CONTINGENCY</b>	<b>10%</b>		60,000	
	<b>PROJECT MANAGEMENT &amp; DESIGN 10%</b>			60,000	20,000
	<b>TOTAL US\$</b>			\$735,000	568,000

Kieta (Coastal Berths 2 & 3)

Item	Description	Rate \$US	Quantity	Total \$US	Revised Total \$US
1.	<b>Dredging</b> to RL -6.0 m CD.				
1.1	Mob/Demob. Cutter suction dredge	250,000	Item	250,000	
1.2	Dredge (hard)	8	40,000	320,000	
		<b>S/T</b>		<b>570,000</b>	
2.	<b>Remove Wreck</b>	<b>S/T</b>	100,000	Item	100,000
3.	<b>Structural</b>				
3.1	Demolish & replace pile muffs (B2)	3,000	12 No.	36,000	36,000
3.2	Overhead repairs to Berth 3 lower section slab soffit.	7,000	70 m <sup>3</sup>	490,000	490,000
		<b>S/T</b>		<b>526,000</b>	<b>526,000</b>
4.	<b>Fendering/Bollards/Services</b>				
4.1	New fendering to Berth 3 200 x 2.4 m long incl. chains.	300	163 m	49,000	49,000
4.2	Repair fendering to Berth 2.	300	15 m	5,000	5,000
4.3	Check bollards.	3,000	Item	3,000	3,000
4.4	New water service with hydrants.	60	200 m	12,000	12,000
		<b>S/T</b>		<b>69,000</b>	<b>69,000</b>
5.	<b>Miscellaneous</b>				
5.1	Concrete encased top of dolphin piles.	4,000	2 No.	8,000	8,000
5.2	Remove burnt out shed.	5	374 m <sup>2</sup>	2,000	2,000
5.3	Re-pave yard (part) & clean up.	20	2,000 m <sup>2</sup>	40,000	40,000
5.5	New electrics/lights.	20,000	Item	20,000	20,000
		<b>S/T</b>		<b>70,000</b>	<b>70,000</b>
	<b>REPAIR WORKS</b>	<b>S/T</b>		<b>1,335,000</b>	<b>665,000</b>
	<b>MOB/DEMOB/HOUSING/OVERHEADS 30%</b>			<b>400,000</b>	
	<b>CONSTRUCTION COST</b>	<b>S/T</b>		<b>1,735,000</b>	<b>665,000</b>
	<b>CONTINGENCY</b>	<b>10%</b>		<b>175,000</b>	
	<b>PROJECT MANAGEMENT &amp; DESIGN 10%</b>			<b>175,000</b>	<b>40,000</b>
	<b>TOTAL US\$</b>			<b>\$2,085,000</b>	<b>705,000</b>

Kimbe (Overseas)

Item	Description	Rate \$US	Quantity	Total \$US	Revised Total \$US
1.	<b>Structural</b>				
1.1	Blast & Paint to Ø 500 piles in splash zone to old NW portion of Berth 1 68 * 0.5 π * 0.5.	80	60 m <sup>2</sup>	5,000	5,000
1.2	Repair impact spall to soffit & minor chipping to cope.	13,000	0.5 m <sup>3</sup>	7,000	7,000
	<b>S/T</b>			12,000	12,000
2.	<b>Fendering</b>				
2.1	New fenders 400 Arch x 1.0 to Berth 2.	880	42 No.	37,000	37,000
	<b>S/T</b>				
3.	<b>Dolphins (SE Mooring Dolphin)</b>				
3.1	Blast & Paint to Ø 500 piles in splash zone.	80	10	1,000	1,090
3.2	New ladder	1,000	1 No.	1,000	1,000
	<b>S/T</b>			2,000	2,000
4.	<b>Miscellaneous</b>				
4.1	Correct settled area to paving adjacent to access bridge abutment.	100	100 m <sup>2</sup>	10,000	10,000
4.2	Cathodic Protection to Dolphins piles.	500	14 No.	7,000	7,000
4.3	Minor electrical/lights maintenance.	2,000	Item	2,000	
4.4	Kerbing renovation in places.	55	10 m	1,000	1,000
4.5	Passenger terminal building.	400	100 m <sup>2</sup>	40,000	40,000
	<b>S/T</b>			60,000	58,000
	<b>REPAIR WORKS</b>	<b>S/T</b>		111,000	109,000
	<b>MOB/DEMOB/HOUSING/OVERHEADS 10%</b>			12,000	12,000
	<b>CONSTRUCTION COST</b>	<b>S/T</b>		123,000	121,000
	<b>CONTINGENCY</b>	<b>10%</b>		12,000	
	<b>PROJECT MANAGEMENT &amp; DESIGN 10%</b>			12,000	3,000
	<b>TOTAL US\$</b>			\$147,000	124,000

Kimbe (Coastal)

Item	Description	Rate \$US	Quantity	Total \$US	Revised Total \$US
1.	<b>Structural</b>				
1.1	Repair chipped deck cope.	3,310	0.9 m <sup>3</sup>	3,000	3,000
1.2	Repair rust to bollards & cleats.	2,000	Item	2,000	2,000
1.3	New 5 T cleat to Berth 5 lower level.	1,000	1 No.	1,000	1,000
1.4	New kerbing.	55	140 m	8,000	8,000
1.5	New fendering to wharf ends 200 D.	300	18 m	6,000	6,000
	<b>S/T</b>			20,000	20,000
	<b>MOB/DEMOB/HOUSING/OVERHEADS 20%</b>			4,000	
	<b>CONSTRUCTION</b>	<b>S/T</b>		24,000	20,000

Item	Description	Rate \$US	Quantity	Total \$US	Revised Total \$US
<b>PROJECT MANAGEMENT &amp; DESIGN 10%</b>				3,000	1,000
<b>CONTINGENCY 10%</b>				3,000	
<b>TOTAL US\$</b>				<b>\$30,000</b>	<b>21,000</b>
<b>Lae Berths 1, 2 &amp; 3 (Overseas)</b>					
Item	Description	Rate \$US	Quantity	Total \$US	
1.	<b>Dredging</b> to RL 11.0 m CD				
1.1	Mob/Demob	50,000	Item	50,000	
1.2	Dredge by crane/grab	2.0	5,000 m <sup>3</sup>	10,000	
<b>S/T</b>				<b>60,000</b>	
2.	<b>Demolish Berth 1 &amp; Build Replacement to suit Container Traffic</b>				
2.1	Demolish Berth 1:				
	(a) Piles	1,000	170 No.	170,000	
	(b) Deck	100	1,500 m <sup>2</sup>	150,000	
2.2	Remove new fendering system to store, also bollards.	1,000	110 m	110,000	110,000
2.3	New 130 m x 23 m wharf complete with recycled fendering.	1,200	2,990 m <sup>2</sup>	3,600,000	
2.4	Demolish Sheds 1A & 1B	5	2,024 m <sup>2</sup>	10,000	10,000
2.5	Pave to Sheds 1A & 1B sites with block paving.	100	2,024	203,000	205,124
<b>S/T</b>				<b>4,243,000</b>	<b>323,000</b>
3.	<b>Repair Pile Heads (Concrete encase) to Berths 2-3 Old mid section</b>				
3.1	Pile "muffs" (difficult conditions) incl. deck reinstatement	3,800	561	2,132,000	2,136,361
<b>S/T</b>					
4.	<b>Sheetpile abutment to Berths 2 &amp; 3 to prevent washout assume AZ18 Piles</b>				
4.1	Mob/Demob Rig	30,000	Item	30,000	30,000
4.2	Sheetpile wall (8 m long) incl. anchors	235	3,820 m <sup>2</sup>	897,000	897,000
4.3	Tie rods, walings	2,500	65T	163,000	163,000
4.4	Concrete capping	350	540 m <sup>2</sup>	189,000	189,000
4.5	CP to sheetpile wall	34	3,810 m <sup>2</sup>	130,000	130,000
4.6	Demolish & reinstate approach slab and pavement	1,000	1,000 m <sup>2</sup>	1,000,000	1,000,000
<b>S/T</b>				<b>2,409,000</b>	<b>2,409,000</b>
5.	<b>Miscellaneous</b>				
5.1	Replace damaged 500 Arch fenders.	1,000	5 No.	5,000	5,000
5.2	Concrete muffs to Dolphin 2 pile heads.	2,800	12 No.	34,000	34,000
5.3	Minor repairs to cope, catwalk, deck joint.	2,000	Item	2,000	2,000
5.4	Renovate CP system.	5,000	Item	5,000	5,000

Item	Description	Rate \$US	Quantity	Total \$US	
5.5	Minor repairs to sheds, pavement and one light tower.	5,000	Item	5,000	5,000
5.6	Improved nav. lights for night time berthing.	10,000	Item	10,000	10,000
5.7	Upgrade Ablutions.	10,000	Item	10,000	10,000
5.8	Repairs to gatehouse, offices & fences.	5,000	Item	5,000	5,000
	<b>S/T</b>			76,000	76,000
	<b>REPAIR WORKS</b>	<b>S/T</b>		8,920,000	4,940,000
	<b>MOB/DEMOB/HOUSING/OVERHEADS 17.5%</b>			1,561,000	500,000
	<b>CONSTRUCTION</b>	<b>S/T</b>		10,481,000	5,440,000
	<b>CONTINGENCY</b>	<b>10%</b>		1,000,000	
	<b>PROJECT MANAGEMENT &amp; DESIGN 7.5%</b>			750,000	250,000
	<b>TOTAL US\$</b>			\$12,231,000	5,690,000

#### Lae Berths 4 & 5 (Coastal)

Item	Description	Rate \$US	Quantity	Total \$US	Revised Total \$US	
1.	<b>Dredging</b> to RL -6.0 m CD (Berth 4 only)					
1.1	Mob/Demob	35,000	Item	35,000		
1.2	Dredge by crane/grab	2.0	2,000 m <sup>3</sup>	4,000		
	<b>S/T</b>			39,000		
2.	<b>Rebuild Barge Ramp</b>	<b>S/T</b>	30,000	Item	30,000	30,000
3.	<b>Miscellaneous</b>					
3.1	Minor fender & cope repairs.	5,000	Item	5,000	5,000	
3.2	Minor services repairs (rust, hangers etc.)	2,000	Item	2,000	2,000	
3.3	Minor repairs to Sheds 4 & 7	5,000	Item	5,000	5,000	
	<b>S/T</b>			12,000	12,000	
	<b>REPAIR WORKS</b>	<b>S/T</b>		81,000	42,000	
	<b>MOB/DEMOB/HOUSING/OVERHEADS 20%</b>			16,000		
	<b>CONSTRUCTION</b>	<b>S/T</b>		97,000	42,000	
	<b>CONTINGENCY</b>	<b>10%</b>		10,000		
	<b>PROJECT MANAGEMENT &amp; DESIGN 10%</b>			10,000	3,000	
	<b>TOTAL US\$</b>			\$117,000	45,000	

#### Lae Tanker Berth

Item	Description	Rate \$US	Quantity	Total \$US	Revised Total \$US
1.	<b>Dredging</b> to RL -11.0 m CD				
1.1	Mob/Demob (Floating dredge)	200,000	Item	200,000	
1.2	Dredge TSHD	5.0	10,000	50,000	

Item	Description	Rate \$US	Quantity	Total \$US	Revised Total \$US
<b>S/T</b>				250,000	
2.	<b>Miscellaneous</b>				
2.1	Concrete muffs to Dolphin Piles (3, 4, 5 & 6)	2,800	48	134,000	136,848
2.2	New panels to Suc 1600 fendersrs	10,000	4	40,000	50,004
2.3	Catwalk & minor kerb repairs	2,000	Item	2,000	2,000
<b>S/T</b>				176,000	176,000
<b>REPAIR WORKS</b>				426,000	176,000
<b>MOB/DEMOB/HOUSING/OVERHEADS 20%</b>				85,000	40,000
<b>CONSTRUCTION</b>				511,000	216,000
<b>CONTINGENCY 10%</b>				50,000	
<b>PROJECT MANAGEMENT &amp; DESIGN 10%</b>				50,000	15,000
<b>TOTAL US\$</b>				611,000	231,000
<b>Madang Berth 1 (Overseas)</b>					
Item	Description	Rate \$US	Quantity	Total \$US	Revised Total \$US
1.	<b>Dredging</b> to RL -11.0 m CD. Once only capital dredging to centre of face.				
1.1	Mob/Demob	35,000	Item	35,000	
1.2	Dredge using crane + grab (prob. hard coral).	20.0	250 m <sup>3</sup>	5,000	
<b>S/T</b>				40,000	
2.	<b>Superstructure</b>				
2.1	Repair 15% of worst pile heads by concrete encasement.	2,800	85 No.	238,000	238,000
3.	<b>Superstructure</b>				
3.1	Renovate kerb, including face with steel rail kerb.	100	220 m	22,000	22,000
3.2	Replace 800 Arch x 1.8 m fenders to corners	4,000	3 No.	12,000	12,000
3.3	Replace 400 Arch x 1.8 m fenders to face .	1,600	12 No.	19,000	19,000
3.4	Check Bollards and replace rusty ones; replace rusty bolts.	10,000	Item	10,000	10,000
<b>S/T</b>				63,000	63,000
4.	<b>Miscellaneous</b>				
4.1	General maintenance to sheds.	10,000	Item	10,000	
4.2	Ablutions/Mess upgrade.	10,000	Item	10,000	
4.3	Fence & Gate maintenance.	5,000	Item	5,000	
4.4	Pavement to container yards (2 coat seal).	20	5,000 m <sup>2</sup>	100,000	100,000
4.5	Electrical/Lights upgrade.	5,000	Item	5,000	5,000
4.6	Revetment to eroding areas.	50	1,000 m <sup>2</sup>	50,000	50,000
4.7	Office renovations.	5,000	Item	5,000	5,000

Item	Description	Rate \$US	Quantity	Total \$US	Revised Total \$US
4.8	Berth 3 maintenance/repairs (Chip & Paint, bollards, xxx, dredge).	10,000	Item	10,000	10,000
	<b>S/T</b>			195,000	170,000
	<b>REPAIR WORKS</b>	<b>S/T</b>		536,000	471,000
	<b>MOB/DEMOB/HOUSING/OVERHEADS 20%</b>			107,000	50,000
	<b>CONSTRUCTION</b>	<b>S/T</b>		643,000	521,000
	<b>CONTINGENCY</b>	<b>10%</b>		64,000	
	<b>PROJECT MANAGEMENT &amp; DESIGN 10%</b>			64,000	20,000
	<b>TOTAL US\$</b>			<b>\$771,000</b>	<b>541,000</b>

#### Madang Berth 2 (Coastal)

Item	Description	Rate \$US	Quantity	Total \$US	
1.	<b>Dredging</b> to RL 6.0 m CD.				
1.1	Mob/Demob	35,000	Item	35,000	
1.2	Dredge using crane + grab (hard ?)	20.0	100 m <sup>3</sup>	2,000	
	<b>S/T</b>			37,000	
2.	<b>Structural</b>				
2.1	Demolish & renew pile muffs.	3,800	48 No.	182,000	182,000
2.2	Repair damaged fender panel.	5,000	Item	5,000	5,000
2.3	Renew kerb.	100	100 m	10,000	10,000
2.4	Renew 70% fenders Ø 250	300	60 m	18,000	18,000
	<b>S/T</b>			215,000	215,000
	<b>REPAIR WORKS</b>	<b>S/T</b>		252,000	215,000
	<b>MOB/DEMOB/HOUSING/OVERHEADS 20%</b>			50,000	
	<b>CONSTRUCTION</b>	<b>S/T</b>		302,000	215,000
	<b>CONTINGENCY</b>	<b>10%</b>		30,000	
	<b>PROJECT MANAGEMENT &amp; DESIGN 10%</b>			30,000	10,000
	<b>TOTAL US\$</b>			<b>\$362,000</b>	<b>225,000</b>

#### Oro Bay

Item	Description	Rate \$US	Quantity	Total \$US	
1.	<b>Deck &amp; Access Bridges/&amp; Pile Caps</b>				
1.1	Minor repairs to cope & corners, joint slab	3,310	1.2 m <sup>3</sup>	4,000	4,000
1.2	Replace ladders.	1,000	3 No.	3,000	3,000
1.3	<b>Install Cathodic Protection (Passive)</b>	4,000	Item	4,000	4,000
1.4	Chip & Paint:				
	(a) Catwalk bearings			incl.	
	(b) NE Access beams	40	215 m <sup>2</sup>	9,000	9,000

Item	Description	Rate \$US	Quantity	Total \$US	
	(c) Services Supports	80	10 m <sup>2</sup>	1,000	1,000
	(d) Cylindrical fender holders.	80	14 m <sup>2</sup>	2,000	2,000
1.5	Replace Sth West Access bridge abutment deck joint.	1,000	Item	1,000	1,000
1.6	Check, chip & Paint & replace if necessary fender & fender panel bolts.	3,000	Item	3,000	3,000
1.7	Replace Sth West Access steel girders 4 No. 1000WB200/span approx., web & bearing stiffeners (current girders:lower flanges ½ rusted).	3,000	35 t	105,000	105,000
	<b>S/T</b>			132,000	132,000
<b>2.</b>	<b>Miscellaneous</b>				
2.1	Barge ramp reconstruction.	40,000	Item	40,000	40,000
2.2	Repairs to revetment.	5,000	Item	5,000	5,000
2.3	Shed 1 general maintenance.	10,000	Item	10,000	10,000
2.4	Upgrade ablutions & amenities.	10,000	Item	10,000	10,000
2.5	Repair 15% of fence + gate.	28	60 m <sup>2</sup>	2,000	2,000
2.6	Repair pavement & drainage to container yard & seal.	20	6,000 m <sup>2</sup>	120,000	120,000
	<b>S/T</b>			187,000	187,000
	<b>REPAIR WORKS</b>			319,000	319,000
	<b>MOB/DEMOB/HOUSING/OVERHEADS 20%</b>			65,000	65,000
	<b>CONSTRUCTION</b>			384,000	384,000
	<b>CONTINGENCY 10%</b>			40,000	
	<b>PROJECT MANAGEMENT &amp; DESIGN 10%</b>			40,000	10,000
	<b>TOTAL US\$</b>			464,000	394,000

Port Moresby Main Wharf 1, 2, 3A & 3B

Item	Description	Rate \$US	Quantity	Total \$US	Revised Total \$US
<b>1.</b>	<b>Dredging to RL – 11.0 m CD</b>				
1.1	Mob/Demob	25,000	1 No.	25,000	
1.2	Dredge by crane/grab	2.0	400 m <sup>3</sup>	1,000	
	<b>S/T</b>			26,000	
<b>2.</b>	<b>Repair Pile Heads (Cracked, Spalls)</b>				
	10% of existing muffs + new muffs to all rakers. Demolish existing & rebuild. Reinf. conc. prepacked muffs.				
2.1	New muffs to Rakers.	2,800	40 No.	112,000	112,000
2.2	Rebuild old muffs to Verticals	3,800	78 No.	297,000	297,000
	<b>S/T</b>			409,000	409,000
<b>3.</b>	<b>Repair Deck Slab (Spalls, Delaminations.)</b>				
	10% upper face, 1% soffit, 125 deep.				

Item	Description	Rate \$US	Quantity	Total \$US	Revised Total \$US
3.1	Chip & Paint rust areas to steel beams.	80	1,000 m <sup>2</sup>	80,000	80,000
3.2	Overhead (68 m <sup>2</sup> * 0.125 m = 8 m <sup>3</sup> )	13,000	8 m <sup>3</sup>	104,000	104,000
3.3	Down 680 m <sup>2</sup> * 0.125 m = 85 m <sup>3</sup> )	2,000	85 m <sup>3</sup>	170,000	170,000
3.4	Steel rail kerbs to wharf	100	400 m	40,000	40,000
3.5	Repair concrete kerb to access	3,300	8 m <sup>3</sup>	26,000	26,000
	<b>S/T</b>			420,000	420,000
4.	<b>Fenders</b> (complete replacement)				
4.1	Demolish timber fender piles	500	160 No.	80,000	80,000
4.2	Demolish fender beams	50	500 m	25,000	25,000
4.3	Demolish deck edge for fender panels (Berths 1 & 2)	30	81 m <sup>3</sup>	3,000	3,000
4.4	Fender panels @ 6 m ctrs. + 3 each end front face only (Berths 1 & 2)	650	81 m <sup>3</sup>	53,000	53,000
4.5	Arch fenders 800 * 1.0 m incl. fixing (Berths 1 & 2)	2,000	45 No.	90,000	90,000
4.6	Demolish deck edge for fender panels (Berths 3A & 3B).	30	72 m <sup>3</sup>	3,000	3,000
4.7	Fender panels 40 No. (Berths 3A & 3B)	650	72 m <sup>3</sup>	47,000	47,000
4.8	Arch. fenders 400 x 1,000 incl. fix. (Berths 3A & 3B)	880	40 No.	36,000	36,000
4.9	Steel/timber rubbing structure to seaward end access bridge both sides.	1,000	80 m	80,000	80,000
	<b>S/T</b>			417,000	417,000
5.	<b>BOLLARDS</b> Rebolt all, 2 new				
5.1	New 30T	3,000	2 No.	6,000	6,000
5.2	Rebolt 30T	1,000	17 No.	17,000	17,000
5.3	Rebolt 10T cleats	1,000	18 No.	18,000	18,000
	<b>S/T</b>			41,000	41,000
6.	<b>DOLPHIN</b> Replace complete				
6.1	Demolish existing	5,000	1 No.	5,000	5,000
6.2	New dolphin with 30T Bollard, ladder & 400 Arch. fender	50,000	1 No.	50,000	50,000
	<b>S/T</b>			55,000	55,000
7.	<b>SERVICES &amp; MISC.</b>				
7.1	Service Pits in deck	2,000	8 No.	16,000	16,000
7.2	Rehang services/check CP (Strobe)	10,000	Item	10,000	10,000
7.3	Ladders	2,000	4 No.	8,000	8,000
7.4	Hose Reels on deck	2,000	4 No.	8,000	8,000
	<b>S/T</b>			42,000	42,000
8.	<b>BUILDINGS</b>				
8.1	New Toilet Block (or upgrade)	30,000	Item	30,000	30,000
8.2	Amenities Block next door upgrade.	30,000	Item	30,000	30,000
8.3	Gatehouse minor repairs.	6,000	Item	6,000	6,000

Item	Description	Rate \$US	Quantity	Total \$US	Revised Total \$US
8.4	Shed 1 minor repairs & upgrade.	10,000	Item	10,000	
8.5	Shed 2 – Repair broken doors, holes in roof, some external corrosion, lighting.	50,000	Item	50,000	50,000
8.6	Shed 3 – Concrete floor, ½ reclad, lighting.	300,000	Item	300,000	300,000
8.7	Renovate 5% of fence.	28	30 m	1,000	
	<b>S/T</b>			427,000	410,000
9.	<b>CIVIL WORKS – Minor repairs</b>				
9.1	Pavement	100	300 m <sup>2</sup>	30,000	30,000
9.2	Minor drainage	30,000	Item	30,000	30,000
	<b>S/T</b>			60,000	60,000
	<b>REPAIR WORKS</b>	<b>S/T</b>		1,897,000	1,854,000
	<b>MOB/DEMOB/HOUSING/OVERHEADS 20%</b>			380,000	200,000
	<b>CONSTRUCTION</b>	<b>S/T</b>		2,277,000	2,054,000
	<b>CONTINGENCY</b>	<b>10%</b>		230,000	
	<b>PROJECT MANAGEMENT &amp; DESIGN 10%</b>			230,000	70,000
	<b>TOTAL US\$</b>			\$2,737,000	2,124,000

Port Moresby Container Wharf 4A

Item	Description	Rate \$US	Quantity	Total \$US	Revised Total \$US
1.	<b>Dredging</b> to RL – 11.0 m CD				
1.1	Mob/Demob	25,000	1	25,000	
1.2	Dredge by crane/grab	2.0	200 m	1,000	
	<b>S/T</b>			26,000	
2.	<b>Fenders</b> Replace 4 damaged				
2.1	SM800H * 1.0 Arch Fender	2,000	4 No	8,000	8,000
3.	<b>Bollards</b> Replace yielded				
3.1	Bolts – 8 bollards 3OT	1,000	8 No.	8,000	8,000
4.	<b>Deck</b>				
4.1	Replace corroded service trench covers & surrounds	600	125 m	75,000	75,000
4.2	Replace Service Pit Covers	500	2 No.	1,000	1,000
4.3	Ladders	2,000	2 No.	4,000	4,000
4.4	Steel Rail Kerb replacement to ends of wharf	100	60 m	6,000	6,000
4.5	Steel edge protection to face.	100	125 m	13,000	13,000
4.6	Repair deck delamination (1%) & column capitals.	3,300	40 m <sup>3</sup>	132,000	132,000
				231,000	231,000
5.	<b>Civil Works &amp; Misc.</b>				
5.1	Minor Paving	50	200 m <sup>2</sup>	10,000	10,000
5.2	Repair Covers to 2 pits	500	2 No.	1,000	1,000

Item	Description	Rate \$US	Quantity	Total \$US	Revised Total \$US
5.3	Minor upgrades to Sheds and fire lighting, Check CP (Strobe type).	10,000	Item	10,000	10,000
				21,000	21,000
	<b>REPAIR WORKS</b>	<b>S/T</b>		294,000	268,000
	<b>MOB/DEMOB/HOUSING/OVERHEADS 20%</b>			60,000	
	<b>CONSTRUCTION</b>	<b>S/T</b>		354,000	268,000
	<b>CONTINGENCY</b>	<b>10%</b>		35,000	
	<b>PROJECT MANAGEMENT &amp; DESIGN 10%</b>			35,000	10,000
	<b>TOTAL US\$</b>			<b>\$424,000</b>	<b>278,000</b>

Port Moresby Barge Wharf 4B

Item	Description	Rate \$US	Quantity	Total \$US	Revised Total \$US	
1.	<b>Dredging</b> to -6.0 m CD					
1.1	Mob/Demob	25,000	Item	25,000		
1.2	Dredge by crane/grab (some by barge)	10	2,000	20,000		
				45,000		
2.	<b>Piles</b> (Chip & Paint) – some underwater	100	100	10,000	10,200	
3.	<b>Deck</b> (Repair chipped edges)	<b>S/T</b>	3,300	2	7,000	7,000
4.	<b>Fenders</b>					
4.1	Replace facing panel to 800 Double Cell @ corner.	3,000	Item	3,000	3,000	
4.2	<b>Replace fender panel hanger supports.</b>	5,000	Item	5,000	5,000	
4.3	Replace 400 Arch	2,000	Item	2,000	2,000	
				10,000	10,000	
5.	<b>Bollards</b> – Replace bolts	<b>S/T</b>	1,000	4	4,000	4,000
	<b>REPAIR 4B</b>			76,000	31,000	
	<b>PILOT/LINE BOAT FACILITIES MAINTENANCE (EST)</b>			20,000	20,000	
	<b>MOB/DEMOB/HOUSING/OVERHEADS 20%</b>			20,000	20,000	
	<b>CONSTRUCTION</b>	<b>S/T</b>		116,000	71,000	
	<b>CONTINGENCY</b>	<b>10%</b>		12,000		
	<b>PROJECT MANAGEMENT &amp; DESIGN 10%</b>			12,000	10,000	
	<b>TOTAL US\$</b>			<b>\$140,000</b>	<b>81,000</b>	

Rabaul (Eastern Wharf “Blanche Street”) (Berth 1)

Item	Description	Rate \$US	Quantity	Total \$US	Revised Total \$US
1.	<b>Dredging</b> to RL -11.0 m CD. (Likely to be an ongoing item)				

Item	Description	Rate \$US	Quantity	Total \$US	Revised Total \$US
1.1	Mob/Demob. trailer dredge	200,000	Item	200,000	
1.2	Dredge.	3.0	25,000 m <sup>3</sup>	75,000	
<b>S/T</b>				275,000	
<b>2.</b>	<b>Structural</b>				
<b>A</b>	<b>Bent Pile replacement</b>				
2.1	Demolish two bent piles.	2,000	2 No.	4,000	4,000
2.2	Mob/Demob. Pile Rig.	30,000	Item	30,000	30,000
2.3	Supply 500 CHS12 x 25 m.	2,000	8 T	16,000	16,000
2.4	Set up, drive, cut off.	50	25 m	1,000	1,000
2.5	Test.	10	25 m	1,000	1,000
<b>B</b>	<b>Corroded pile investigation &amp; repair.</b> Assuming that most piles are just OK allow to replace 10%.				
2.6	Inspect & test all piles.	30	114 No.	4,000	4,000
2.7	Supply 500 CHS12 x 25 m (12 No.)	2,000	45 T	90,000	90,000
2.8	Set up, drive, cut off.	50	150 m	8,000	8,000
2.9	Test.	10	150 m	2,000	2,000
2.10	Clean pile, apply Densotape & Seashield (104) 6 m av.	100	625 m	63,000	63,000
<b>C</b>	<b>Replace pile head muffs.</b>				
2.11	Demolish & replace.	2,800	114 No.	320,000	320,000
<b>D</b>	<b>Replace all steel beams.</b>				
2.12	Replace 610UB125 with 200 x 20 doubler. (12 x 13 x 2 x 9 x 25), 160 kg/m	2,000	90T	180,000	180,000
<b>E</b>	<b>Deck Repair.</b>				
2.13	Overhead repairs to soffit, fender panels & soffit.	13,000	13 m <sup>3</sup>	169,000	169,000
2.14	Deck surface repairs incl. kerbs.	3,500	4 m <sup>3</sup>	14,000	14,000
<b>S/T</b>				902,000	902,000
<b>3.</b>	<b>Fendering/Bollards/Services</b>				
3.1	Replace 1 + 2 new 500 Arch x 1.2 m fenders.	1,000	3 No.	3,000	3,000
3.2	Replace all lower fender bolts.	400	45 m	18,000	18,000
3.3	Replace all bollard bolts.	1,000	6 No.	6,000	6,000
3.4	New 30T Bollard.	2,000	1 No.	2,000	2,000
3.5	New Ø 100 Steel Water line incl. hangers.	80	200 m	16,000	16,000
3.6	Renew electrics.	20,000	Item	20,000	20,000
3.7	Renew fuel line supports.	5,000	Item	5,000	5,000
3.8	New Service Pit Covers.	500	12 No.	6,000	6,000
3.9	Impressed current CP.	8	1,000 m <sup>2</sup>	8,000	8,000
3.10	New kerbs (steel rail type) to face.	55	133	8,000	8,000
<b>S/T</b>				92,000	92,000
<b>4.</b>	<b>Miscellaneous</b>				

Item	Description	Rate \$US	Quantity	Total \$US	Revised Total \$US
4.1	Repair doors & cladding to Shed 1 & 3 incl. electrics.	50	4,000 m <sup>2</sup>	200,000	200,000
4.2	Repair lighting masts.	30,000	Item	30,000	30,000
4.3	Standby Generator (frequent blackouts).	25,000	Item	25,000	25,000
4.4	Renovate offices/ablutions.	30,000	Item	30,000	30,000
4.5	Paving repairs.	20	100 m <sup>2</sup>	2,000	2,000
4.7	Ladders to wharf.	1,000	2 No.	2,000	2,000
4.8	New fence (post bases are rusted out)	28	300 m	9,000	9,000
	<b>S/T</b>			298,000	298,000
	<b>REPAIR WORKS</b>	<b>S/T</b>		1,567,000	1,292,000
	<b>MOB/DEMOB/HOUSING/OVERHEADS 20%</b>			314,000	314,000
	<b>CONSTRUCTION COST</b>	<b>S/T</b>		1,881,000	1,606,000
	<b>CONTINGENCY</b>	<b>10%</b>		188,000	
	<b>PROJECT MANAGEMENT &amp; DESIGN 10%</b>			188,000	60,000
	<b>TOTAL US\$</b>			\$2,257,000	\$1,666,000

Rabaul (Western Wharf "Bay Road") (Berth 2)

Item	Description	Rate \$US	Quantity	Total \$US	Revised Total \$US
1.	<b>Dredging</b> to RL -11.0 m CD				
1.1	Mob/Demob. Crane & Grab.	30,000	Item	30,000	
1.2	Dredge.	2.0	3,000 m <sup>3</sup>	6,000	
	<b>S/T</b>			<b>36,000</b>	
2.	<b>Structural</b> (incl. Dolphin)				
2.1	Encase tops of all piles	2,800	350 No.	980,000	980,000
2.2	Overhead repairs to soffit, fender panel (5%)	13,000	30 m <sup>3</sup>	390,000	390,000
2.3	Repairs to deck surface, especially cope.	3,310	10 m <sup>3</sup>	33,000	33,000
	<b>S/T</b>			<b>1,403,000</b>	<b>1,403,000</b>
3.	<b>Fendering/Bollards/Services</b>				
3.1	Replace 75% of 400 Arch.fenders (1.0 m long).	880	48 No.	43,000	43,000
3.2	Replace bolts to remaining 25% of fenders.	400	16 No.	7,000	7,000
3.3	Replace all bollards incl. Dolphin 30T incl. removal of existing.	4,000	14 No.	56,000	56,000
3.4	New Ø 100 steel water line	80	250 m	20,000	20,000
3.5	Renew electrics.	20,000	Item	20,000	20,000
3.6	Renew fuel line supports.	5,000	Item	5,000	5,000
3.7	New Service Pit Covers.	500	12 No.	6,000	6,000
3.8	Impressed current CP.	8	1,300 m <sup>2</sup>	10,000	10,000
3.9	Replace kerb.	40	768 m	32,000	32,000
3.10	Ladders to wharf.	1,000	3 No.	3,000	3,000
	<b>S/T</b>			<b>202,000</b>	<b>202,000</b>
4.	<b>Miscellaneous</b>				
4.1	Repairs to doors & cladding to Shed 2.	50	5,400 m <sup>2</sup>	270,000	270,000
4.2	Repair lighting masts.	20,000	Item	20,000	20,000
4.3	Renovate offices/ablutions (or new).	30,000	Item	30,000	30,000
4.4	Paving clean up.	15	15,000	225,000	225,000
4.5	General clean up.	20,000	Item	20,000	20,000
4.6	New fence (post buses rusted out).	28	900	26,000	26,000
	<b>S/T</b>			<b>591,000</b>	<b>591,000</b>
	<b>REPAIR WORKS</b>	<b>S/T</b>		<b>2,232,000</b>	<b>2,196,000</b>
	<b>MOB/DEMOB/HOUSING/OVERHEADS 20%</b>			<b>450,000</b>	<b>150,000</b>
	<b>CONSTRUCTION COST</b>	<b>S/T</b>		<b>2,682,000</b>	<b>2,346,000</b>
	<b>CONTINGENCY</b>	<b>10%</b>		<b>270,000</b>	
	<b>PROJECT MANAGEMENT &amp; DESIGN 10%</b>			<b>270,000</b>	<b>90,000</b>
	<b>TOTAL US\$</b>			<b>\$3,222,000</b>	<b>2,436,000</b>

Vanimo

Item	Description	Rate \$US	Quantity	Total \$US	Revised Total \$US
1.	<b>Dredging</b> to RL -6.0 in CD. (Will be ongoing).				
1.1	Mob/Demob small trailer dredge	200,000	Item	200,000	
1.2	Dredge	4.0	15,000	60,000	
	<b>S/T</b>			260,000	
2.	<b>Structural</b> – New portion of wharf				
2.1	Minor chip & paint to pile heads.	3,000	Item	3,000	3,000
2.2	Replace 1 300 Arch fender.	1000	1 No.	1,000	1,000
2.3	Install passive CP to all piles	500	29 No.	15,000	15,000
	<b>S/T</b>			19,000	19,000
3.	<b>Structural</b> – Old portion of wharf				
3.1	Pile muffs.	2,800	12 No.	34,000	34,000
3.2	Repair spalling to bottom of beams	13,000	3 m <sup>3</sup>	39,000	39,000
3.3	New fender panels installed.	800	14 m <sup>3</sup>	11,000	11,000
3.4	New 400 arch fenders, 1.8 m long.	1,600	5 No.	8,000	8,000
3.5	New bollard bolts.	1,000	3 No.	3,000	3,000
3.6	Install passive CP to all piles.	500	12 No.	6,000	6,000
3.7	New kerbs (steel rail)	100	39 m	4,000	4,000
3.8	Repair chipped cope.	3,310	0.5 m <sup>3</sup>	2,000	2,000
	<b>S/T</b>			107,000	107,000
4.	<b>Miscellaneous</b>				
4.1	Shed & office maintenance (minor)	2,000	Item	2,000	2,000
4.2	Minor electrical upgrade.	2,000	Item	2,000	2,000
4.3	Replace rusty light pole near office	4,000	Item	4,000	4,000
	<b>S/T</b>			8,000	8,000
	<b>REPAIR WORKS</b>	<b>S/T</b>		394,000	134,000
	<b>MOB/DEMOB/HOUSING/OVERHEADS 20%</b>			80,000	60,000
	<b>CONSTRUCTION COST</b>	<b>S/T</b>		474,000	194,000
	<b>CONTINGENCY</b>	<b>10%</b>		50,000	
	<b>PROJECT MANAGEMENT &amp; DESIGN 10%</b>			50,000	50,000
	<b>TOTAL US\$</b>			574,000	244,000

Wewak Berth 1 (Overseas) (Berth 2 & Barge Ramp included)

Item	Description	Rate \$US	Quantity	Total \$US	Revised Total \$US
1.	<b>Dredging</b> to RL -11.0 m CD.				
1.1	Mob/Demob. (small trailer dredge)	200,000	Item	200,000	
1.2	Dredge Berth 1 by trailer dredge (Berth 2 and ramp by crane/grab).	4.0	70,000 m <sup>3</sup>	280,000	
	<b>S/T</b>			480,000	

Item	Description	Rate \$US	Quantity	Total \$US	Revised Total \$US
2.	<b>Structural</b>				
2.1	Berthing Dolphin pile head muffs.	3,300	24 No.	80,000	80,000
2.2	Chip & Paint two 300 UC piles under southern approach slab.	2,000	Item	2,000	2,000
2.3	Chip & Paint Steel I beams to northern approach slab.	3,000	Item	3,000	3,000
	<b>S/T</b>			85,000	85,000
3.	<b>Miscellaneous</b>				
3.1	Replace berthing dolphin fender facing panels.	4,000	4 No.	16,000	16,000
3.2	Renovate bollards (bolts, grout) as required.	1,000	4 No.	4,000	4,000
3.3	Repair minor chipping to wharf deck.	13,000	0.1 m <sup>3</sup>	2,000	2,000
3.4	Chip & paint steel beams to deck.	80	84 m <sup>2</sup>	7,000	7,000
3.5	Renovate light poles & electrics.	15,000	Item	15,000	15,000
3.6	Renovate Berth 2 (Coastal)	40,000	Item	40,000	40,000
3.7	New ladders to Dolphins.	2,000	3 No.	6,000	6,000
3.8	Paving & protection to revetment head to causeway.	20,000	Item	20,000	20,000
3.9	Repair eroded areas to causeway head.	100	80	8,000	8,000
3.10	Paving to containers xxx	20	10,000	200,000	200,000
3.11	Maintenance to Shed, Office, Ablutions, Mess, fence, gate.	50,000	Item	50,000	50,000
	<b>S/T</b>			368,000	368,000
	<b>REPAIR WORKS</b>	<b>S/T</b>		933,000	453,000
	<b>MOB/DEMOB/HOUSING/OVERHEADS 20%</b>			187,000	187,000
	<b>CONSTRUCTION</b>	<b>S/T</b>		1,120,000	640,000
	<b>CONTINGENCY</b>	<b>10%</b>		112,000	
	<b>PROJECT MANAGEMENT &amp; DESIGN 10%</b>			112,000	90,000
	<b>TOTAL US\$</b>			\$1,344,000	730,000

## SCHEDULE 9 – PORT BY PORT CAPITAL EXPENDITURE

### Port by Port

#### CAPEX BUDGET in 2002 Kina

	2003	2004	2005	2006	2007	2008	2009	2010	Total
Aitape	-	-	-	-	-	480,769	480,769	-	961,538
Alotau Berth 1 ( overseas)	192,308	-	384,615	1,271,154	886,538	-	-	-	2,734,615
Alotau Berth 2 ( coastal)	238,462	-	-	-	-	-	-	-	238,462
Buka	176,923	-	1,884,615	-	-	-	-	-	2,061,538
Daru	-	-	384,615	-	-	-	-	-	384,615
Kavieng	230,769	-	-	-	-	1,923,077	1,923,077	-	4,076,923
Kieta (overseas berth 1)	269,231	-	-	-	-	957,692	957,692	-	2,184,615
Kieta (coastal berth 2&3)	153,846	1,278,846	1,278,846	-	-	-	-	-	2,711,538
Kimbe (overseas)	192,308	-	-	-	-	284,615	-	-	476,923
Kimbe (coastal)	-	-	-	-	-	80,769	-	-	80,769
Lae ( berth 1,2 & 3 overseas)	161,538	9,390,385	8,621,154	250,000	769,231	-	-	1,923,077	21,115,385
Lae ( berth 4 & 5 coastal)	46,154	126,923	-	-	-	-	-	-	173,077
Lae Tanker Berth	165,385	723,077	-	-	-	-	-	-	888,462
Lorengau	-	-	-	-	-	288,462	-	-	288,462
Madang berth (overseas)	76,923	1,001,923	1,001,923	-	-	-	-	-	2,080,769
Madang Berth 2 (coastal)	-	865,385	-	-	-	-	-	-	865,385
Oro Bay	257,692	1,065,385	-	192,308	-	-	-	-	1,515,385

Port Moresby Main Wharf 1,2,3A & 3B)	576,923	3,796,154	3,796,154	-	-	-	-	-	8,169,231
Port Moresby Container Wharf 4A	80,769	-	988,462	-	-	-	-	-	1,069,231
Port Moresby Barge Wharf 4B	-	-	-	-	311,538	-	-	-	311,538
Rabaul ( Eastern Wharf Blanche Street)Berth 1	173,077	-	173,077	-	-	2,807,692	2,807,692	-	5,961,538
Rabaul Western wharf Bay Road) Berth 2	346,154	-	-	-	-	3,934,615	3,934,615	-	8,215,385
Samarai	-	-	-	-	288,462	-	-	-	288,462
Vanimo	30,769	-	-	-	907,692	-	-	-	938,462
Wewak Berth 1(Overseas) Berth 2 & barge ramp)	634,615	1,076,923	1,096,154	-	-	-	-	-	2,807,692
	4,003,846	19,325,000	19,609,615	1,713,462	3,163,462	10,757,692	10,103,846	1,923,077	70,600,000

**Executed by PNG Harbours Ltd**

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Director Signature

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Director/Secretary Signature

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Print Name

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Print Name

**Executed by the Independent Consumer  
and Competition Commission**

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**Mekere Morauta Kt. MP**

Prime Minister and Treasurer

For and on behalf of the Independent Consumer and Competition Commission pursuant to  
Section 17 of the *Independent Consumer and Competition Commission Act 2002*.