

1st November 2021

OPEN LETTER TO DP WORLD SOUTHAMPTON CUSTOMERS

CHANGE TO INFRASTRUCTURE CHARGE FOLLOWING COMPLETION OF UPGRADES TO SOUTHAMPTON HARBOUR AND WATERSIDE FACILITIES SERVICING DP WORLD SOUTHAMPTON

The changing nature of the World Shipping industry has been well publicised, with ever larger vessels being built to service the global supply chains. In order to ensure the Port of Southampton (**Port**) continues to be ready to handle the latest generation of vessels at various berths, is capable of handling the laden and empty container volumes associated with these vessels, and to meet the demands that this places on the infrastructure, Associated British Ports (**ABP**) in its position as both the Statutory Harbour Authority and owner of the Port has invested close to £20m in the infrastructure around the container terminal. We are pleased to advise that these major infrastructure upgrade works (**the Upgrade Works**) are now nearing completion.

The project involved dredging to deepen and widen the berths to allow the largest vessels to berth at all tides. Furthermore, we have invested in the infrastructure around the port to facilitate the servicing of these vessels and to increase the overall capacity of the terminal. These works have resulted in significant benefits to all port users and customers of the Harbour. It also provides significant benefits to the shipping community with increased choice and competition on shipping routes to the UK, improved regional competitiveness and environmental benefits through reduced carbon emissions associated with larger, more fuel efficient, vessels.

The funding for the Upgrade Works was provided exclusively by ABP and we are now seeking to implement the mechanism for the full recovery of the upfront investment costs. Following discussions with DP World Southampton they have agreed to recover these costs on behalf of ABP through a change to the Infrastructure Charge. In particular, the following will apply:

- The current Infrastructure Charge will change to £13.90 per laden import container. This comprises the existing £10.60 charge (£ 8.50 of which relates to the previous Harbour Dredge Works) plus a new £3.30 charge in relation to the Upgrade Works.

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- There will be no charges applied to exports, empties or transhipment containers.
- The revised Infrastructure Charge will remain in place until ABP has recovered the costs of both the Upgrade Works and the Harbour Dredge Works.
- The revised Infrastructure Charge will be made to the clearing agent who makes the customs declaration or removal request.
- The clearing agent will be credited 25p for each £13.90 Infrastructure Charge [paid] to cover administrative costs.
- The revised Infrastructure Charge will commence on 1 January 2022.

The purpose of this letter is to advise you of the nearing completion of the upgrade works and to give you advance notice of the change to the Infrastructure Charge, which will apply in 2022.

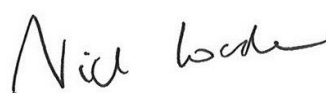
We appreciate that there may be further questions relating to this subject and have enclosed some 'Frequently Asked Questions'.

In the meantime, please do not hesitate to contact either Aart Hille Ris Lambers at DP World Southampton (Tel: 02380 706303), Email: aart.hillerislammers@dpworld.com or Paul Reeves at ABP (Tel: 02380 488849), Email: paul.reeves@abports.co.uk if you have any questions relating to this letter.

Yours sincerely



Alastair Welch, Director
Associated British Ports



Nick Loader, COO
DP World UK

Frequently Asked Questions

Why should the Port of Southampton increase the Infrastructure Charge?

A range of upgrade works were undertaken by ABP to enable the port users to continue to have choice in terms of UK port of entry and to enable the largest new generation vessels to call at Southampton. The recovery of this investment has been based on an adjustment to the existing infrastructure charge as currently charged by DP World Southampton.

How will The Port of Southampton ensure 'Value for Money' from works?

The infrastructure charge is being amended based on the actual outturn costs of a wider upgrade project of the container terminal. The total cost of upgrade works in the Container Terminal; which included delivery of new Border Inspection and Port Health facilities, new offices, an improved lay-out of the container terminal, additional space for stacking empty containers, extension of the crane rails along the quay, changing the road lay-out to access the terminal as well as the mentioned dredging works totalled an amount of over £40 million, funded both by DP World and ABP.

Will the Charge be a negotiable item within customer contracts - volume and service dependent?

No. The Charge philosophy is cost recovery only and therefore the Port of Southampton will ensure maximum transparency and equitable recovery that is neither volume nor service dependent.

Does the Charge represent an attempt by the Port of Southampton to recover other costs?

No. The Charge will only recover costs directly relating to the Upgrade Works as described. ABP are not seeking to recover other expenditure.

Will the Port of Southampton undertake to provide transparency on the cost recovery position annually for the purposes of communicating changes in the expected term of the charge to customers?

The Port of Southampton will publish an annual statement of how much has been recovered and how much remains to be recovered. It is the intention to recover this amount over a period of 25 years at an investment return of 10% (real). The speed of the recovery will be influenced by how busy the port remains.

When will the charge be introduced?

The charge will be introduced with effect from 1st January 2022.



Will all containers be charged?

The charge will be applied to full import containers only. Export full containers, those containers that are for transshipment and all empty containers will not be subject to the Infrastructure Charge.

Why will the Port of Southampton levy the Infrastructure Charge only on full Import containers?

A high percentage of containers are returned empty to the Far East as less volume is exported from the UK. By only charging full import containers we follow the same principle as applied in other UK ports.

How much will the Infrastructure Charge be?

Import full containers will attract a tariff rate of £13.90/container.

Who will be charged?

The nominated clearing agent, as indicated at the time of out-gate, or the shipping line if no clearing agent is nominated.

What about the Agents/Declarants cost incurred in collecting this charge?

Our invoices will reflect this and will show a reduction, in respect of a handling fee per container. The net invoice charge to the declarant will be £ 13.65/container.

How will the start date be applied?

Import full units moved out of the terminal gate on or after 00:01hrs Saturday 1st January 2022 will incur the Infrastructure Charge at time of out-gate.

How will the charge be levied?

Import full containers will be charged to the nominated clearing agent /manifest agent on a monthly basis in arrears, as per current practice and on the same invoice as for import ISPS and Exam Charges. The charge will be triggered when units are out-gated.

For how long will the charge be levied?

The charge will be levied until ABP have earned back the original investment. The actual duration will therefore depend on the number of boxes being charged every year and the general level of port activity over the same period.