

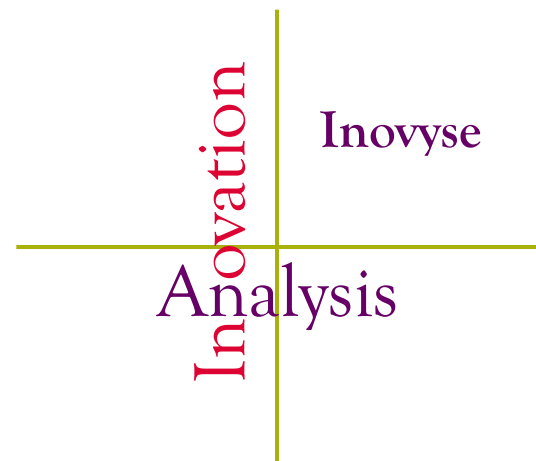
PKPC

PKPC Pricing Strategy Methodology & Preliminary Recommendations



Inovyse ... Who we Are What we Do

- **Business problem solvers**
- **Focus – Strategy, Sales & Marketing, Research**
- **Rely on Innovation & Analysis**
- **Bring fresh perspective to existing problems**
- **Supplement existing internal resources**
- **Use only the best and most current algorithms and tools**



Agenda

- 1. Pricing Strategy Objectives**
- 2. Analysis and Research Summary**
- 3. The need for flexibility and efficiency in pricing**
- 4. Price Structures (From – To)**
- 5. Price Comparisons (Current vs. Proposed)**
- 6. Next Steps**



Pricing Strategy Objectives

Develop a pricing strategy that is -

- 1. Efficient (for PKPC and all port users)**
- 2. Flexible (given current volatility and future growth)**
- 3. Fair and Balanced (in terms of cost allocation and port usage)**
- 4. Forward looking (in relation to port user needs and value drivers)**

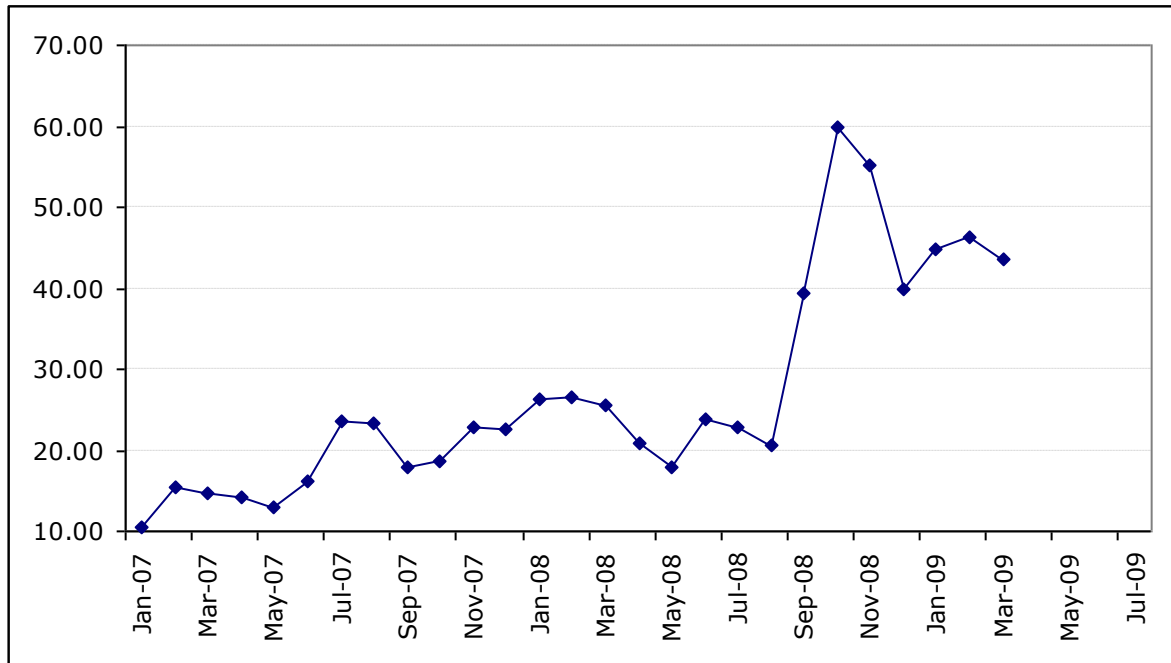


Analysis & Research Summary

1. Reviewed existing pricing for – Navigation, Pilotage, & Wharfage
2. Forecast shipping and usage volumes over five years (with Monte Carlo min/max modelling)
3. Thorough fixed and marginal cost estimation and allocation by user profile across Navigation, Pilotage, and Wharfage
4. Developed price plans that would support PKPC innovation & development plans AND, subject to user feed back, provide flexibility, efficiency, and value moving into the future.



The need for Flexibility & Efficiency in Pricing

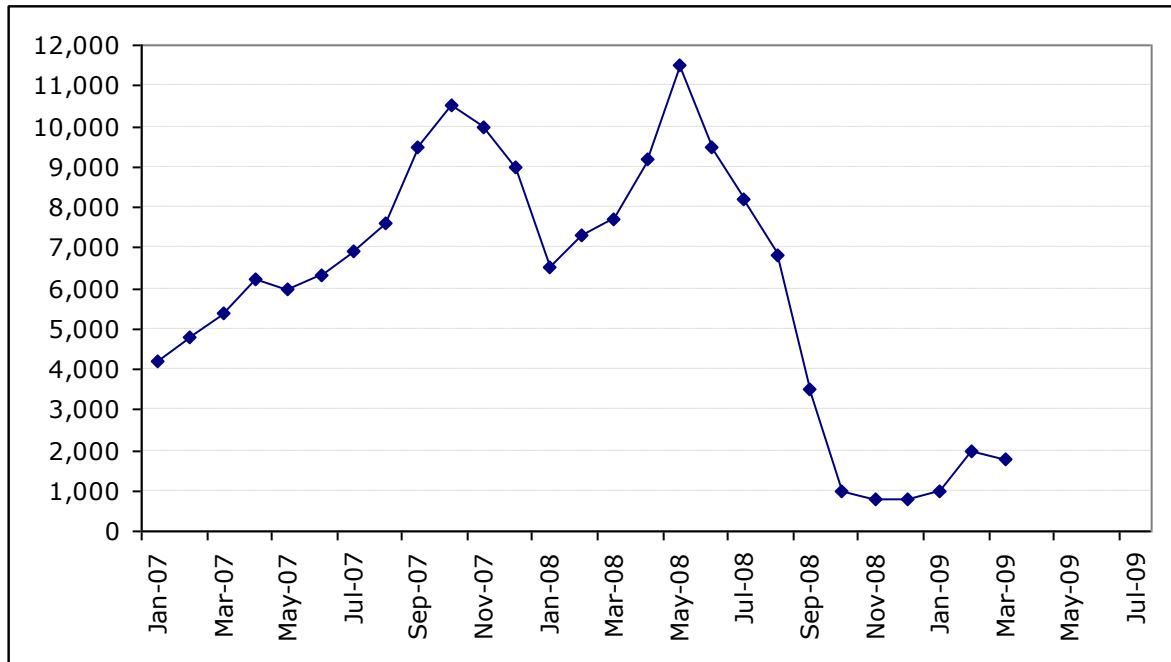


Often called the "Fear Index," the VIX (Chicago Board Options Exchange) measures the expected 30 day up and down movement (or "volatility") in prices of the S&P 500. VIX data is calculated from the options prices associated with the S&P 500. The VIX ranges from 0 to 100 and is normally around 20-30. When the VIX is between 40 and 50 it is a sign of elevated volatility. Above 50 is a warning signal of global economic problems.

In an economic climate that is highly volatile and showing some signs of anaemic growth, pricing structures should be flexible and efficient.



The need for Flexibility & Efficiency in Pricing



The Baltic Dry Index, BDI, is an estimate of the price of moving major dry raw materials by sea. The index reflects demand for shipping versus supply. Shipping supply is both tight and inelastic over the short term (1-2 yrs). The BDI is considered a leading indicator of overall economic health and future growth as 90% of input-commodities are shipped by sea. At 1000 the index is close to reflecting only operating costs of the shipping vessels.

In an economic climate that is highly volatile and showing some signs of anaemic growth, pricing structures should be flexible and efficient.



Pricing Structure Intentions

From

Fully Variable Price Structure
(i.e. Charge per Usage Event)

Single dimension pricing
(i.e. usage charge)

All ships are the same
(except for size)

All ships have the same business
dynamics in relation to PKPC

To

➔ Fixed + Variable (i.e. Usage
Independent Access Fee plus
Usage Charge)

➔ Multi-dimensional pricing (i.e.
Access Fee, Usage Charge,
Volume Breakpoints, Segment
Specific Charges, Incentives, etc)

➔ Ships belong to customer
segments with different needs &
wtp's

➔ Some segments are volatile, some
not. Some segments are
established, some are developing



Pricing Structure Specifics - Two Price Plans

Two Options available to customers ...

Contract

**Monthly
Access Fee** + **Usage
Charge(1)**

Tramp

**Usage
Charge (2)**



Pricing Structure Specifics – Monthly Access Fee

Different by segment and by service

Navigation Access Fee

BlueScope = \$xxx

Coal = \$yyy

Grain = \$zzz

Cars = \$ppp

Container = \$qqq

Pilotage Access Fee

BlueScope = \$xxx1

Coal = \$yyy1

Grain = \$zzz1

Cars = \$ppp1

Container = \$qqq1

Wharfage Access Fee

BlueScope = \$xxx2

Coal = \$yyy2

Grain = \$zzz2

Cars = \$ppp2

Container = \$qqq2



Pricing Structure Specifics – Usage Charge (1)

Different by service and largely reflects PKPC incremental costs

**Navigation Usage
Charge (1) = \$3,500**

**Pilotage Usage
Charge (1) = \$500**

**Wharfage Usage
Charge (1) = Vol Dep.**



Pricing Structure Specifics – Usage Charge (2)

Different by service and reflects risk adjusted fixed and variable cost recovery

**Navigation Usage
Charge (2) = Vol Dep.**

**Pilotage Usage
Charge (2) = Vol Dep.**

**Wharfage Usage
Charge (2) = Vol Dep.**



Pricing Structure Comparisons – Contract Price Plan

From

Navigation

0 to 50,000 @ \$0.4065 per GT
> 50,000 @ \$20,325 plus \$0.973
per GT over 50,000 etc

Pilotage

0 to 25,000 @ \$0.0893 per GT
25,001 to 50,000 @ \$2,232 plus
\$0.0313 per GT over 25,000
50,000 to 78,000 \$3,015 plus
\$0.0071 per GT over 50,000 etc

To

Navigation

Monthly Access Fee =
\$20,000
Usage Fee per Visit = \$3,406

Pilotage

Monthly Access Fee =
\$12,000
Usage Fee per Visit = \$477



Next Steps

- 1. Qualitative and Quantitative user feedback and analysis**
- 2. Integrate user feedback into data and modelling**
- 3. Final approvals and launch**



Thank You – We look forward
to working with you.

