



5 November 2021

Lyndon Rowe
Utilities Commissioner
Utilities Commission of the Northern Territory
By email: utilities.commission@nt.gov.au

Dear ~~Mr Rowe~~, **LYNDON**,

Prescribed Port Services Price Determination – Port of Darwin

The Association of Mining and Exploration Companies (AMEC) is pleased to comment to the Utilities Commission of the Northern Territory (the Commission) on the *2022-2025 Prescribed Port Services Draft Price Determination for the Port of Darwin* (the Draft Determination). AMEC has previously provided feedback on the 2019-2022 Draft Determination.

AMEC is a national industry association representing over 425 members from all around Australia, of which 32 miners and explorers operate in the Northern Territory. Our members are explorers, emerging miners, producers, and a wide range of businesses working in and for the industry. Collectively, AMEC's member companies account for over \$100 billion of the mineral exploration and mining sector's capital value.

Ensuring that mining companies have a cost-effective point of egress will have significant benefits to the Northern Territory, particularly in job creation, royalties and revenue. It is the role of the Utilities Commission to safeguard this outcome.

Following the release of the 2019-2022 Draft Determination, AMEC was supportive of the proposed Annual Price Monitoring Report, that delivered on Recommendation 7(h) of the *2018 Port Pricing and Access Review Draft Report*. Across Australia, the transparency of a port's financial performance decreases noticeably when a port is privatised. In some cases, the only details available are those published via the price monitoring regime. It is therefore encouraging that the Commission has delivered on this commitment and intends to continue the reporting into the 2022-2025 period.

Ports are natural monopolies and have the ability to generate substantial rents from port users. A measure that should be documented in the Annual Price Monitoring Report is the weighted average cost of capital (WACC) for the Darwin Port. The WACC can assist in identifying whether price gouging is occurring and ensure that the economically efficient price is being charged. To calculate a meaningful WACC, the Commission needs greater line of sight of the Darwin Port's financial statements.

In the absence of a competitive market, it is the Commission's role to promote competition and fair and efficient conduct. AMEC encourages the Commission to consider the introduction of an efficiency dividend model, to ensure pursuit of efficiencies in the management and administrative areas. An efficiency dividend is an annual funding reduction that has been implemented in the Commonwealth

budgetary landscape for over 30 years. The dividend is an effective tool that is both simple and predictable, and administratively effective. AMEC suggests that implementing this tool, or a similar model in price determination, will incentivise the Darwin Port Operator to pursue more efficient operations.

AMEC remains highly supportive of the implementation of a number of recommendations from the *2018 Port Pricing and Access Review Draft Report*. This includes the ability to define which services are considered “prescribed services”, as outlined by recommendation 7(w). Greater clarity on the definition of a prescribed service is essential, as more port users enter the market.

Further, AMEC would also encourage the creation of a series of published Reference Tariffs (Recommendation 7(v) in the Draft Report). The creation of reference tariffs for bulk minerals will assist developing mining companies as they need to be able to demonstrate certainty of pricing to attain finance. As more mining companies move to the production and export stage, clarity and certainty regarding access and pricing for dry bulk mineral export will be critical for them as future port users.

If you would like to discuss this further, please feel free to contact me directly at Warren.Pearce@amec.org.au or 0477 399 130.

Yours sincerely



Warren Pearce
Chief Executive Officer

