

**To: Utilities Commission of the Northern Territory**

**Re: Draft Access Policy for the Port of Darwin**

**18 March 2022**

## Introduction

AMEC appreciates the opportunity to provide feedback to the Utilities Commission of the Northern Territory on the Draft Access Policy for the Port of Darwin

## About AMEC

The Association of Mining and Exploration Companies (AMEC) is a national industry association representing over 460 member companies across Australia, the majority having project interests in Western Australia. Our members are mineral explorers, emerging miners, producers, and a wide range of businesses working in and for the industry, with 34 member companies activity exploring in the Northern Territory. Collectively, AMEC's member companies account for over \$100 billion of the mineral exploration and mining sector's capital value.

Mineral exploration and mining make a critical contribution to Australia's economy, directly employing over 256,800 people. In 2020/21 Industry generated a record high \$301 billion in mining exports, invested \$3.2 billion in exploration expenditure to discover the mines of the future, and collectively paid over \$39.3 billion in royalties and taxes. In WA, a record 148,395 people were employed in mining and exploration in 2020/21, and \$2.1 billion was spent on mineral exploration in 2020/21, representing a 21% increase from 2019/20, accounting for 65% of Australia's overall mineral exploration expenditure.

## General Feedback

The Draft Access Policy and accompanying documents are supported by AMEC. Transparent and efficient policies create greater certainty for industry proponents. In terms of access to the Darwin Port, clear definitions and modern policy are necessary to ensure that Policy and other legislation is consistent.

Mining companies are primary users of ports, and as more mining companies move to the production and export stage, clarity and certainty regarding access and pricing for mineral exports will be critical for them as future port users.

## Darwin Port Operations

Ports are natural monopolies and have the ability to generate substantial rents from port users. AMEC provided comment on the Prescribed Port Services Price Determination released in November 2021, in which we raised concerns of the transparency of a privatised port's financial performance. AMEC suggested the weighted average cost of capital (WACC) should be documented in the Annual Price Monitoring Report is the) 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 continues to encourage 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 simple, 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.

### **The TERC Report**

In November 2020, the Territory Economic Reconstruction Commission (TERC) published its final report highlighting the rapid development that is required to achieve the Government's ambitious goal of a \$40 billion economy by 2030.

Mineral exploration and mining were acknowledged as the greatest opportunity to achieve the goals centred around jobs and growth. The pipeline of potential projects, coupled with strong global demand, led to the Report's target to open two new mines in the next two years, and five new mines in the next five years. Since the release of the TERC Report, no new mines have opened, and one mine has ceased operations. AMEC considers that full commitment from Government, Industry and stakeholders to the actions and recommendations of the TERC Report will bring significant benefits to the Territory.

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. These benefits will all bolster the Territory in its goal to achieve a \$40 billion economy. It is the role of the Utilities Commission to safeguard this outcome.

### **Future consultation**

AMEC appreciates the opportunity to comment on the Draft Access Policy. We look forward to further discussion with the Utilities Commission in the future, as this document progresses, and other existing Port Management legislation is reviewed.

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