

Under Treasurer
Charles Darwin Centre, 19 The Mall DARWIN NT 0800
Postal Address GPO Box 1974 DARWIN NT 0801
Tel 08 8999 6033 **Fax** 08 8999 7150

Our Ref: DOC2016/14

Dr Patrick Walsh
Utilities Commissioner
Utilities Commission
GPO Box 915
DARWIN NT 0801

Dear Dr Walsh



RE: PRESCRIBED PORT SERVICES PRICE DETERMINATION

Thank you for providing the Department of Treasury and Finance (DTF) the opportunity to comment on the 2015-18 Prescribed Port Services Price Determination Port of Darwin - Draft Determination (the Draft Determination).

I acknowledge this is the Commission's first determination in its role as the regulator of the Port and the first determination for the Port of Darwin following the 99 year lease to the Landbridge Group (the Darwin Port Operator). The Commission's choice for its price monitoring methodology (to fulfil its role as the regulator of the Port) will be critical for ensuring the prices, pricing principles and pricing practices of the Darwin Port Operator are commensurate with the objectives of the *Utilities Commission Act* for prices for goods and services in a regulated industry.

The role of the Commission in the Draft Determination appears to be in line with regulatory roles undertaken by port regulators in other Australian jurisdictions.

DTF notes that the Draft Determination states in section 7(b) that the Commission intends to monitor price levels using either a benchmarking methodology or annual price increases linked to an indexation factor. Benchmarking methodologies, while ensuring that the Darwin Port Operator's pricing levels are competitive and on par with other jurisdictions, are data intensive and can be difficult to apply accurately, noting that other ports may not be subject to the same cost drivers or operating conditions. Further, benchmarking does not appear to be a favoured methodology of port regulation in other Australian jurisdictions.

Indexation is generally a more straightforward monitoring method to apply to pricing levels and would provide greater certainty to the Darwin Port Operator regarding projected pricing paths as there is a clear indication to the business as to what pricing is expected by the regulator.

Once again I thank the Commission for providing DTF the opportunity to comment on the Draft Determination. Should the Commission wish to discuss either proposed methodology in further detail or any other aspect of the Draft Determination, please contact Ms Samantha Byrne on telephone 8999 7487.

Yours sincerely


JODIE RYAN
Under Treasurer

4 January 2016