



7 September 2018

Dr Patrick Walsh
Utilities Commissioner
Utilities Commission of the Northern Territory

C/O email: utilities.commission@nt.gov.au

Dear Dr Walsh

2018 Ports Access and Pricing Review- Draft Report

The Association of Mining and Exploration Companies (AMEC) is pleased to comment on the *2018 Ports Access and Pricing Review Draft Report*.

AMEC is the peak national industry body representing hundreds of mining and mineral exploration companies, some of which are port users and future port users in Darwin.

All of the recommendations of the 2018 Ports Access and Pricing Review Draft Report (Draft Report) will increase the certainty and transparency of port pricing and access regime in Darwin.

The benefits to the Northern Territory of ensuring that mining companies have a cost-effective point of egress are jobs, royalties and revenue. In the following submission, we identify key recommendations that will support the mining and mineral exploration industry in the Northern Territory:

The establishment of the negotiate and arbitrate regime within the Act, moving it from the Access Policy, as per Recommendation 7 (f) is supported. This will increase the certainty and transparency of the regime.

Across Australia the transparency of a ports performance decreases noticeably when a port is privatised. In some cases, the only details available are those published via the price monitoring regime. AMEC notes that Recommendation 7 (h) proposes to increase the amount of information provided to users about the pricing and access regime.

It is positive that the Utilities Commission has recognised the paucity of information available regarding pricing. Ports are natural monopolies and have the ability to generate substantial rents from Port users. A measure that should be documented in the implementation of Recommendation 7 (h) 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 Utilities Commission would need greater line of sight of the Darwin Port's financial statements. Industry is supportive of Recommendation 7 (h) as greater clarity and transparency is needed.

Association of Mining and Exploration Companies

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Furthermore, under Darwin Port's price regime not all prices are visible. While the standard charges for prescribed services are published on the website, if a port user requests a service beyond their scope a negotiated agreement is reached, and the price is held confidentially. As highlighted in the Draft Report, the wharfage of bulk minerals is not considered a prescribed service, which is out of step with the practices of ports in other jurisdictions. In other jurisdictions, ports publish different rates for different bulk commodities according to the respective cost profile of transporting these goods.

Industry is highly supportive of the creation of a series of published Reference Tariffs (Recommendation 7 (V)). 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.

The Utilities Commission should have the ability to define the Access Policy as necessary to regulate. Given the Darwin Ports crucial role in the development of the Northern Territory, the Government via the Utilities Commission should have the capacity to ensure the cost of egress is competitive. The ability to define which services are considered "prescribed services", as outlined by Recommendation 7 (W) should be progressed.

Finally, in future the Utilities Commission should consider a broader range of ports to benchmark against. The Northern Territory is competing for investment both domestically and internationally. For this reason, the benchmarking of Darwin Port's competitiveness against other relevant international ports should also be included in future price benchmarking.

On behalf of industry, AMEC tracks national port and port services fees and charges to highlight rent seeking behaviour and abuses of market power. The crucial role of ports as a means for emerging mining companies to get their goods to market makes these costs too important for industry to ignore.

I would be pleased to discuss the content of this submission, if considered necessary.

Yours sincerely



Warren Pearce
Chief Executive Officer