

Department of Infrastructure, Energy and Resources

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Your Ref Our Ref 042205/004



Dr Ron Ben-David

Chairperson

Essential Services Commission

Level 37, 2 Lonsdale Street

MELBOURNE VICTORIA 3000

Dear Dr Ben-David

Review of Victorian Ports Regulation 2014

I am writing in response to the Essential Services Commission's public invitation for stakeholders to make submissions on whether price regulation of Victoria's prescribed port services should be continued and, if so, in what form.

Tasmanian businesses are extremely reliant on the facilities and services at the Port of Melbourne and that these businesses account for a significant proportion of the Port of Melbourne Corporation's (POMC) customer base. This is particularly the case for Tasmania's inbound and outbound non-bulk freight task, which constitutes around 25 per cent of the freight flow through the port.

The Tasmanian Government therefore maintains a keen interest in ensuring that market power, where it exists, is not misused and that tariffs for prescribed port services are efficient, fair and reasonable.

You would be aware that the introduction of a legislative requirement by the Victorian Government on POMC in 2012 to pay a Port Licence Fee (PLF) - commencing at \$75 million p.a. and escalating at CPI thereafter - has resulted in significant increases to all of POMC's tariffs, including those for prescribed services. You would also be aware that the PLF is not related to port services and costs and was instituted by the Victorian Government as a general revenue-raising measure.¹

The Tasmanian Government is an active participant in the POMC's annual Reference Tariff Schedule Review process under the existing price monitoring regime and has utilised this process to lobby for the fair treatment of Tasmanian businesses. The current process, provided for under POMC's Pricing Policy Statement, has ensured a level of consultation and transparency in how the cost of the PLF is being recovered by POMC.

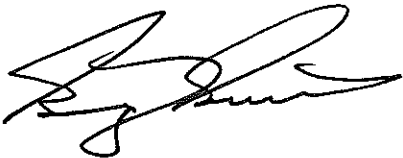
Notwithstanding this process – and the POMC's efforts to spread the legislated PLF cost impost broadly and on an equitable basis - the Tasmanian Government has previously questioned the appropriateness of POMC's tariffs (including those for prescribed services) incorporating a significant cost pass-through that is unrelated to actual port services or costs.

¹ See *Tasmanian Shipping and Freight – Productivity Commission Draft Report*, January 2014, p.142

The Tasmanian Government is presently operating under the constraints of caretaker conventions in the lead-up to the 15 March 2014 State Election. However, the review may be of interest to the incoming Government and I understand that there will be an opportunity to comment on your draft report, which is due for release on 30 April 2014.

In light of this I would appreciate being kept abreast of developments as the review progresses.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Gary Swain', written in a cursive style.

Gary Swain
DEPUTY SECRETARY

14 March 2014