



Our ref: 20140617/ESC Submission

17 June 2014

Dr Ron Ben-David
Chairperson
Essential Services Commission
Level 37, 2 Lonsdale Street
MELBOURNE VIC 3000

Dear Dr Ben-David

Review of Victorian Ports Regulation – Draft Report – May 2014

Port of Melbourne Corporation (PoMC) is pleased to provide this submission to the Essential Services Commission (ESC) in relation to the ESC's *Review of Victorian Ports Regulation – Draft Report – May 2014* (Draft Report).

PoMC acknowledges that the review is being undertaken in accordance with section 53 of the *Port Management Act 1995* (Vic) which requires the ESC to conduct an inquiry (every five years) of Victorian ports' economic regulation and make a recommendation to the Minister administering the *Essential Services Commission Act 2001* (Vic) on whether certain prescribed services should continue to be subject to price regulation and if so, the form of that price regulation.

Following the release of the Draft Report on 20 May, the ESC has requested submissions prior to finalising and submitting the report to the Minister for Finance by 30 June.

PoMC recognises the ESC's efforts in consulting a wide variety of stakeholders to seek their input into the Draft Report and consider that the ESC has been thorough in its enquiry.

PoMC's early submission outlined the considerations that supported the removal of regulation. The ESC's report has clearly confirmed that there is no evidence of abuse of market power and, on this basis, PoMC maintains its position and reiterates that there is no need for regulation.

The recognition within the Draft Report that the current regime places an administrative burden on PoMC is acknowledged. The recommendation to lighten these obligations is welcome.

The ESC's summary of economic regulation at Australian Ports (Appendix E of the Draft Report) demonstrates that the proposed regulation through self-reporting would expose the Port of Melbourne to greater regulatory obligations than its key competitors in Queensland and

New South Wales in what is considered an increasingly competitive environment. This has the potential to significantly disadvantage the Port of Melbourne.

In particular, it is acknowledged that PoMC discloses the Corporation's overall rate of return (as measured by the Return on Capital Employed) but has never disclosed its returns by trade segment. PoMC would consider this information as commercially sensitive and would therefore be strongly opposed to this recommendation being applied.

PoMC welcomes the recognition from the ESC and port customers of PoMC's extensive engagement process in forming its annual Reference Tariff Schedule. On this basis, the added value of the recommendations regarding complaints management and disclosures regarding stakeholder engagement is not demonstrated.

PoMC would like to thank the ESC for the opportunity to present at the public hearing on 2 June in relation to the Draft Report and look forward to Government's response to the final report.

If you require any further information or assistance, please do not hesitate to call Ms Caryn Anderson, Executive General Manager Commercial on Telephone (03) 9683 1624 or via email: Caryn.Anderson@portofmelbourne.com

Yours sincerely



Nick Easy
Chief Executive Officer