



PORT PIRIE REGIONAL DEVELOPMENT BOARD INC.

Incorporating the Port Pirie Regional Council and the District Council of
Mt Remarkable and Northern Areas Council

16 September 2003

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Lew Owens
Chairman
Essential Services Commission of SA
GPO Box 2605
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Dear Lew

PORTS PRICE REVIEW – SUBMISSION RE DRAFT REPORT

The Port Pirie Regional Development Board (PPRDB) is pleased to make a submission in regard to the Draft Report.

We note that ESCOSA has concluded that price regulation should continue and that a light-handed form of price regulation would be most appropriate.

It is our view that the suggested price monitoring regime is possibly too light handed.

We need to remember that Flinders Ports is the only provider and that there is no competition. Accordingly we suggest that rather than allow the prices to purely be set by the operator that the price changes should be justified taking into account operating, maintenance and new capital requirements. There may be a temptation to allow fees to increase in line with CPI, however simply aligning with CPI is not valid as household costs bear no relationship to the operating costs associated with port operations.

It is also worth pointing out that even though the regulated operators and customers can enter into commercial arrangements it does not mean that customers will get a fair deal. Because of the lack of competition the customer has limited bargaining power and is basically at the mercy of the operator. For this reason there should be a mechanism whereby a customer who feels that they are not getting a reasonable deal can seek assistance from the ESCOSA.

Comment is made in the Draft Report that should there be misuse of power, clawback provisions could be included from 31 October 2007. However, we recommend that a mechanism be introduced for the intervening period to allow aggrieved customers a remedy if it can be demonstrated that the operator has enforced unreasonable or unjustified fees. We recommend that ESCOSA be given powers to arbitrate and where necessary determine fees along with being given the power to recompense the customer where appropriate.



Also of concern is the possibility that Flinders Ports may quietly reduce maintenance and upgrades at regional ports where with the passage of time port services and infrastructure deteriorates while the operator concentrates on those ports that offer the best financial return.

It is the view of the PPRDB that the proposed light handed approach is too generous in respect of the terms granted to the regulated operators. Tighter price control should be maintained due to the monopoly situation that exists. We believe that price justification as a method of pricing should be adopted acknowledging that the operators must be expected to receive a fair return on investment.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Mark Malcolm', with a horizontal line extending to the right.

Mark Malcolm
Executive Manager