



The Allen Consulting Group

Jeffrey Balchin
Director

Overview

Current Role

Jeff is a Director with the Allen Consulting Group. Jeff joined the firm in 1996, and has since built a consulting practice with a strong specialisation in the economic regulation of price and service, with a particular emphasis on the application of incentive regulation to infrastructure and network industries.

Jeff has experience across the electricity, gas, airports, rail, ports, water, telecommunications, post and banking industries in Australia and New Zealand. He has advised governments, regulators and major corporations on issues including regulatory price reviews, licensing and franchise bidding, market design and development of regulatory frameworks. Jeff has also undertaken a number of expert witness assignments. His experience is outlined below in more detail.

Previous Experience in Government

Prior to joining the Allen Consulting Group, Jeff held a number of policy positions in the Commonwealth Government.

Commonwealth representative on the secretariat of the Gas Reform Task Force (1995-1996) and played a lead role in the development of a National Code for third party access to gas transportation systems, with a particular focus on market regulation and pricing.

Infrastructure, Resources and Environment Division, Department of the Prime Minister and Cabinet (1994-1995). He played a key role in the creation of the Gas Reform Task Force (a body charged with implementing national gas reform that reports to the Heads of Government). During this time he also had responsibility for advising on primary industries, petroleum and mining industry issues, infrastructure issues, government business enterprise reform and privatisation issues.

Structural Policy Division, Department of the Treasury (1992-94). Worked on environment policy issues in the lead up to the UN Conference on Environment and Development at Rio de Janeiro, as well as electricity and gas reform issues.

Education

Jeff undertook a B.Ec. (Hons.) at the University of Adelaide, for which he was awarded First Class Honours. He also was awarded the CEDA National Prize for Economic Development for his honours thesis.

Experience – Economic Regulation of Price and Service

A. Periodic Price Reviews – Major Roles for Regulators

South Australian default gas retail price review (Client: the Essential Services Commission, SA, 2007-2008)

Directed a team that derived estimates of the benchmark operating costs for a gas retailer and the margin that should be allowed. This latter exercise included a bottom-up estimate of the financing costs incurred by a gas retail business.

South Australian default electricity retail price review (Client: the Essential Services Commission, SA, 2007)

Directed a team that estimated the wholesale electricity purchase cost for the default electricity retail supplier in South Australia. The project involved the development of a model for deriving an optimal portfolio of hedging contracts for a prudent and efficient retailer, and the estimate of the expected cost incurred with that portfolio. Applying the principles of modern finance theory to resolve issues of how the compensation for certain risk should be quantified was also a central part of the project.

South Australian default gas retail price review (Client: the Essential Services Commission, SA, 2005)

As part of a team, advised the regulator on the cost of purchasing gas transmission services for a prudent and efficient SA gas retailer, where the transmission options included the use of the Moomba-Adelaide Pipeline and SEAGas Pipeline, connecting a number of gas production sources.

Victorian Gas Distribution Price Review (Client: the Essential Services Commission, Vic, 2006-2008)

Provided advice to the Essential Service Commission in relation to its review of gas distribution access arrangements on the treatment of outsourcing arrangements, finance issues, incentive design and other economic issues.

Envestra Gas Distribution Price Review (Client: the Essential Services Commission, SA, 2006)

Provided advice on several finance related issues (including 'return on assets' issues and the financial effect of Envestra's invoicing policy), and the treatment of major outsourcing contracts when setting regulated charges.

Victorian Electricity Distribution Price Review (Client: the Essential Services Commission, Vic, 2003-2005)

Provided advice to the Essential Service Commission on a range of economic issues related to current review of electricity distribution charges, including issues related to finance, forecasting of expenditure and the design of incentive arrangements for productive efficiency and service delivery. Was a member of the Steering Committee advising on strategic regulatory issues.

Victorian Water Price Review (Client: the Essential Services Commission, Vic, 2003-2005)

Provided advice to the Essential Services Commission on the issues associated with extending economic regulation to the various elements of the Victorian water sector. Was a member of the Steering Committee advising on strategic regulatory issues, and also provided advice on specific issues, most notably the determination of the initial regulatory values for the water businesses and the role of developer charges.

ETSA Electricity Distribution Price Review (Client: the Essential Services Commission, SA, 2002-2005)

Provided advice on the 'return on assets' issues associated with the review of ETSA's regulated distribution charges, including the preparation of consultation papers. The issues covered include the valuation of assets for regulatory purposes and cost of capital issues. Also engaged as a quality assurance adviser on other consultation papers produced as part of the price review.

Victorian Gas Distribution Price Review (Client: the Essential Services Commission, Vic, 2001-2002)

Economic adviser to the Essential Services Commission during its assessment of the price caps and other terms and conditions of access for the three Victorian gas distributors. Was responsible for all issues associated with capital financing (including analysis of the cost of capital and assessment of risk generally, and asset valuation), and supervised the financial modelling and derivation of regulated charges.

Also advised on a number of other issues, including the design of incentive arrangements, the form of regulation for extensions to unreticulated townships, and the principles for determining charges for new customers connecting to the system. Represented the Commission at numerous public forums during the course of the review, and was the principal author of the finance-related and other relevant sections of the four consultation papers and the draft and final decisions.

ETSA Electricity Distribution Price Review (Client: the South Australian Independent Industry Regulator, 2000-2001)

As part of a team, prepared a series of reports proposing a framework for the review. The particular focus was on the design of incentives to encourage cost reduction and service improvement, and how such incentives can assist the regulator to meet its statutory obligations. Currently retained to provide commentary on the consultation papers being produced by the regulator, including strategic or detailed advice as appropriate.

Dampier to Bunbury Natural Gas Pipeline Access Arrangement Review (Client: the Independent Gas Pipelines Access Regulator, WA, 2000-2002)

Provided economic advice to the Office of the Independent Regulator during its continuing assessment of the regulated charges and other terms and conditions of access for the gas pipeline, including a review of all parts of the draft decision, with particular focus on the sections addressing the cost of capital (and assessment of risk generally), asset valuation and financial modelling. Represented the Office on these matters at a public forum, and provided strategic advice to the Independent Regulator on the draft decision.

Goldfield Gas Pipeline Access Arrangement Review (Client: the Independent Gas Pipelines Access Regulator, WA, 2000-2004)

Provided economic advice to the Office of the Independent Regulator during its continuing assessment of the regulated charges and other terms and conditions of access for the gas pipeline, including a review of all parts of the draft decision, with particular focus on the sections addressing the cost of capital (and assessment of risk generally), asset valuation and financial modelling. Represented the Office on these matters at a public forum, and provided strategic advice to the Independent Regulator on the draft decision.

Victorian Electricity Distribution Price Review (Client: the Office of the Regulator-General, Vic, 1999-2000)

Economic adviser to the Office of the Regulator-General during its review of the price caps for the five Victorian electricity distributors. Had responsibility for all issues associated with capital financing, including analysis of the cost of capital (and assessment of risk generally) and asset valuation, and supervised the financial modelling and derivation of regulated charges. Also advised on a range of other issues, including the design of incentive regulation for cost reduction and service improvement, and the principles for determining charges for new customers connecting to the system. Represented the Office at numerous public forums during the course of the review, and was principal author of the finance-related sections of three consultation papers, and the finance-related sections of the draft and final decision documents.

Victorian Ports Corporation and Channels Authority Price Review (Client: the Office of the Regulator-General, Vic, 2000)

Advised on the finance-related issues (cost of capital and the assessment of risk generally, and asset valuation), financial modelling (and the derivation of regulated charges), and on the form of control set over prices. Principal author of the sections of the draft and final decision documents addressing the finance-related and price control issues.

AlintaGas Gas Distribution Access Arrangement Review (Client: the Independent Gas Pipelines Access Regulator, WA, 1999-2000)

Provided economic advice to the Office of the Independent Regulator during its assessment of the regulated charges and other terms and conditions of access for the gas pipeline. This advice included providing a report assessing the cost of capital associated with the regulated activities, overall review of all parts of the draft and final decisions, with particular focus on the sections addressing the cost of capital (and assessment of risk generally), asset valuation and financial modelling. Also provided strategic advice to the Independent Regulator on the draft and final decisions.

Parmelia Gas Pipeline Access Arrangement Review (Client: the Independent Gas Pipelines Access Regulator, WA, 1999-2000)

Provided economic advice to the Office of the Independent Regulator during its assessment of the regulated charges and other terms and conditions of access for the gas pipeline, including a review of all parts of the draft and final decisions, with particular focus on the sections addressing the cost of capital (and assessment of risk generally), asset valuation and financial modelling. Also provided strategic advice to the Independent Regulator on the draft and final decisions.

Victorian Gas Distribution Price Review (Client: the Office of the Regulator-General, Vic, 1998)

Economic adviser to the Office of the Regulator-General during its assessment of the price caps and other terms and conditions of access for the three Victorian gas distributors. Major issues addressed included the valuation of assets for regulatory purposes, cost of capital financing and financial modelling. Principal author of the draft and final decision documents.

B. Periodic and Other Price Reviews – Other Activities

Equity Betas for Regulated Electricity Transmission Activities (Client: Grid Australia, APIA, ENA, 2008)

Prepared a report presenting empirical evidence on the equity betas for regulated Australian electricity transmission and distribution businesses for the AER's five-yearly review of WACC parameters for these industries. The report demonstrated the implications of a number of different estimation techniques and the reliability of the resulting estimates. Also prepared a joint paper with the law firm, Gilbert+Tobin, providing an economic and legal interpretation of the relevant (unique) statutory guidance for the review.

Economic Principles for the Setting of Airside Charges (Client: Christchurch International Airport Limited, 2008-ongoing)

Provided advice on a range of economic issues relating to its resetting of charges for airside services, including the valuation of assets and treatment of revaluations, certain inputs to the cost of capital (beta and the debt margin) and the efficiency of prices over time and the implications for the depreciation of assets and measured accounting profit.

Treatment of Inflation and Depreciation when Setting Landing Charges (Client: Virgin Blue, 2007-2008)

Provided advice on Adelaide Airport's proposed approach for setting landing charges for Adelaide Airport, where a key issue was how it proposed to deal with inflation and the implications for the path of prices over time. The advice also addressed the different formulae that are available for deriving an annual revenue requirement and the requirements for the different formulae to be applied consistently.

Application of the Grid Investment Test to the Auckland 400kV Upgrade (Client: Electricity Commission of New Zealand, 2006)

As part of a team, undertook a review of the Commission's process for reviewing Transpower's proposed Auckland 400kV upgrade project and undertook a peer review of the Commission's application of the Grid Investment Test.

Appropriate Treatment of Taxation when Measuring Regulatory Profit (Client: Powerco New Zealand, 2005-2006)

Prepared two statements for Powerco New Zealand related to how the Commerce Commission should treat taxation when measuring realised and projected regulatory profit for its gas distribution business (measured regulatory profit, in turn, was a key input into the Commission's advice to the Minister as to whether there would be net benefits from regulating Powerco New Zealand's gas distribution business). A key finding was that care must be taken to ensure that the inputs used when calculating taxation expenses are consistent with the other 'assumptions' that a regulator adopts if it applies incentive regulation (most notably, a need for consistency between assumed tax depreciation and the regulatory asset value).

Application of Directlink for Regulated Status (Client: Directlink, 2003-2004)

Prepared advice on the economic issues associated with the Directlink Joint Venture's request to be converted from an unregulated (entrepreneurial) interconnector to a regulated interconnector. As with the Murraylink application, the key issues included the implications for economic efficiency flowing from its application and the appropriate application of a cost-benefit test for transmission investment (and the implications of that test for the setting of the regulatory value for its asset).

Principles for the 'Stranding' of Assets by Regulators (Client: the Independent Pricing and Regulatory Tribunal, NSW, 2005)

Prepared a report discussing the relevant economic principles for a regulator in deciding whether to 'strand' assets for regulatory purposes (that is, to deny any further return on assets that are partially or unutilised). An important conclusion of the advice is that the benefits of stranding need to be assessed with reference to how future decisions of the regulated entities are affected by the policy (i.e. future investment and pricing decisions), and that the uncertainty created from 'stranding' creates real costs.

Principles for Determining Regulatory Depreciation Allowances (Client: the Independent Pricing and Regulatory Tribunal, NSW, 2003)

Prepared a report discussing the relevant economic and other principles for determining depreciation for the purpose of price regulation, and its application to electricity distribution. An important issue addressed was the distinction between accounting and regulatory (economic) objectives for depreciation.

Methodology for Updating the Regulatory Value of Electricity Transmission Assets (Client: the Australian Competition and Consumer Commission, 2003)

Prepared a report assessing the relative merits of two options for updating the regulatory value of electricity transmission assets at a price review - which are to reset the value at the estimated 'depreciated optimised replacement cost' value, or to take the previous regulatory value and deduct depreciation and add the capital expenditure undertaken during the intervening period (the 'rolling-forward' method). This paper was commissioned as part of the ACCC's review of its Draft Statement of Regulatory Principles for electricity transmission regulation.

Application of Murraylink for Regulated Status (Client: Murraylink Transmission Company, 2003)

Prepared advice on the economic issues associated with Murraylink Transmission Company's request to be converted from an unregulated (entrepreneurial) interconnector to a regulated interconnector. The key issues included the implications for economic efficiency flowing from its application and the appropriate application of a cost-benefit test for transmission investment (and the implications of that test for the setting of the regulatory value for its asset).

Proxy Beta for Regulated Gas Transmission Activities (Client: the Australian Competition and Consumer Commission, 2002)

Prepared a report presenting the available empirical evidence on the 'beta' (which is a measure of risk) of regulated gas transmission activities. This evidence included beta estimates for listed firms in Australia, as well as those from the United States, Canada and the United Kingdom. The report also included a discussion of empirical issues associated with estimating betas, and issues to be considered when using such estimates as an input into setting regulated charges.

Treatment of Working Capital when setting Regulated Charges (Client: the Australian Competition and Consumer Commission, 2002)

Prepared a report assessing whether it would be appropriate to include an explicit (additional) allowance in the benchmark revenue requirement in respect of working capital when setting regulated charges.

Pricing Principles for the South West Pipeline (Client: Esso Australia, 2001)

As part of a team, prepared a report (which was submitted to the Australian Competition and Consumer Commission) describing the pricing principles that should apply to the South West Pipeline (this pipeline was a new asset, linking the existing system to a new storage facility and additional gas producers).

Relevance of 'September 11' for the Risk Free Rate (Client: the Australian Competition and Consumer Commission, 2001)

Prepared a report assessing the relevance (if any) of the events of September 11 for the proxy 'risk free rate' that is included in the Capital Asset Pricing Model (this is a model, drawn from finance theory, for estimating the required return for a particular asset).

Victorian Government Review of Water Prices (Client: the Department of Natural Resources and the Environment, Vic, 2000-2001)

Prepared a report discussing the principles regulators use to determine the capital-related cost (including reasonable profit) associated with providing utility services, and how those principles would apply to the water industry in particular. The report also provided an estimate of the cost of capital (and assessment of risk in general) associated with providing water services. The findings of the report were presented to a forum of representatives of the Victorian water industry.

Likely Regulatory Outcome for the Price for Using a Port (Client: MIM, 2000)

Provided advice on the outcome that could be expected were the dispute over the price for the use of a major port to be resolved by an economic regulator. The main issue of contention was the valuation of the port assets (for regulatory purposes) given that the installed infrastructure was excess to requirements, and the mine had a short remaining life.

Relevance of 'Asymmetric Events' in the Setting of Regulated Charges (Client: TransGrid, 1999)

In conjunction with William M Mercer, prepared a report (which was submitted to the Australian Competition and Consumer Commission) discussing the relevance of downside (asymmetric) events when setting regulated charges, and quantifying the expected cost of those events.

C. Licencing / Franchise Bidding

Competitive Tender for Gas Distribution and Retail in Tasmania (Client: the Office of the Tasmanian Energy Regulator, 2001-2002)

Economic adviser to the Office during its continuing oversight of the use of a competitive tender process to select a gas distributor/retailer for Tasmania, and simultaneously to set the regulated charges for an initial period. The main issues concern how the tender rules, process and future regulatory framework should be designed to maximise the scope for 'competition for the market' to discipline the price and service offerings. Principal author of a number of sections of a consultation paper, and the regulator's first decision document.

Issuing of a Licence for Powercor Australia to Distribute Electricity in the Docklands (Client: the Office of the Regulator-General, Vic, 1999)

Economic adviser to the Office during its assessment of whether a second distribution licence should be awarded for electricity distribution in the Docklands area (a distribution licence for the area was already held by CitiPower, and at that time, no area in the state had multiple licensees). The main issue concerned the scope for using 'competition for the market' to discipline the price and service offerings for an activity that would be a monopoly once the assets were installed. Contributed to a consultation paper, and was principal author of the draft and final decision documents.

D. Market Design

Review of the Victorian Gas Market (Client: the Australian Gas Users Group, 2000-2001)

As part of a team, reviewed the merits (or otherwise) of the Victorian gas market. The main issues of contention included the costs associated with operating a centralised market compared to the potential benefits, and the potential long term cost associated with having a non-commercial system operator.

Development of the Market and System Operation Rules for the Victorian Gas Market (Client: Gas and Fuel Corporation, 1996)

Assisted with the design of the 'market rules' for the Victorian gas market. The objective of the market rules was to create a spot-market for trading in gas during a particular day, and to use that market to facilitate the efficient operation of the system.

E. Development of Regulatory Frameworks

Implications of greenhouse policy for the electricity and gas regulatory frameworks (Client: the Australian Energy Market Commission, 2008-ongoing)

Providing ongoing advice to the AEMC in its review of whether changes to the electricity and gas regulatory frameworks is warranted in light of the proposed introduction of a carbon permit trading scheme and an expanded renewables obligation. Issues addressed include the framework for electricity connections, the efficiency of the management of congestion and locational signals for generators and the appropriate specification of a cost-benefit test for transmission upgrades in light of the two policy initiatives.

Application of a 'total factor productivity' form of regulation (Client: the Victorian Department of Primary Industries, 2008)

Assisted the Department to develop a proposed amendment to the regulatory regime for electricity regulation to permit (but not mandate) a total factor productivity approach to setting price caps – that is, to reset prices to cost at the start of the new regulatory period and to use total factor productivity as an input to set the rate of change in prices over the period.

Expert Panel on Energy Access Pricing (Client: Ministerial Council on Energy, 2005-2006)

Assisted the Expert Panel in its review of the appropriate scope for commonality of access pricing regulation across the electricity and gas, transmission and distribution sectors. The report recommended best practice approaches to the appropriate forms of regulation, the principles to guide the development of detailed regulatory rules and regulatory assessments, the procedures for the conduct of regulatory reviews and information gathering powers.

Productivity Commission Review of Airport Pricing (Client: Virgin Blue, 2006)

Prepared two reports for Virgin Blue for submission to the Commission's review, addressing the economic interpretation of the review principles, asset valuation, required rates of return for airports and the efficiency effects of airport charges and presented the findings to a public forum.

AEMC Review of the Rules for Setting Transmission Prices (Client: Transmission Network Owners, 2005-2006)

Advised a coalition comprising all of the major electricity transmission network owners during the new Australian Energy Market Commission's review of the rules under which transmission prices are determined. Prepared advice on a number of issues and assisted the owners to draft their submissions to the AEMC's various papers.

Advice on Energy Policy Reform Issues (Client: Victorian Department of Infrastructure, 2003-2008)

Providing ongoing advice to the Department regarding on issues relating to national energy market reform. Some of the key areas covered include: reform of cross-ownership rules for energy sector participants; the operation and reform of the cost-benefit test for new electricity transmission investments; and the reform of the gas access arrangements (in particular, the scope for introducing more light-handed forms of regulation).

Productivity Commission Review of the National Gas Code (Client: BHPBilliton, 2003-2004)

Produced two submissions to the review, with the important issues including the appropriate form of regulation for the monopoly gas transmission assets (including the role of incentive regulation), the requirement for ring fencing arrangements, and the presentation of evidence on the impact of regulation on the industry since the introduction of the Code. The evidence presented included a detailed empirical study of the evidence provided by the market values of regulated entities for the question of whether regulators are setting prices that are too low.

Framework for the Regulation of Service Quality (Client: Western Power, 2002)

Prepared two reports advising on the framework for the regulation of product and service quality for electricity distribution, with a particular focus on the use of economic incentives to optimise quality and the implications for the coordination of service regulation coordinated with distribution tariff regulation.

Development of the National Third Party Access Code for Natural Gas Pipeline Systems Code (Client: commenced while a Commonwealth Public Servant, after 1996 the client was the Commonwealth Government, 1994-1997)

Was involved in the development of the Gas Code (which is the legal framework for the economic regulation of gas transmission and distribution systems) from the time of the agreement between governments to implement access regulation, through to the signing of the intergovernmental agreements and the passage of the relevant legislation by the State and Commonwealth parliaments.

Major issues of contention included the overall form of regulation to apply to the infrastructure (including the principles and processes for establishing whether an asset should be regulated), pricing principles (including the valuation of assets for regulatory purposes and the use of incentive regulation), ring fencing arrangements between monopoly and potentially contestable activities, and the disclosure of information. Was the principal author of numerous issues papers for the various government and industry working groups, public discussion papers, and sections of the Gas Code.

F. Other Finance Work

Review of Capital Structure (Client: major Victorian water entity, 2003)

Prepared a report (for the Board) advising on the optimal capital structure for a particular Victorian water entity. The report advised on the practical implications of the theory on optimal capital structure, presented benchmarking results for comparable entities, and presented the results of detailed modelling of the risk implications of different capital structures. Important issues for the exercise were the implications of continued government ownership and the impending economic regulation by the Victorian Essential Services Commission for the choice of – and transition to – the optimal capital structure.

G. Expert Witness Roles

New Zealand Commerce Commission Draft Decision on Gas Distribution Charges (Client: Powerco, 2007-08)

Prepared an expert statement about the valuation of assets for regulatory purposes, with a focus on the treatment of revaluation gains, and a memorandum about the treatment of taxation for regulatory purposes and appeared before the Commerce Commission.

Sydney Airport Domestic Landing Charge Arbitration (Client: Virgin Blue, 2007)

Prepared two expert reports on the economic issues associated with the structure of landing charges (note: the evidence was filed, but the parties reached agreement before the case was heard).

New Zealand Commerce Commission Gas Price Control Decision – Judicial Review to the High Court (Client: Powerco, 2006)

Provided four affidavits on the regulatory economic issues associated with the calculation of the allowance for taxation for a regulatory purpose, addressing in particular the need for consistency in assumptions across different regulatory calculations.

Victorian Electricity Distribution Price Review – Appeal to the ESC Appeal Panel: Service Incentive Risk (Client: the Essential Services Commission, Vic, 2005-2006)

Prepared expert evidence on the workings of the ESC's service incentive scheme and the question of whether the scheme was likely to deliver a windfall gain or loss to the distributors (note: the evidence was filed, but the appellant withdrew this ground of appeal prior to the case being heard).

Victorian Electricity Distribution Price Review – Appeal to the ESC Appeal Panel: Price Rebalancing (Client: the Essential Services Commission, Vic, 2005-2006)

Prepared expert evidence on the workings of the ESC's tariff basket form of price control, with a particular focus on the ability of the electricity distributors to rebalance prices and the financial effect of the introduction of 'time of use' prices in this context (note: the evidence was filed, but the appellant withdrew this ground of appeal prior to the case being heard).

New Zealand Commerce Commission Review of Information Provision and Asset Valuation (Client: Powerco New Zealand, 2005)

Appeared before the Commerce Commission for Powerco New Zealand on several matters related to the appropriate measurement of profit for regulatory purposes related to its electricity distribution business, most notably the treatment of taxation in the context of an incentive regulation regime.

Duke Gas Pipeline (Qld) Access Arrangement Review – Appeal to the Australian Competition Tribunal (Client: the Australia Competition and Consumer Commission, 2002)

Prepared expert evidence on the question of whether concerns of economic efficiency are relevant to the non-price terms and conditions of access (note: the evidence was not filed as the appellant withdrew its evidence prior to the case being heard).

Victorian Electricity Distribution Price Review – Appeal to the ORG Appeal Panel: Rural Risk (Client: the Office of the Regulator-General, Vic, 2000)

Provided expert evidence (written and oral) to the ORG Appeal Panel on the question of whether the distribution of electricity in the predominantly rural areas carried greater risk than the distribution of electricity in the predominantly urban areas.

Victorian Electricity Distribution Price Review – Appeal to the ORG Appeal Panel: Inflation Risk (Client: the Office of the Regulator-General, Vic, 2000)

Provided expert evidence (written and oral) to the ORG Appeal Panel on the implications of inflation risk for the cost of capital associated with the distribution activities.

Major Coal Producers and Ports Corporation of Queensland Access Negotiation (Client: Pacific Coal, 1999)

Provided advice to the coal producers on the outcome that could be expected were the dispute over the price for the use of a major port to be resolved by an economic regulator. The main issues of contention were the valuation of the assets for regulatory purposes, whether the original users of the port should be given credit for the share of the infrastructure they financed, and the cost of capital (and assessment of risk generally). Presented the findings to a negotiation session between the parties.