

# Bunbury Port Authority



Your Ref:  
Our Ref:  
Enquiries:

Harbour Towage Enquiry  
Productivity Commission  
LB2 Collins Street  
EAST MELBOURNE VIC 8003

Dear Sir

## HARBOUR TOWAGE ENQUIRY

The position paper developed by the Productivity Commission on the economic regulation of harbour towage and related services is comprehensive and provides a good overview of the issues confronting ports, shipping and the towage industry in Australia.

In the position paper comment is made that the barrier to entry, though not insignificant is not large as there is a second hand tug market and tugs are mobile.

While this statement is correct the second hand tug market needs to be looked at in relation to the size, age and type of tugs that are available and their suitability and compatibility for the port in question.

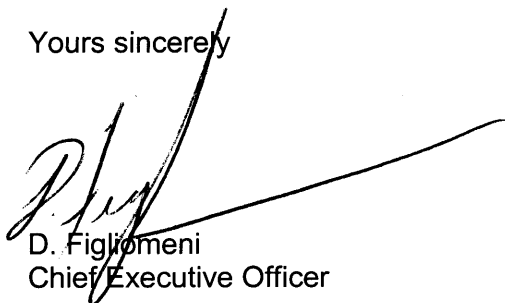
With this background, I would argue that the market for second hand tugs is limited and that the sunk costs of entering the market, attracting market share, which could result in operating losses and the cost of exiting are high and significantly reduce the threat of entry by competitors.

While a number of statements are made in the report that operators are prepared to enter the market in the Bunbury case operators were only prepared to enter the market on the basis of an exclusive license.

The Bunbury Port Authority strongly supports the other key messages and findings of the position paper.

Please contact me at your convenience if you wish to discuss the above comments.

Yours sincerely



D. Figliomeni  
Chief Executive Officer

27 June 2002