

9 July 2002

Tony Hinton
Commissioner
Productivity Commission
Locked Bag 2
Collins Street East
Melbourne VIC 8003

Dear Mr Hinton,

Productivity Commission inquiry into Harbour Towage

I am writing in reference to the Commission's position paper on Harbour Towage, released in June 2002. The NFF greatly appreciates the work that the Productivity Commission has done on this issue and the ability for the NFF to be involved in this important issue.

The NFF is very pleased with the thrust of the Commission's position paper. The position paper agrees with the NFF's arguments that harbour towage is a natural monopoly, that regulation of the industry is necessary, and that competitive tendering for exclusive licences is the most efficient way to regulate the industry.

The only concern that the NFF has is that the paper does not explore mechanisms to give ports strong incentives to implement efficient regulation of towage. As the Commission's paper notes, most ports are not privatised, and therefore can be subject to conflicting or unclear objectives (p143). There is a possibility that political pressures and other considerations may limit the ability of ports to implement efficient regulation. The NFF would appreciate this issue being explored further, particularly to examine the need for privatisation, contracting out, and removal of conflicting objectives. There may also be value in emphasising the appropriateness of exclusive contracts as the most efficient means of regulating towage.

Apart from this one concern, the NFF is pleased with the position taken in the Commission's position paper, and we trust that this will be maintained in the final report.

Yours sincerely

ANNA CRONIN
Chief Executive Officer