

CO.PR  
02/8004/I



26 April 2002

Productivity Commission  
Harbour Towage Inquiry  
LB2 Collins Street East  
MELBOURNE VIC 8003

Attention: Michelle Cross

Dear Michelle

Newcastle Port Corporation (NPC) would like to make the following submission to the Productivity Commission's Inquiry into Towage and Related Services.

Ports play a critical and pivotal role in providing import and export opportunities for Australia's key international trades. The Port of Newcastle is a significant export port for commodities and other bulk trades valued at over \$5.5 billion per year.

Ports offer a bundle of services related to vessel traffic control, pilotage, towage, lines (mooring) services, providers, stevedores, terminal and port operators, assets security, repair and maintenance and utilities to ships. Maintaining minimum costs and hence prices for these services is critical as most commodities are driven predominately by price. Even small shifts in overall prices can have a significant impact on demand, particularly where exporters' slim margins cannot absorb the overall logistic chain price increase.

To this end, NPC has not increased its service based prices for the past ten years. In real terms, this represents a cumulative price decrease against inflation of over 37%. In order to contain these costs, NPC has reduced its workforce 35% in the last 18 months fully using new technologies and management systems.

A significant cost in the logistic chain is towage. NPC pilots have progressively increased productivity through improved shiphandling guidelines. One of the outcomes has been the reduction in the requirement for four tugs for a small number of vessels under certain conditions. This process has been carefully implemented so that safety is not compromised. Most of the 1,500 plus ships visiting the port each year however, are large bulk carriers and require four tugs to attend their entry and departure, thereby providing a steady and consistent towage requirement.

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Newcastle Port Corporation and Adsteam have a very strong and profitable relationship in Newcastle. Operational matters pertaining to safe and effective movement of vessels is part of an open and regular communication flow. Even though NPC and Adsteam have a strong relationship, the Harbour Master and pilots currently do not control the size and design of a tug which are significant variables.

Newcastle, until 18 months ago, had two competitive towage services, BHP and Adsteam, each operating four tugs. BHP withdrew from the towage service after the closure of the Newcastle Steelworks leaving Adsteam as a monopoly provider in the port, operating six tugs.

Towage is a high capital fixed cost business and this provides a significant barrier to market entry.

All these circumstances lead NPC to support strongly, towage and related services remaining as a declared service.

NPC also supports a licensing regime controlled by Port Corporations through competitive mechanisms to provide greater certainty in ensuring the most effective and efficient outcomes are achieved. Such a regime would allow Harbour Masters greater influence on the type of tugs employed and to balance productivity improvements with safety and shiphhandling constraints.

I trust this information provides valuable input into any subsequent Productivity Inquiry.

If you require more detail, please do not hesitate to contact Mr Steve Edmonds, General Manager – Commercial on (02) 4985 8207.

Yours sincerely



Chris Oxenbould AO  
**CHIEF EXECUTIVE OFFICER**