

5/7/2002

## **ECONOMIC REGULATION OF HARBOUR TOWAGE AND RELATED SERVICES**

### **SUBMISSION TO PRODUCTIVITY COMMISSION PUBLIC HEARING**

#### **Company background and interest in towage**

Queensland Sugar Limited (QSL) ships approximately 4 million tonnes per year of raw sugar from seven Queensland ports using approximately 150 ships/year. We ship approximately 2 ships per year from Brisbane, with the remainder being shipped from the ports of Bundaberg, Mackay, Townsville, Lucinda, Mourilyan and Cairns.

QSL sells all raw sugar on a C&F/CIF basis. Generally, contractual arrangements with Ship Owners allow QSL the option to ship from six ports (Brisbane is generally excluded since it is rarely used). A premium is paid at ports where it is more expensive for the Ship Owner to call (this avoids Ship Owners building the highest cost port into freight rates). We pay premiums to Ship Owners who are required to load at Mourilyan and Lucinda due to the higher towage costs at these ports. Ultimately towage costs are reflected in the freight rates we pay. Changes in towage prices on a port by port basis will flow through into changes in our port premium rates.

#### **Comment on Productivity Commission position paper**

QSL is a member of the National Bulk Commodities Group and supported their initial submission to this review.

QSL is concerned that towage prices at ports we ship from (particularly Lucinda, Mourilyan and Cairns) have not been tested in the marketplace. We therefore have no practical way of assuring ourselves that market rates are being paid for towage services. This problem is particularly unsatisfactory in the current low price environment of the sugar market.

Although it is not commercially sensible for more than one towage service to operate from any of the regional ports we ship from, it is not satisfactory from our point of view to have no form of competition at all for the services.

QSL views preliminary findings 8.6 and 8.7 as particularly constructive in addressing the concerns we have. We support Port Authorities holding competitive tenders for an exclusive license at all the ports we ship from.