

**Exclusive Dealing Notification – N92776 – Use of Figeer Cranes on Lascelles Wharf**

**Responses to ACCC questions in their letter to Clayton Utz dated 1 February 2007**

- 1 (a) "other dry bulk cargoes" includes Gypsum, Bentonite, Cement Clinker, Soybean Meal, Palm Kernel and Canola all of which use the Figeer cranes for their discharge. The only other dry product that presently comes through the Port at Lascelles wharf is Calcite and is discharged by employing the vessel's self-discharge system. Volumes vary by product type and customer.

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- (b) Other types of products handled through Lascelles Wharf include predominantly break bulk (steel / aluminium ingots / paper pulp), some occasional project cargo (heavy lifts) and bulk liquids (acid). These products are not in a bulk free flowing form but are typically unitised and are not suited for loading or unloading by the Figeer cranes. Ships gear is used to load / discharge these products with specialised pumping gear and connections to handle the acid.
- 2 Average vessel arrivals at Lascelles wharf each year are 135. The typical split between cargo types is:

|                  |    |
|------------------|----|
| • Fertiliser     | 76 |
| • Other Dry Bulk | 10 |
| • Break Bulk     | 12 |
| • Bulk Liquids   | 25 |
| • Other          | 12 |

The vessel arrivals listed against "Other" relate to lay up and bunkering vessels, neither of which have any requirement for Figeer or ship's cranes. The break bulk and bulk liquid vessels were addressed in the response to question 1.

- 3 There are a number other ports capable of unloading fertiliser and other dry bulk products both within Victoria and interstate. These include the Ports of Melbourne, Portland, Fremantle (Kwinana), Esperance, Albany, Bunbury, Geraldton, Adelaide, Port Kembla, Newcastle, Brisbane, McKay, Gladstone, Darwin, Townsville and the Tasmanian ports at Bell Bay, Devonport and Burnie.

The Port of Melbourne and Toll Geelong Port each occupy a particularly close area of competition for both bulk and break bulk cargoes. The sailing time to each of the Ports is comparable and competition for cargo is based on price, service offering and available facilities. It is not unusual for customers to move their business from Melbourne to Geelong or vice versa based on the overall service package they can negotiate and we suggest that similar options would be open at the Ports of Portland and Port Kembla. It is the customer's sole decision as to whether they come to Melbourne, Geelong or any other port.

- 4 The Figeer cranes were originally installed at the port at the request of customers and until recently it had been standard practice for many years for all bulk discharge customers to use the Figeer cranes except for cases where self-discharge vessels were utilised. Self-discharge vessels do not require the use of Figeer cranes or ships gear and rely on an inbuilt auger for discharge. The break down by method of discharge and product is tabled below.

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- 5 We confirm the application would relate to the use of the Figeer cranes for the import of fertiliser and other dry bulk products only. Typically dry bulk products are exported by a purpose built ship loader, one of which is currently available at Lascelles wharf. Should a dry bulk export product be more suited to a grab operation than the Figeer cranes, at the customer's choice, would be used in preference to ship's gear. Typically, more than 95% (05/06 actuals) of fertiliser and other dry products moved across Lascelles wharf were inbound.
- 6 (a) There are three berths at Lascelles Wharf, two of which are suitable for bulk discharge - Lascelles No. 2 and No. 3, with one Figeer crane typically allocated to each berth. This allows a single hold to be discharged per vessel if two vessels are in Port. If there is only one ship in Port then two Figeer cranes will be allocated to a

single vessel allowing two holds to be unloaded at the same time. If there is the ability to have two holds discharged on the one ship at the same time, and the other Figeer crane is unavailable then ship's gear can be used on the second hold. It should be noted that if one customer agrees to forgo their Figeer crane and allow the other vessel to employ two Figeer cranes whilst they then use ship's gear, we agree to this arrangement. Circumstances may also arise where some or all of the Figeer cranes are unavailable due to damage, repairs or breakdown. We have no problems with customers using ship's gear in these circumstances as ensuring that vessels are unloaded in the shortest time possible is always a priority.

(b) No. 1 berth at Lascelles does not have Figeer crane access on account of wharf weight restrictions, but nevertheless discharge by ship's gear is not viable in any event. Lascelles No. 1 has very limited access on account of the location of Shed 1 on the wharf, the location of infrastructure support associated with the overhead conveyor system leading to shed 1 and this is coupled with a lack of room to turn a b-double truck. There is, in addition, potential for serious traffic congestion and therefore traffic management concerns associated with the pinch point that exists between sheds 1 and 2.

(c) Under the notified conduct, port users would not be denied access to a berth, but they would be denied permission to discharge their fertiliser or other dry bulk cargo using ship's gear in circumstances where the Figeer cranes are available. Alternatively, the wharfage charge may need to be adjusted in the manner disclosed in paragraph 7(d) below. Self-discharge vessels would still be permitted to discharge their cargo as at present. It is also important to understand that Lascelles customers are not required to use Toll's stevedoring services (crane driving and unloading teams etc). In this regard, Toll's stevedoring service actively competes with Dubai World Ports (formerly P&O) for stevedoring work at Lascelles and customers remain free to engage any stevedore provided the stevedore has an appropriately ticketed crane driver.

It may also assist if it can be appreciated that a "berth" when considered simply as a stand alone piece of infrastructure is little more than the structure against which a vessel rests and the adjacent hardstand or landing area. However, when bulk handling berths like berths 2 and 3 at Lascelles are properly characterised in an efficient operational context, they should be regarded as including major fixtures such as cranes and other forms of loaders and unloaders as they are an integral part of the berths's design and layout and are integral from an efficiency point of view. An indication of the integrated nature of the Figeer cranes at Lascelles berths 2 and 3 can be seen in the photographs attached below:



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7 Port charges for unloading vessels at Lascelles wharf.

(a) Prior to Notification

(i) Fige shore crane rate

| RATES              | RATE PER TONNE<br>INCLUSIVE OF STANDBY<br>LABOUR |
|--------------------|--|
| UP to 4,000 Tonnes | \$7.58   |
| 4,000 to 5,000 “   | \$6.20   |
| 5,000 to 6,000 “   | \$5.44   |
| 6,000 to 8,000 “   | \$5.18   |
| 8,000 to 11,000 “  | \$4.85   |
| 11,000 to 15,000 “ | \$4.51   |
| 15,000 to 17,000 “ | \$4.14   |
| 17,000 to 18,000 “ | \$3.83   |
| 18,000 to 20,000 “ | \$3.47   |
| 20,000 to 22,000 “ | \$3.13   |
| 22,000 + “         | \$2.80   |

(The above charges are set to a sliding scale depending on the cargo package discharged per vessel. These charges do not include Stevedoring costs which include crane drivers. These charges reflect the use of 1 or 2 cranes in conjunction with the Mobile Hoppers loading direct into trucks.)

(ii) Berth Hire -\$203.69 per hour (while the vessel is alongside the berth)

(iii) Facility hire (wharfage) \$0.909 per tonne of cargo discharged

(b) as per (a) above.

(c) (i) Berth Hire -\$203.69 per hour (while the vessel is alongside the berth)

(ii) Facility hire (wharfage) \$0.909 per tonne of cargo discharged

(d) Presently the charges would be as per response (c) above. However, as an alternative to denying port users permission to discharge fertiliser or other dry bulk cargo using ships gear in cases where there is a refusal to use the Fige cranes, we might have to consider increasing the wharfage charge per tonne to the refusal customers by an amount that at least captures the capital recovery and maintenance component of the Fige crane charges that would have been levied if the Fige cranes had been used. Any additional costs arising out of slower throughput, inefficient use of wharf capacity or environmental issues as a consequence of the use of ship's gear use may also have to be examined and factored into such a charge.

8 (a) (c) Impact on Cargoes (and ship numbers) through Lascelles Wharf will be dependent on two scenarios.

- I. Customers could choose to take their Cargoes to other Ports, in particular the Port of Melbourne and if this occurred Lascelles tonnes would reduce in the short term; and

- II. If all customers accept the notified conduct and remain at the Port, it will reduce the shipping costs to customers as ships will be turned around quicker (reduced berth hire charges and possible increase in despatch) and berth utilisation will remain at a level that will ensure ships do not have to queue whilst they wait for a berth.

If the notified conduct was to be rejected by the ACCC, and all Port customers were to move to ships gear, Toll GeelongPort would for the first time ever, have significant ship queuing issues thus reducing the overall efficiency of the Port. There would then be a need to prematurely look to construct a new berth – Lascelles - 4 at a cost of approximately \$20 million, which would result in increased costs to customers due to the poor utilisation of available assets.

(b) Any formula for calculating productivity improvements must take into account variables such as the physical variations that are encountered when handling different types of bulk products. Products also vary in terms of density (both on account of geology and water content), flow, size and shape, coarseness etc. Based on our own experience and tested against the experience of dedicated stevedores, we have put together the following table based on different vessel size cargos that clearly show the advantage of the Figue shore based cranes in handling bulk products.

Facts we can put forward are:

- Our Figue grabs used for discharge are always larger and capable of handling a greater quantity (tonnage) of any product handled than any vessel equipped with ship's luffing type cranes;
- Our Figue shore based cranes are demonstrably faster in mechanical operation than any visiting ship's luffing type crane;
- Our Figue shore based cranes can, on account of their greater height and positioning capability along side the vessel (via the rail they operate from), give the operator greater advantage than vessels equipped with ship's luffing type cranes to see the product and deliver it directly to the hopper more quickly.
- Our Figue shore based cranes are also superior from a dust suppression and environmental point of view as the Figue cranes have a closed grab and ship's gear generally operates with an open grab. In simple terms, a closed grab minimises product leakage and dust escape much better than an open grab.

Our methodology, in this instance, is based on an assessment of the different types of products and different handling rates found when discharging fertiliser products; in particular MAP, DAP, Urea and Phosphate rock.

Taken across these various products a single Figue crane can discharge at an average rate of 290 tonnes per hour allowing for hold clean outs. This is against the average rate of discharge using ship's gear of 110 tonnes per hour.

The result of this efficiency is fewer gang shifts being required to complete a task thus resulting in a cost saving for stevedoring duties together with a reduction of berth charges as the time along side for the vessel is reduced accordingly.

We should also point out that customers have already expressed concerns about resulting inefficiencies and the potential for cost increases if our Fige crane proposal is not implemented. For further information in this regard, we suggest that the ACCC consider contacting Incitec Pivot, ABB Fertilisers and Blue Circle Cement (contact personnel are listed in the attached schedule).

**Productivity Comparison of Fige Shore Based Cranes and Ship's Gear**

| <b>Tonnes per Shipment</b>                    | <b>Fige Cranes</b>   | <b>Ship's Gear<sup>1</sup></b>  | <b>Shifts Saved</b> |
|---|--|---|---------------------|
| 5,000 tonnes<br>2 Holds<br>No Clean Outs      | 1 Crane<br>300 tonnes per hour <sup>2</sup><br>= 2.2 shifts total  | 2 Cranes x 2.5 shifts <sup>3</sup><br>250 tonnes per hour <sup>4</sup><br>= 5 shifts total  | 2.8 gang shifts     |
| 10,000 tonnes<br>3 Holds<br>2 Hatch Clean Out | 2 Cranes x 1 shift<br>580 tonnes per hour<br>1 Crane x 2.5 shifts<br>290 tonnes per hour<br>= 4.5 shifts total   | 2 Cranes x 5.2 shifts<br>220 tonnes per hour <sup>5</sup><br>1 Crane x 1 shift <sup>6</sup><br>110 tonnes per hour<br>= 11.4 shifts total | 6.9 gang shifts     |
| 24,000 tonnes<br>4 Holds<br>3 Hatch Clean Out | 2 cranes x 4 shifts<br>580 tonnes per hour<br>1 Crane x 2.3 shifts<br>290 tonnes per hour<br>= 10.3 shifts total | 2 Cranes x 12.6 shifts<br>220 tonnes per hour<br>1 Crane x 2 shifts <sup>7</sup><br>110 tonnes per hour<br>= 27.2 shifts total            | 16.9 gang shifts    |

| <b>Gang Shifts Saved</b> | <b>Equivalent Hours Saved<sup>8</sup></b> | <b>% Labour Improvement</b> | <b>Berth Hours Saved<sup>9</sup></b> |
|--------------------------|---|-----------------------------|--------------------------------------|
| 2.8                      | 24  | 27                          | 1.6                                  |
| 6.9                      | 56  | 53                          | 21.6                                 |
| 16.9                     | 136                                       | 64                          | 66.4                                 |

<sup>1</sup> Use of ship's gear (and Fige cranes) assumed using 2 hoppers as per existing operational protocol.

<sup>2</sup> Discharge rate for the Fige crane is increased over normal rate as product is grabbed from the top of the hold and there is no hold clean out.

<sup>3</sup> Each shift requires a gang of 3 men – one on the hopper and 2 men rotating through the crane.

<sup>4</sup> Discharge rate increased over normal rate as product grabbed from the top of hold and no hatch clean out required

<sup>5</sup> Discharge rate reduced as normal operation requiring hatch clean out

<sup>6</sup> Only 1 shift allocated to hatch clean out account product volume

<sup>7</sup> With double the volume 2 shifts required for hatch clean out

<sup>8</sup> Gang hours rounded up as part of shift will count for a whole shift paid

<sup>9</sup> Bert hours saved is based on actual shifts vessel is along side rather than actual gang shifts worked.

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