



Smit Lamnalco (Australia) Pty Ltd

Unit 5, 11-13 Friendship Road

Port Botany NSW 2036

Postal Address

PO Box 733

Botany NSW 1455

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Ms. K. Prasad
Assistant Director Adjudication
Merger and Authorisation Review Division
Australian Competition & Consumer Commission
Level 2 / 23 Marcus Clarke St.
CANBERRA ACT 2601

Dear Ms. Prasad,

Re: Authorisation A91545 8 July 2016.

I am pleased to confirm Smit Lamnalco Australia is supportive of the conduct for which the Port of Townsville Ltd and Far North Queensland Ports Corporation Ltd are seeking authorisation and also supports the use of exclusive licence arrangements at the ports of Cairns, Mourilyan, Lucinda and Townsville.

Given the cost of back-up capacity in multiple ports within the region, it is prudent to request tenders for one or more of the ports. It is apparent that the RFT being contemplated will allow for bids to be structured with maximum flexibility to the benefit of the Port Authorities, port users and potential bidders alike.

Having attempted to compete head to head in 'open' un-licensed ports against a dominant national operator over the last decade, the AMS and PB Towage experience was that most, if not all, bar the very largest Australian ports are genuine natural monopolies, where a 2nd tug operator is not commercially viable.

While a very limited number of 'open' ports may have attracted new, lower cost competition of late, it certainly remains to be seen if this is sustainable and affords the port no security or control over the delivery or quality of towage services.

Towage licencing is essential to regulate optimally efficient and cost effective towage outcomes, to the benefit of the entire port community.

However, current market settings have not seen the entry of a 2nd operator where non-exclusive towage licences have been in place for some time, even in larger ports such as Fremantle, Adelaide and Port Kembla. The absence of mandatory cross-hire between competing tug companies means the cost of oversupply of assets to meet peak shipping demands is patently inefficient and uneconomic.

Exclusive towage licencing is therefore necessary for ports looking to secure full regulatory and operational control of the highest quality, most competitive towage and emergency response services.

By way of example, elements which may be incorporated in an exclusive towage licence include;

- Cost and pricing / escalation control
- Specified penalties / cancellation fees – no additional charges
- No network pricing – discounting / rebate to secure work elsewhere
- Mitigation of salvage claims within port limits
- Minimum tug numbers / age
- Tug capacity – bollard pull
- Tug specification i.e. ASD / Tractor / Rotor, LOA, draught, AIS, etc.....
- 24/7 'captive' manning on duty tug/s – 'service ready'
- Service guarantees – shipping schedule integrity
- Industrial contingencies – guaranteed supply
- Minimum standard firefighting
- Back-up capability, ie reserve tug available within 36 hours
- Booking procedure – aligned with pilotage & other port needs
- Emergency towage capability – near coastal
- ISO Quality accreditation
- Electronic planned maintenance
- Training standards / accreditation
- Diversity targets, including indigenous participation
- Community engagement
- Performance incentives
- KPI's

Smit Lamnalco is clearly of the opinion that Townsville, Cairns, Mourilyan and Lucinda port customers will be best served under an exclusive licencing structure.

As far as any suggestion that exclusive towage licences inhibit competition and compromise service levels or flexibility, this is probably best answered by the Port Authorities who have recently embraced change through a competitive tender process. Smit Lamnalco would submit that service and safety levels have significantly improved with an investment in more modern, often new, higher powered vessels while reducing end cost to port users.

Yours sincerely,



Tony Cousins
Managing Director