



**ADSTEAM MARINE LIMITED**

ABN 87 065 888 440  
An ISO 9002 Quality Assured Firm

Level 22, Plaza 2, 500 Oxford Street, Bondi Junction NSW 2022 Australia  
PO Box 644, Bondi Junction NSW 1355 Australia

Tel: + 61 2 9369 9200  
Fax: + 61 2 9369 9288

adsteam.com.au • info@adsteam.com.au

7 April 2004

The Hon Paul Neville MP  
Committee Chair  
Standing Committee on Transport and Regional Services  
House of Representatives  
Parliament House  
**Canberra ACT 2000**

Dear Mr Neville,

**Re: Inquiry into Maritime Salvage in Australian Waters**

We enclose the following submission by Adsteam Marine Limited in response to the Committee's invitation for organisations to make submissions addressing the terms of reference for the Inquiry into Maritime Salvage in Australian Waters.

Adsteam Marine is an Australian based, international operator of maritime services with significant investment and experience in ship assist and salvage activities. Through its wholly owned subsidiary company, United Salvage Pty Ltd, Adsteam currently provide salvage and emergency response services to the Australasian and Pacific regions. This response is co-ordinated through our emergency contact base in Brisbane, which is manned 24 hours per day, every day of the year. Adsteam Marine is Australia's only professional salvage provider.

Adsteam has assumed for a long period the primary responsibility for salvage in Australian waters. As a result of recent changes affecting harbour towage competition, Adsteam's ability to continue to provide this service is in jeopardy unless a level playing field can be established.

As part of our submission, Adsteam would also like to draw attention to the need for an enhanced Security Incident Response (SIR) capability within Australia. This is a growing need as a result of the impacts terrorism is having on Australia's national security, and we see that there is a strong link between these services and Australia's salvage capability requirements.

We are pleased to have been given the opportunity to submit our views on this extremely important issue of Australia's maritime salvage requirements.

Yours faithfully  
**ADSTEAM MARINE LIMITED**

**Chief Operating Officer**

Submission to

Inquiry into Maritime Salvage  
in  
Australian Waters

April 2004

---

ADSTEAM MARINE LIMITED

---



## CONTENTS

1. Executive Overview
  2. Salvage Requirements for Australian Waters
  3. Impact of the Productivity Commission's report into Harbour Towage
  4. The Salvage process
  5. Recommended approach to the provision of a salvage capability for Australia
  6. Maintaining an appropriate standard of salvage capability
  7. Adsteam Marine Limited corporate profile
- Appendix A - Possible Salvage Capability Specification outline

## 1. EXECUTIVE OVERVIEW

### KEY POINTS

- The most effective and efficient way to provide emergency response salvage services in Australian waters is to utilise the existing port/harbour towage capability
- Every port is open to towage competition but in nominated ports that are strategically located from a salvage perspective, the towage operator(s) must provide an emergency response salvage capability to an agreed specification as part of the agreement for them to operate in the port.
- Adsteam Marine currently provides Australia's only emergency salvage capability for large commercial vessels, with 15 salvage capable tugs and support infrastructure strategically located around Australia.
- Actual salvage management is provided by Adsteam's salvage subsidiary, United Salvage. United Salvage is the only Australian salvage organisation accredited with the international body, The International Salvage Union.
- Australia is in need of an enhanced Security Incident Response (SIR) capability. With the growing threat and impact terrorism is having on the free world, establishing a SIR capability that provides both prevention and response, is a critical competence for Australia. This service would require additional funding but the cost of providing this service could be reduced if salvage assets were utilised.
- National security and salvage are intrinsically linked. While security addresses the prime issue of prevention, being prepared to adequately respond when prevention barriers fail, is equally important. Australia must have an adequate capacity to respond to casualties as a result of terrorism.
- Emergency response salvage capability is more than just the availability of suitable salvage capable tugs and crews. It includes experienced, trained salvage teams and management, salvage equipment, safety systems, salvors liability insurance coverage, with immediate response capability and the provision of backup tugs, people and equipment.
- Governments have a responsibility to legislate that salvage tugs can be released from port duties if instructed by the AMSA or the equivalent State body, to attend to a casualty, with no penalty to the tug operator.
- The multiplicity of regulatory bodies (Federal, State and Local) can impede a timely and effective emergency response/salvage capability. Overlapping jurisdictions must be rationalised.
- An organisation responding to an emergency or casualty can incur substantial liabilities under existing regulations should the situation deteriorate and environmental damage occur. Reasonable responder immunity must be available to a competent salvor in such circumstances.

## 2. SALVAGE REQUIREMENTS FOR AUSTRALIAN WATERS

### KEY POINTS

- The government has a need to financially ensure that there is sufficient marine capacity, equipment and expertise to provide a swift and effective emergency response capability as needed in Australian waters, giving consideration to the geography and major trading routes of Australia.
- National security and salvage are intrinsically linked. While security addresses the prime issue of prevention, being prepared to adequately respond when prevention barriers fail, is equally important. Australian authorities are highly concerned with the threat of terrorism in Australia's major ports and the need for an adequate emergency response capability. Australia must have an adequate capacity to respond to casualties as a result of terrorism.
- The ETV approach as used in the UK or steaming a tug from Singapore are not viable options to provide an emergency response capability for Australian waters. A viable local capability is essential.
- The demand for emergency salvage capability in Australian waters is extremely variable, unpredictable and infrequent. An Australian based salvage capability needs to be capable of providing response to any marine based emergency.

Australia is the fifth largest shipper nation in the world with a vast and extensive coastline. For a continent of its size, there are a relative small number of major ports that are geographically spread, combined with long stretches of coast with little or no facilities. Protecting Australia's sensitive marine environment, and ensuring trade and the movement of cargo by sea, need not be in conflict with each other. Australia must be proficient and competent in the execution of both tasks.

Regulation, resources and equipment, all play an important part in ensuring that trade and the movement of cargo by sea, is conducted in a safe and proficient manner. However, sometimes things do not occur as designed, and as a result, Australia must have a capacity to respond to any emergency casualty situation.

National security has become a critical issue for Australia and the world. The Australian maritime industry has been extremely busy in preparing security plans for their approval by the Government. Recent announcements by the Federal Minister for Transport, emphasising the importance of maritime security and the need for Australia to go further with its security preparedness, are all important factors for Australia. Adsteam has been called upon for advice in this area.

National security and salvage are intrinsically linked. While security addresses the prime issue of prevention, being prepared to adequately respond when prevention barriers fail, is equally important. We have already seen world events where the maritime security prevention methods have failed to prevent a marine casualty at the hands of terrorism. The USS Cole and the French oil tanker Lindberg, are two important examples. Australia must have an adequate capacity to respond to casualties as a result of terrorism.

Any emergency may take the form of salvage, wreck removal or simply rendering assistance to another vessel. The number of these incidents that occur in Australia, fortunately do not warrant specialised and dedicated services for each of these categories of emergencies. Analysis of the salvages will show that geographically close, high-powered, highly manoeuvrable combination salvage tugs are the most effective vessels to assist. Salvage dedicated vessels stationed at the extremities of the nation would not provide the fast and effective response that has been capable of being provided to date.

The realistic approach for Australia to ensure it has adequate capacity to respond to marine incidents, is to combine this competency with a related service. That service can only be in-port or harbour ship assist services, commonly known as the harbour towage industry.

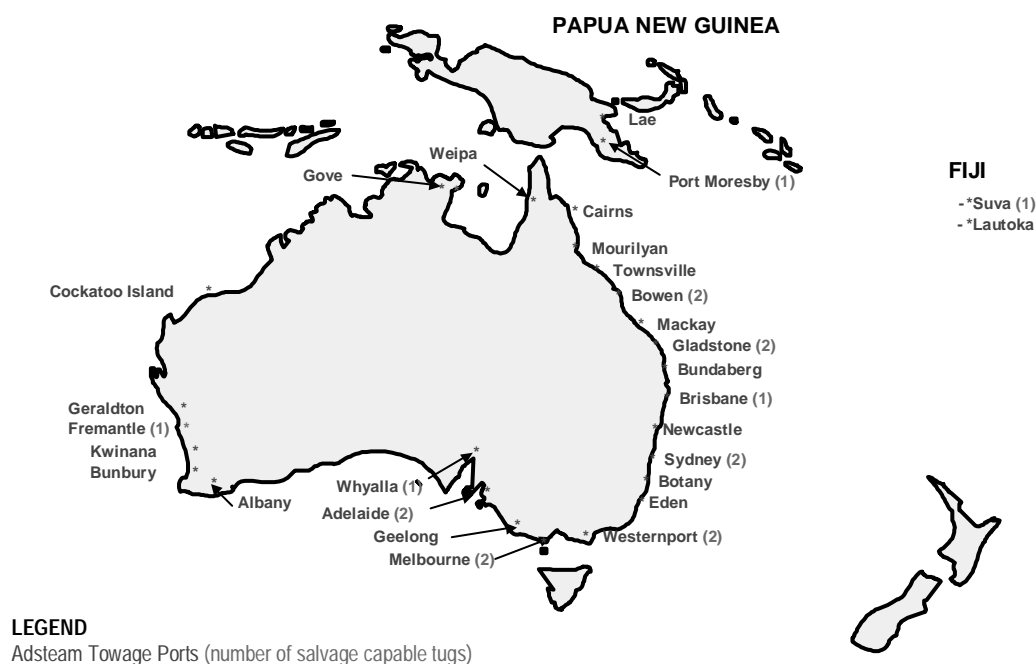
Some countries, like the UK, have decided to provide this emergency capacity through a dedicated service comprising Emergency Towing Vessels (ETV). While this is a workable model for that country, the size of the task due to the geographical size of the country, is vastly different in Australia. This model would prove to be prohibitively costly to the public purse.

Currently, the UK strategy is based on four ETV's stationed around the UK coast to cover a designated section of the coastline in a timely manner should an emergency arise. Applying similar rationale to the Australian coast will result in many more ETV's being needed to provide the same prompt assistance.

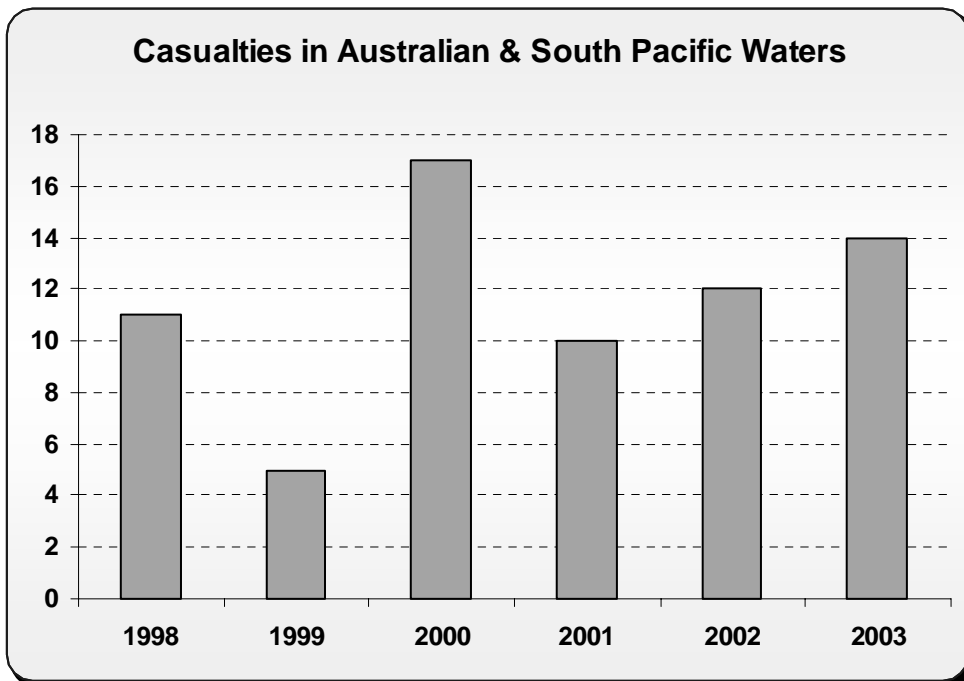
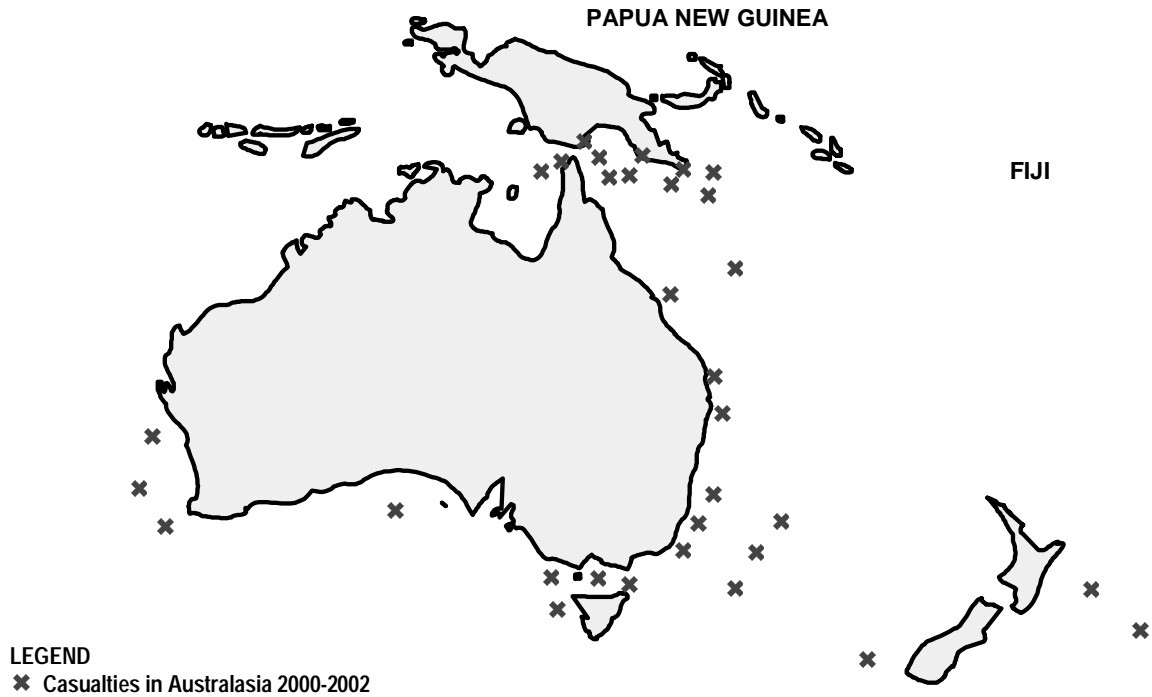
The first hours after a marine casualty has occurred are critical. Notification to authorities, salvors, emergency response crews and other related parties must be swift. Mobilisation by salvors to the casualty must be measured in hours not days. A proposal to rely on salvage tugs coming from one of our nearest neighbours such as Singapore would significantly reduce the emergency response effectiveness of this country. An example would be the mobilisation and steaming time for a salvage vessel to travel from Asia to a grounded vessel on the Southern end of the Great Barrier Reef. The steaming time is in excess of fourteen days.

The solution lies within the model that has been in place for over 20 years, one that has proven itself to be reliable and which works in Australia's interests. This does not mean that Australia should not make improvements on the present system, particularly with its problems over the release of tugs from ports.

The Adsteam salvage capability model is depicted on the map below. The model has evolved to ensure the need for salvage capable tugs are located at strategic locations around the country. While the harbour towage requirements of a particular port will dictate the design of the tugs required, it also influences the ability to station a salvage capable tug in that port. All this, combined with steaming times for tugs to casualties, has gone into the design of the Adsteam model.



It can be seen from the map below, indicating casualties in Australasia in more recent years, that there is a relationship between historical locations of casualties and the Adsteam salvage capability model.



### 3. IMPACT OF THE PRODUCTIVITY COMMISSION'S REPORT INTO HARBOUR TOWAGE

#### KEY POINTS

- The Commission's conclusion that "efficient provision and pricing of harbour towage (whether this is promoted through direct competition, competitive tenders or price regulation) need not effect the efficient provision of salvage" is flawed.

The Productivity Commission's Report on the Economic Regulation of Harbour Towage and Related Services made certain assumptions, relating to salvage, that were incorrect.

The relevant clauses are repeated below and are addressed individually in the following text:

1. Page 184 Paragraph 2 and Page 237 F.7 para 1

*"The important point in relation to this enquiry is that the efficient provision and pricing of harbour towage (whether this is promoted through direct competition, competitive tenders or price regulation) need not effect the efficient provision of salvage."*

This statement is totally incorrect and rejected. The current situation in Australian ports that allows open competition for harbour towage will have a negative effect on the efficient provision of salvage, especially emergency salvage capability.

The Commission correctly noted that harbour towage, in any given Australian port, is a natural monopoly industry due to the relatively small shipping volumes in Australian ports and the large fixed costs relative to marginal costs of an incumbent towage operator. (Page 74, 75). The commission also noted correctly that natural monopoly does not necessarily mean that the market is not contestable or that the incumbent operator has monopoly power.

The threat of competition in a port has the effect of maintaining towage prices at an efficient level in the port. However the actual entry of competition in a port has an immediate effect of reducing the incumbent's market share significantly. This reduction in revenue, accompanied by a need to maintain the fixed assets i.e. tugs and berth infrastructure, and little opportunity to reduce crew costs, results in a significant reduction in profit margin. To compound this issue there is also some degree of price reduction as the competitor will most likely undercut existing pricing regimes in an effort to secure more business. This further reduces the incumbent's revenue that is available to cover overheads.

The result is that overheads such as maintaining an incremental salvage capability in the port as part of the harbour towage fleet can no longer be carried and consideration must be given to reducing costs to enable direct competition on a level playing field. The tendency is for all harbour towage operators to move towards the lowest cost harbour tug, berth infrastructure and crew skill level that will meet the ports specified requirements. This must be done to ensure that profit margins are not reduced to unacceptable levels.

The revenues in a salvage business are unpredictable due to the inherent irregular nature of the business. In Australia the frequency of casualties that require salvor assistance is low (on the Great Barrier Reef the average frequency is about one every two years) but there is still a very real need to have an effective emergency salvage capability strategically located around the Australian coast. The provision of salvage services by itself in Australian waters is not a profitable business and thus must co-exist with harbour towage to be viable. For this to happen however requires that that all towage operators, who wish to operate in strategically located (for salvage) ports, must meet a prescribed level of emergency salvage capability.



2. Page 237 F.7 para 2

*“Competitive tendering (for exclusive or non-exclusive licensing) need not alter the market incentives for provision of salvage, provided that ports do not explicitly proscribe salvage by , for example, prescribing maximum tug requirements in the port.”*

This statement needs to be further qualified. The market incentive to provide an emergency salvage capability in a port will only exist if the port authority prescribes a defined level of salvage capability for all towage operators in the port. Otherwise the operator that has the salvage capability will be disadvantaged financially in its ability to compete effectively in the provision of harbour towage services.

The costs of providing a salvage capability over and above the cost of providing harbour towage include:

- Salvage tug incremental cost (incremental capital cost x WACC)
- Salvage tug maintenance annual cost
- Salvage tug docking cost (5 year)
- Salvage gear in store (capital cost x WACC)
- Ongoing training of salvage masters, crew
- Rapid response nucleus, 24 x 7 operation
- Salvage equipment store, space cost, storeman
- Corporate office support for salvage capability
- Salvors liability insurance

Two other less obvious costs for the salvage operator are the lost opportunity costs that may be incurred from lost towage revenue when a tug is called out on a salvage and the intangible cost of disaffected harbour towage customers under these circumstances.

3. Page 237 F.7 para 2

*“If ports were to introduce licences specifying a minimum standard of harbour towage capacity, additional salvage capacity would continue to be provided in individual ports if it were profitable to do so.”*

This statement is true only if there is one towage operator in a port. When another harbour towage operator enters the port the economies and efficiencies of scale are lost and an inefficient situation arises. Towage revenue available from the Port does not change (if anything it will go down due to price cutting), the combined cost of the two operators increases considerably. To compete effectively each operator must reduce its cost structure to the bare minimum. This means that a harbour towage operator that has previously provided a salvage capability through the provision of salvage capable tugs and support infrastructure will be disadvantaged and will be forced to reduce its salvage capability to reduce costs. A towage operator cannot afford to forego profit from its major business i.e. harbour towage for the sake of some small incremental profit from an unpredictable salvage market.

4. Page 237 F.7 para 3

*“If the optimum level of emergency salvage capability (and its location) is not privately profitable (under current or alternative arrangements for towage), then intervention may be warranted.”*

This statement is true. It is also true that the *current* level of emergency salvage capability will not be privately profitable unless there is intervention to ensure a level playing field in the specification of harbour towage licences i.e. to include the provision of emergency response salvage capability in all harbour towage licences.

## 4. THE SALVAGE PROCESS

### KEY POINTS

- An effective salvage capability is important to minimise the danger to people, vessels and the environment caused by a casualty at sea
- It is important to understand the salvors contractual situation based upon the long established international conventions that govern the process of salvage.
- Within port limits, a distinction needs to be made between incidents that occur as part of port ship assist services and those that occur outside of this service.

### Historical Perspective

During the 1990s, and, in the light of overseas marine accidents such as “Braer” and “Sea Empress” and, closer to home, “Kirki” and “Iron Baron”, a greater awareness was generated about the role the salvage industry plays in protecting the environment as well as protecting property and on occasion saving life. Questions were asked about the adequacy of traditional salvage cover which led to governments taking a more financial role in the provision of station salvage tugs, which due to the reduction in the number of marine casualties, could no longer be justified on financial grounds by private salvage contractors. Some Governments such as the UK have taken on the financial responsibility of ensuring a response capability is available. While countries such as the UK have a large population, high shipping density, frequent bad weather and small coastline to protect, the same cannot be said for Australia. To copy the response time capability of the four ETV tugs in the UK would place a tremendous burden on the taxpayers of Australia.

In Australia and particularly in the wake of “Iron Baron”, there has developed a much closer liaison between State and Federal Governments and the salvage industry to the extent that guidelines for salvage operations have now been incorporated into the National Plan Management Manual. There is dialogue between AMSA, state bodies and capable salvors whenever a significant incident occurs and it is then up to the salvor to make contact with the owners to determine what action should be taken. Subject to satisfactory action, appropriate to the nature of the casualty, the Governments’ role is merely one of monitoring always reserving its powers to intervene under the terms of The Intervention Convention.

The guidelines set out in general terms, the liaison and co-operation which is expected between the salvage contractor and government agencies. The intent of the guidelines is to ensure lines of communication are created and maintained between salvor and agencies. It also makes provision for the appointment of a Casualty Co-ordinator, to be primarily based on the casualty. He is to act as a conduit for information and queries between Government and the Salvage Master, to ensure a greater appreciation of the progress of the operation and the problems being faced.

However, the Salvage Master is a very busy person, having responsibility for all practical aspects of the salvage operation. It is normal for any concerns that Government may have to be discussed more fully ashore between the relevant authorities and the Salvor’s Project Manager.

The Salvage Master’s time is critical. As the responsible person onboard the casualty to oversee the salvage management, the salvage masters time is divided between liaising with the authorities, owners representatives, numerous surveyors representing interested parties, the company project manager as well as the preparation of the salvage plan and overseeing all work being carried out onboard.

These arrangements have been in place for many years and have operated successfully on many salvage operations.

United Salvage has met with all the State Marine Environment Committees over the last few years and continues to meet with the Chairperson of such Committees at regular intervals. (United Salvage is a wholly owned subsidiary of Adsteam Marine Limited.)

### **Role of the Salvor**

A casualty occurs when the primary protection breaks down, most commonly due to human error. Such primary protection is afforded by the regulatory system attaching to commercial navigation, i.e. the structural soundness of the vessel and the equipment it is required to carry, the training and qualifications of its crew and the aids to safe navigation such as pilotage, lights, lane separation, etc. But casualties do still occur, sufficient to give increasing concern as vessels and cargoes increase in size.

When a casualty occurs, the private salvage contractor has traditionally been left to deal with the problems, under the Lloyd's Standard Form of Salvage Agreement, which stipulates "No Cure – No Pay", or other form of commercial contract appropriate to the event.

However, for the last 20 years the salvor has also had the duty to prevent or minimise damage to the environment. This duty has been enshrined in the 1989 Salvage Convention, which has now entered into International and Australian Law. Article 8.1 states: -

*"The Salvor shall owe a duty to the Owner of the vessel or other property in danger:*

- (a) to carry out the salvage operation with due care;*
- (b) in performing the duty specified in subparagraph (a) to exercise due care to prevent or minimise damage to the environment."*

The terminology in Lloyd's Standard Form of Salvage Agreement is stronger in that the salvor is now required to use his "best endeavours", which is a more proactive role.

Clean-up operations are required when prevention has failed and the best efforts of the salvor have proved to be insufficient or ineffectual. Thus the magnitude of this task and the very considerable expenditure attached is essentially linked to the success or otherwise of the salvage services.

For this reason, it is necessary to understand what the salvor is paid for and by whom and what the salvor does not get paid for.

### **The Salvor's Contractual Situation**

Although the salvor's right to salvage remuneration and the "no cure – no pay" principle stretches back to Greek and Roman times, the modern Lloyd's "no cure – no pay" contract dates back to the 1880s. It has been considerably modified over the years and the latest 2000 edition is known as LOF2000.

The principles have remained the same throughout: The salvor is contracted to the shipowner, representing all the property interests, to

- a) save the property;
- and since 1989
- b) to protect the environment.

For salvage to be claimable, the salvor must:

1. be a volunteer, i.e. not having a duty of care to the vessel (crew, pilot, etc.)
2. provide benefit to the property
3. there must be a realisation of salvaged funds.

The salvor operating under LOF does not charge a fee or a fixed percentage of the salvaged fund. Remuneration is usually decided by negotiation (settlement) or if not, by arbitration under the contract. The criteria which are taken into consideration, are as follows:

- a) the salvaged value of the vessel and other property
- b) the skill and efforts of the salvor in preventing or minimising damage to the environment
- c) the measure of success obtained by the salvor
- d) the nature and degree of the danger
- e) the skill and efforts of the salvor in salvaging the vessel, other property and life
- f) the time used and expenses and losses incurred by the salvor
- g) the risk of liability and other risks run by the salvor or their equipment
- h) the promptness of the services rendered.

Followed by what are known as the "professional" clauses, which ensure that a professional salvor receives additional encouragement over what might be termed a casual or "yellow pages" salvor:

- i) the availability and use of vessels or other equipment intended for salvage
- ii) the state of readiness and efficiency of the salvor's equipment and value thereof.

The above, which is incorporated into the 1989 Salvage Convention as Article 13, determines the quantum of the traditional salvage award when all goes well and there is sufficient fund available to cover the salvor's expenses and profit and leave something for the Owner. Note that an enhancement is given for the protection of the environment, the converse is that the salvor can be penalised if he/she is negligent in this regard.

However, many emergency response services are contracted on "lump sum" or "daily hire" terms negotiated with the owner, often through a broker, before, during or even after the service. The type of contract is basically dependant upon the immediacy of the danger to the vessel coupled with the desire to avoid lengthy and costly legal processes.

Within or close to port limits, there is often insufficient time to negotiate contract terms with owners. Adsteam Marine tugs for example are instructed to proceed and render services to any such casualty without delay save only as to safety considerations, whilst at the same time protecting the tug owners position through the tug master reading out the following statement to the casualty:-

**"We acknowledge your call and will render assistance immediately. My Owners reserve the right to negotiate the terms under which these services are rendered".**

To Adsteam's knowledge there has not been any delay to providing services to a vessel grounded within port limits in the last ten years.

In cases where the casualty is unlikely to provide a salvaged fund sufficient to cover the cost of salvage, there are Special Compensation arrangements within the LOF contract to ensure that services are provided and salvors remunerated.

### **Recent Trends**

The vastness of the Australian coastline makes it impossible to provide dedicated emergency response capability to cover its entirety. Some 30 years ago, the concept of dual-purpose salvage/port towage tugs was developed, supported by a core of experienced salvage staff. United Salvage is able to call upon Adsteam tugs in their various port operations around the coast to meet "outside" emergencies. This has proved to be a convenient, fast skilled and economic service by the private sector, with cost borne largely by private sector insurers.

We are finding now, however, that the tug customers who use Australian ports and port owners themselves, all of whom are facing competitive pressures for greater reliability and efficiencies, are increasingly uneasy that a port could lose towage capability to attend a vessel in trouble "outside".

These competitive pressures make it unlikely that tug companies will in the future be able to afford to invest in salvage capable tugs and equipment.

There are also moves in some ports to strengthen licence or contractual obligations on towage operators to meet certain standards of service. While these may seem reasonable enough from the viewpoint of the particular port, they may well remove, delay or limit port tug availability to proceed to an emergency off the coast. Adsteam has always had an element of spare capacity in the system to cover this eventuality but this is being steadily eroded.

These are genuine issues of commercial viability and operational effectiveness and they lie close to the heart of the reviews currently being initiated or sponsored by Federal and some State Governments

There would scarcely be an Australian who thought the Great Barrier Reef was not worth protecting. "Iron Baron" alerted Tasmania and Victoria to the environmental risks of a marine casualty in Bass Strait. "Kirki" caused great concern in Western Australia – and the oil spill in Sydney Harbour a few years ago did not do much for community equanimity on the question of oil spills.

The question, is how does Australia develop a cost effective way of providing front-line, fast, capable, and experienced emergency response to marine environmental disaster?

The following section of this submission outlines an efficient and effective solution.

## 5. RECOMMENDED APPROACH TO THE PROVISION OF A SALVAGE CAPABILITY FOR AUSTRALIA

### KEY POINTS

- The provision of salvage capability should be included in harbour towage port agreements and any competitive tendering process.
- Government should work with industry to determine which ports are to be mandated as those that must provide a salvage capability.
- It is essential that a level playing field is established with respect to harbour towage competition so that a salvage capability can be retained in Australia.
- The government should ensure that nominated swift and effective salvage providers meet a specified level of salvage capability, which is audited on a regular basis by the appropriate government authority.
- Government to legislate that salvage tugs be released from port duties if instructed by the AMSA or equivalent State body with no penalty to the tug operator. Only approved salvage providers will be called upon by such bodies.
- An organisation responding to an emergency or casualty can incur substantial liabilities under existing regulations should the situation deteriorate and environmental damage occur. Reasonable responder immunity must be available to a competent salvor in such circumstances.
- Australia is in need of an enhanced Security Incident Response (SIR) capability. With the growing threat and impact terrorism is having on the free world, establishing a SIR capability that provides both prevention and response, is a critical competence for Australia. This service would require additional funding but the cost of providing this service could be reduced if salvage assets were utilised.

### Salvage Model to Date

For the reasons stated earlier in this submission, the provision of salvage capability must be an extension of port harbour towage services. This has proven to be the best, most effective and efficient model for Australia.

However in recent years, this model has been under threat as a result of some port authorities modifying their particular port's towage service requirements. As a result, it would appear that no regard has been given to any other services except in-port ship assist or towage services.

In some cases, port authorities have offered exclusive licences to towage service providers in the attempt to ensure the most cost effective and lowest cost infrastructure for the port. This approach has supposedly all been in the name of competition to ensure cost effectiveness. But again, no consideration has been given to any service other than in-port ship assist.

This trend has had the affect of increasing the ratio of the number of harbour tugs compared to the number of salvage capable harbour tugs, thereby over time, reducing Australia's salvage and emergency response capability. If this trend is allowed to continue, it is not hard to imagine where one day, Australia is unable to respond through a commercially viable operator, to an incident that threatens our marine environment. We have seen this happen in the New Zealand towage industry over recent years.

Therefore it is Adsteam's belief that licences must be confined to prescribing minimum service and equipment standards. Port regulatory authorities should be prohibited from regulating commercial relationships between towage service providers and their customers. Port authorities are only one of many service providers in any port. If they also determine who is going to provide the (towage) service, then they must accept part of the operational and commercial risk of that business.

## National Solution

So how do we stop this worrying trend?

Australia needs to identify exactly what salvage and emergency response capability it requires nationally, to adequately respond to an expected incident and thereby protect our marine environment. Adsteam proposes that this can be achieved by strategically locating front line salvage tugs in various ports of Australia, combined with expert salvage personnel and equipment, and all of this is supported with secondary tugs located in other ports. This combination would create a recognised sphere of operation and response area to incidents.

The following map, represents Adsteam's area for providing salvage response, within 24 hours steaming distance from ports where salvage capable tugs are stationed.



**Salvage Response 24-Hour Steaming Distance**

These tugs would also be able to operate as port towage tugs as part of the nation's requirement to effectively support port operations. All remaining tugs would ordinarily be for harbour use.

Once the national model has been identified, each port would then have minimum standards or capability legislated. This would then be the minimum standard that each towage service provider would have to meet to operate in that port.

This proposal thereby provides two important solutions;

1. It stops the trend towards operators only providing harbour capable tugs and thereby maintains Australia's salvage capability, and
2. It provides a level playing field for true competition, within the port.

Under this model, there is no need for the Government or Port Authorities to contribute to the costs of providing salvage capability in Australian waters. But it can be seen that if a level playing field is not provided so as different operators can fairly compete, the model then becomes flawed.

However the Government may need to consider the funding of the incremental costs to maintain Australia's salvage and emergency response capability, if current regulatory and pricing controls by port regulators are allowed to continue.

While virtually by default, Adsteam have designed and operated under their own model, which it has done so on the basis that the model is sustainable and there is a viable salvage business. In other words, the additional funds that Adsteam have invested in their whole salvage capability, has proven until recently to be a viable business.

If in the design of a "new" model for Australia, the government determined that Australia needed a higher level or degree of salvage capability, this balance maybe upset even further to the point where the viability of the business would be jeopardised. At this point, additional funds from the Government would also be needed to pay for the additional capability, to ensure continued business viability.

Typical costs for Adsteam's added investment in a salvage capable tug have been in the order of A\$2.5 million per vessel. Adsteam has significant incremental costs in providing the current level of salvage capability.

### **Setting Standards**

If the Federal Government intends to ensure a minimal level of salvage capability for Australia, it must be able to monitor the capability's status at any time. This can successfully be done by regularly auditing any operators salvage and emergency response operation. This audit process maybe delegated to state authorities such as MSQ where appropriate.

Successful auditing would result in "Approval to Operate" status for an operator, and only these operators could be called upon to respond. As part of this response, there maybe times when this could result in a port having insufficient tugs to meet all port operational needs for a short period of time. Port Authorities would need to understand, that response to an emergency, is in the national interest.

Timely response to successful salvage is critical. A successful salvor relies on information so as he can act and assess the situation swiftly. This information usually comes from a network of contacts the salvor has built up over many years. It is not something that any salvor buys or can obtain over night. It is being known for your professional capability, competence and ability to respond.

There is a common misunderstanding, that there are two phases to salvage. The initial response or "first strike" whereby the casualty is stabilised from further danger and the final removal of the casualty itself from the initial danger. In actual fact, they are one in the same process and all form part of the salvage operation. One of the most important aspects of any successful salvage or emergency response is the initial assessment and stabilisation of the casualty. However, Mother Nature is not normally satisfied at that point that the job has been completed and it is therefore extremely important to continue with removing the casualty from its initial danger. These are all critical aspects of a successful salvage and the overall management of the risks involved.



A salvor involved in any salvage or emergency response operation, must be remunerated under normal salvage conditions. There is no clear line of separation between "first strike" and casualty removal and as such, it is not possible to make a distinction for payment purposes between the initial assessment and stabilisation of a casualty, and the subsequent casualty removal. They are all part of the salvage operation and actually form a continuum that cannot be under two different tariffs.

Accurate assessment of the situation is a critical component of overall success in any salvage, particularly in managing the risk or potential risk. Swift response is necessary in any salvage operation. The real value is in the removal of the casualty from danger, be it immediate or potential.

### **Determining Australia's Requirements**

The existing model is working but is constrained. It is sometimes difficult to get tugs freed up from port duties. Ways should be looked at to assist the existing model to work better, rather than replacing it. The existing model is not yet broken, only recent events have put strain on certain aspects of the model.

Port Authorities should not have the power to prevent tugs being released. The solution is to remove this power from the port authorities. To minimise the impact on a port's operations as a result of a salvage tug leaving a port for emergency response duties, the tug operator must be able to provide a backup or relief tug capability within a reasonable time frame. This backup tug may come from another port or maybe available as part of the towage operators normal backup provisions for tug docking etc.

There are always on-going risks involved when any emergency or casualty occurs. During a salvage operation, situations can change that are beyond the salvors control. The most common change is deteriorating weather. This can be further complicated by regulators delaying approval for certain aspects of the salvage. Sometimes lives and/or the environment may be placed at higher and unacceptable risk as a result. Any organisation responding to an emergency or casualty can incur substantial liabilities under existing regulations. Therefore reasonable responder immunity must be available to a competent salvor in such circumstances.

Under the National Plan to combat pollution of the sea by oil and other noxious and hazardous substances, AMSA has a coordinating role in marine emergencies, including a responsibility to alert salvage providers.

While this inquiry is focused on Australia's salvage capability, it could be forgivable for governments, regulators and service providers, to only focus on salvage as we have known it. But the world has significantly changed over the last two years at the hands of terrorism. National security has become a huge issue for Governments to seriously consider being developed as a core competency for a country's well being.

It is strongly believed Australia is in need of an enhanced Security Incident Response (SIR) capability. An effective SIR capability must provide both prevention and response, and it is recommended that the continued development of this new competence should be intrinsically linked to Australia's salvage capability.

Regular patrols, drills, exercises, escorting services, vessel control, just to name a few, are all important requirements of an effective SIR. Like Australia's salvage capability being an intrinsic part of port towage services as an effective model, so too can the SIR capability be part of the salvage model.

Additionally, while prevention needs to be a part of a country's core competence, response to an emergency is equally important. For Australia to have an effective SIR, regular exercising in both prevention and response as linked issues, needs to be given careful consideration.

## 6. MAINTAINING AN APPROPRIATE STANDARD OF SALVAGE CAPABILITY

### **KEY POINTS**

- Approved emergency salvage providers must meet a specified level of salvage capability.
- Salvage capability of nominated Emergency Salvage Providers must be audited on a regular basis by the appropriate government authority to ensure that they continue to qualify.

Emergency response salvage and salvage in general must be considered as a comprehensive service encompassing not only the provision of adequate tug power and sea going design but also the provision of necessary skilled personnel and salvage equipment necessary to convert the tug power into a useful service.

Salvage tugs are typically of a raised forecastle design and substantial displacement to make them suited to deep-sea operations. They have high-powered propulsion plants combined with good sea-keeping characteristics, essential for successful salvage work. Salvage tugs have many special features and additional equipment for ocean salvage work including special winches and tow lines, high capacity fire monitors with foam capability, long range fuel and water tanks, deck crane, sophisticated satellite and communications equipment, welding gear, high capacity auxiliary power units to operate portable salvage pumps, accommodation and galley for up to 14 crew.

A shore base or bases, with good accessibility, is required to store and maintain the large range of specialised salvage equipment.

In addition to specialised tugs and equipment the professional salvor will have a high order of professional expertise available with a rapid response capability including a 24 x 7 operation backed up with proven emergency response and escalation plans. An ongoing training program is required to maintain the skills of the salvage crew given the infrequent nature of salvage jobs in Australia and nearby areas. The professional salvage master will have ready access to specialised support teams on land and airborne to support the salvage operations. An effective safety management system is also a key requirement.

The salvage support infrastructure should be efficiently and seamlessly integrated into the harbour towage fleets around the Australian coastline.

A draft contents for a specification that could be used to define an emergency response salvage capability is included in Appendix A to this Submission. A government body such as MSQ or DOTARS should develop this specification with industry consultation and then be responsible for auditing emergency response salvage providers to ensure conformance to the specification.

## 7. ADSTEAM MARINE - CORPORATE PROFILE

### KEY POINTS

- Adsteam is Australia's leading provider of tug services.
- Focus and expertise is on core business.
- Publicly listed company.
- Major international operator with recognition and connections in all spheres of maritime activity.

Adsteam Marine is an Australian public company listed on the Australian Stock Exchange.

Adsteam's Marine's history stretches back to 1875 when the original Adelaide Steamship Company Limited was incorporated in South Australia.

Adsteam Marine is a leading international provider of maritime services including towage, line running/mooring, tug barging, fuel bunkering, workboat and offshore services, ocean salvage, ships' agency and fuel distribution.

The group serves a global customer base covering major container, bulk and general cargo ports across four regions - Australasia, Europe, North America and Asia. The fleet comprises 156 harbour tugs and some 60 workboats and barges of various types.

Adsteam Marine comprises the following operating divisions:

**Adsteam Harbour – Australasia** the ship servicing division of Adsteam Marine, helps ships to berth and sail, and in doing so, helps protect Australia's vast coastline and environment. In Australia, Adsteam Harbour operates in 36 Australian ports, with harbour towage the primary activity. Ancillary maritime services include lines and mooring services, oil tanker berth assistance and oil terminal support services. The division also operates in a number of ports in New Zealand, Papua New Guinea and Fiji.

**Adsteam Harbour – Europe** is the UK's largest harbour towage group offering services in the major ports of Felixstowe, Humber Ports, Southampton, Liverpool, London and Medway Ports. From the Liverpool office, Adsteam UK manages a tug stationed in the Falkland Islands on contract to the Ministry of Defense.

**Adsteam Agency** provides ship agency services in Australia, New Zealand, Fiji, India and Papua New Guinea. The division provides agency services for liner, bulk and tramp shipping, cruise liners, crew manning, freight forwarding, container yard, container freight station and P&I Clubs.

**United Salvage** provides inshore and offshore emergency response and fire fighting services throughout Australia, the Pacific, the United Kingdom, Europe and the Atlantic. United Salvage utilises the Adsteam fleet of tugs, many of which have built-in salvage equipment. Capabilities include casualty re-floating, damage control, underwater damage survey and repair, towage approval preparation, pollution control, ocean rescue and towage, wreck removal and underwater search and recovery. United Salvage is a wholly owned subsidiary of Adsteam Marine. United salvage is Australia's only salvage company capable of salvage of large commercial ships.

**Adsteam Oceans & Terminals and Adsteam Logistics** provide vessel and crewing support to various offshore operations, including the oil and gas industry and tug barging and other cargo related businesses around the world.

**Appendix A**

**Salvage Capability Specification  
for Harbour Towage Operators**

**Specification Outline**

**1. Salvage Capable Tugs**

- 1.1 Hull Design
- 1.2 Power, propulsion
- 1.3 Winches
- 1.4 Deck cranes
- 1.5 Auxiliary power
- 1.6 Fire Fighting capability
- 1.7 Range, fuel, water
- 1.8 Crew accommodation
- 1.9 Navigation equipment
- 1.10 Communications equipment
- 1.11 Class requirements

**2. Salvage Equipment**

- 2.1 Portable pumps
- 2.2 Salvage tackle
- 2.3 Personal Safety gear
- 2.4 Welding gear
- 2.5 Tow lines
- 2.6 Diving gear
- 2.7 Personal communications equipment
- 2.7 Salvage supply base locations, accessibility

**3. Salvage Expertise and Experience**

- 3.1 Permanent nucleus of salvage team - management
- 3.2 Salvage masters - skills
- 3.3 Access to salvage crews - skills
- 3.4 Shore based team
- 3.5 Training program
- 3.6 Access and relationships with specialist suppliers, heli-lift etc
- 3.7 International Salvage Union membership
- 3.8 Crew mobility

**4. Emergency response capability**

- 4.1 Response centre
- 4.2 Response procedures
- 4.3 Response times
- 4.4 Emergency communications
- 4.5 Conformance to AMSA emergency response procedures

**5. Safety Systems**

- 5.1 Safety Management Systems certification

**6. Back-up skills, management and equipment**

- 6.1 Relief tugs
  - 6.1.1 capability
  - 6.1.2 location
- 6.2 Backup salvage supply bases
- 6.3 Backup management infrastructure and experience
- 6.4 Salvage liability insurance cover