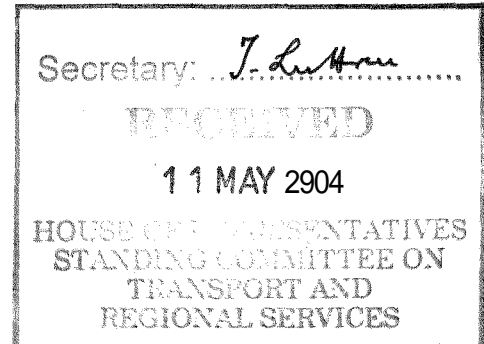




South Australian Freight Council Inc.
COMMITTED TO LEADERSHIP IN FREIGHT LOGISTICS

10 May 2004

Transport & Regional Services Committee
 House of Representatives
 Parliament House
 CANBERRA ACT 2600



Dear Sir / Madam

**RE: House of Representatives Transport & Regional Services Committee
 Inquiry into Maritime Salvage in Australian Waters**

Thank you for the opportunity to provide input to the House of Representatives Transport and Regional Services Committee Inquiry into Maritime Salvage in Australian Waters, and particularly the extension of the submission deadline which facilitated consideration of the issue by relevant SAFC Working Groups.

SAFC Members view this issue as significant, warranting the activity that your committee is currently undertaking in this area. SAFC's specific comments include:

- « We understand that information relating to port ownership and arrangements for towage service provision in SA has been provided by the relevant industry and government sources. In short, all SA ports are either privately owned or operated by the private sector under indenture to the State Government. Adsteam Marine and Pt Lincoln Tugs (50% owned by Adsteam) provide all harbour towage services across the State.
- SAFC agrees with the basic tenet that salvage has 2 distinctly different elements, namely Operational Salvage Capability and Emergency Response Salvage Capability.
- « Historically, both of these services have been provided by the market, without the need for government provision.
- However, the relatively recent trend towards privatization of port assets (especially in South Australia), coupled with globalization (which has resulted in some salvage assets being relocated overseas so as to service wider markets) and heightened environmental concerns has changed the market structure for maritime salvage.

Operational Salvage Capability

- SAFC contends that as there are substantial rewards available to a salvage operator completing a successful salvage, operational salvage capability should remain a commercial matter between ship owners and salvage companies. Governments should not directly intervene into these commercial negotiations, but



South Australian Freight Council Inc.
COMMITTED TO LEADERSHIP IN FREIGHT LOGISTICS

should ensure that a suitable salvage capability remains available to shipping operating within Australian waters. Note: in northern areas of Australia, operational salvage capability could potentially be provided from overseas (eg; Singapore, Indonesia etc).

- A Risk Management process based upon individual specific sea and coastal characteristics could be used to assess specific port salvage capability requirements.
- « The Commonwealth Government could also consider establishing an attractive business climate for operational salvage operators that encourages commercial provision.

Emergency Response Salvage Capability

- Emergency response capabilities within SA port waters are governed by the various Port Operating Agreements between the port operators and the State Government. This responsibility falls on the port operator(s) and should remain so.
- Emergency response capabilities outside of SA port waters (ie: coastal and off-shore response) is not the responsibility of local port authorities and should be coordinated nationally by the Commonwealth Government, working with State Governments and local port authorities. As SAFC understands it, the Commonwealth Government is presently responsible for prevention of pollution outside of the 3 mile limit, national security and defence. To effectively satisfy these responsibilities, the Commonwealth would require access to salvage and emergency salvage capacity. It should not require the private sector to satisfy this Commonwealth Government obligation.
- The Commonwealth should also ensure that any arrangements put in place that are designed to ensure that emergency response capabilities are available does not discriminate against ports, and does not change the competitive position of any given port in relation to other ports in Australia.
- Where large ports can sustain the provision of suitable salvage capabilities, then these assets should be made available for emergency towage services. In the event of market failure, or where provision of emergency salvage capabilities adds undue costs to business, then the Commonwealth should intervene in the market (by either providing the capability direct, or by subsidising the private sector to provide same).
- As towage services are a commercial operation, any requirement of these businesses to assist in an emergency incident is likely to negatively impact upon revenue opportunities over that period. The Commonwealth Government should also consider compensating towage service providers, shipping lines and port operators for lost revenue when the usual towage service is unavailable when required to attend to emergency situations, as well as when unavailable for training purposes. Furthermore, protection from potential 3rd Party legal action arising from delays may also be appropriate.

Overall, SAFC acknowledges that some coastal and off shore marine environments are particularly sensitive to damage (eg: Gulf St Vincent). Whilst the likelihood of a

C/o Flinders Ports Pty Ltd, 296 St Vincent Street, Port Adelaide SA 5015. Tel: (08) 8447 0688 Fax: (08) 8447 0606

Email: murphy.neil@flindersports.com.au - Website: www.safreightcouncil.com.au

The South Australian Freight Council Inc is proudly supported by both the Federal and State Governments, as well as Flinders Ports Pty Ltd and Adelaide Airport Limited.



South Australian Freight Council Inc.
COMMITTED TO LEADERSHIP IN FREIGHT LOGISTICS

serious incident is reasonably low, the potential consequences are immeasurable. Consequently, adequate salvage capability (both operational and emergency response) is an absolute necessity to ensure safety of life at sea, and to protect the nation's fragile marine environment(s).

SAFC would be happy to expand on any of the comments detailed above should you require.

Neil Murphy
General Manager