



# **SVITZER**

**Submission on Ports and Maritime  
Administration Act 1995**

**& Port Botany Landside Improvement  
Strategy**

**4 March 2022**

**By: Svitzer Australia Pty Limited**

**Contacts:**



# 1 INTRODUCTION

Svitzer is a global provider of towage, salvage and emergency response services providing safety and support at sea since 1833. With over 180 years of knowledge and experience operating globally, we make port operations safer and more efficient helping ports increase berth productivity and ship owners reduce fuel consumption in a safe, reliable and cost-effective way.

Svitzer Australia (and its predecessor companies, Adsteam Marine, J Fenwick & Co, Waratah Towage) have proudly provided towage services at Port Botany for over 40 years since the construction of the port.

With over 4,000 employees, a fleet of 430 vessels and operations globally, Svitzer is the global market leader in towage and emergency response.

Providing international coverage, Svitzer operates in four regions across the globe. These are namely,

- **Americas** region which spans 14 countries and 36 ports and terminals;
- **Europe** region covering 8 countries and 66 ports and terminals;
- **Asia, Middle East and Africa (AMEA)** region covering 9 countries and 10 ports and terminals;
- **Australia** region covering Australia and PNG spanning 2 countries and 28 ports and terminals.

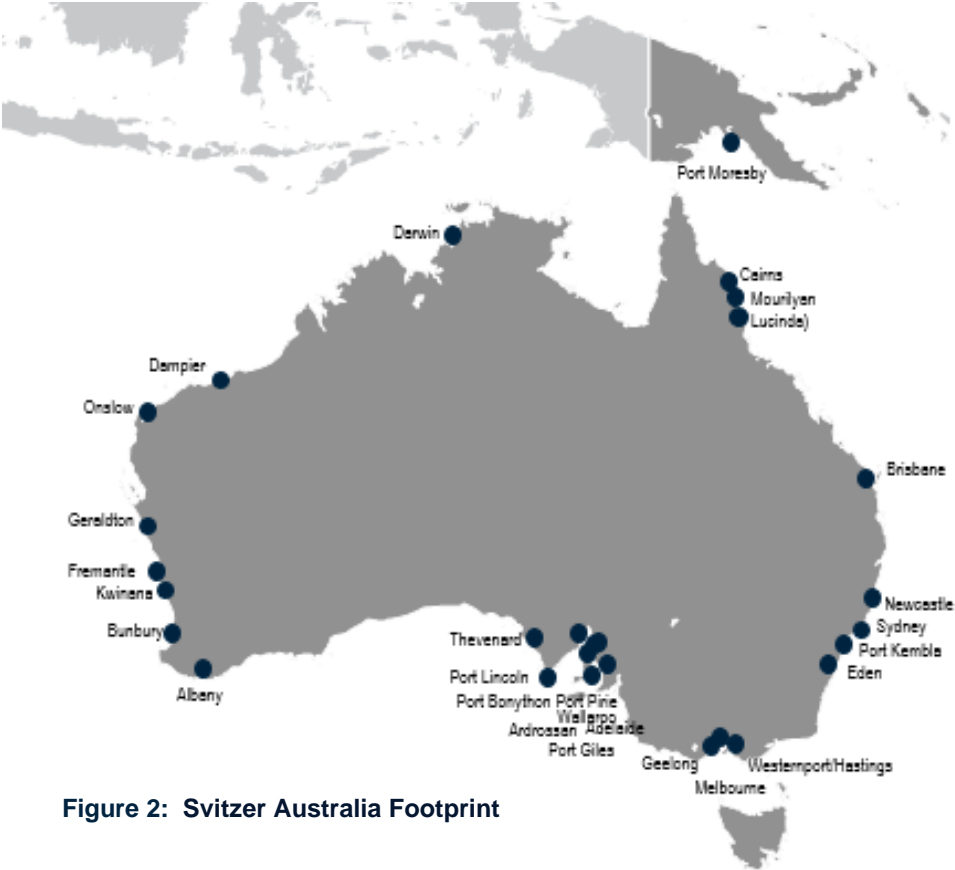


**Figure 1: Svitzer Global Operations**

Svitzer commenced operations in Australia in 2007 with the acquisition of Adsteam Marine Pty Ltd (Adsteam). Svitzer Australia Pty Ltd (Svitzer Australia), incorporated in Australia, is a 100 per cent owned subsidiary of Svitzer A/S (Svitzer A/S). Svitzer A/S a wholly owned subsidiary of A.P. Moller – Maersk A/S (Maersk), the global listed parent company, both of which are headquartered in Copenhagen, Denmark.

Today, Svitzer Australia provides a crucial link in the Australian supply chain and is the largest employer of Australia’s seafarers, employing more than 1,000 people and completing over 50,000 harbour towage jobs per year.

Svitzer Australia utilises a modern fleet of over 100 vessels, servicing 28 ports and terminals around Australia and PNG. Svitzer Australia is extremely proud of its contribution to the Australian community and trade economy.



**Figure 2: Svitzer Australia Footprint**

Svitzer Australia’s three core business areas are harbour towage, terminal towage and emergency response. In harbour towage, vessels of all sizes require precise manoeuvring when berthing, unberthing and navigating narrow waterways. With our experience, equipment and training we can handle every possible vessel size, from the smallest of bulk vessels to the largest VLCCs. In terminal towage, we support some of the world’s largest Oil & Gas terminal projects located in a diverse range of environments. With reference to emergency response, Svitzer Australia services the Australian Maritime Safety Authority (AMSA) Emergency Towage contract.

# 2 PORTS AND MARITIME ADMINISTRATION ACT 1995 ('THE ACT')

## 2.1 OVERVIEW

Svitzer Australia has a tug base at Port Botany and leases land and tug berth space from NSW Ports at Port Botany. In New South Wales, we also hold a non-exclusive towage licence issued by the Port Authority of New South Wales (Port Authority) to provide towage services at Port Botany and Port Jackson.

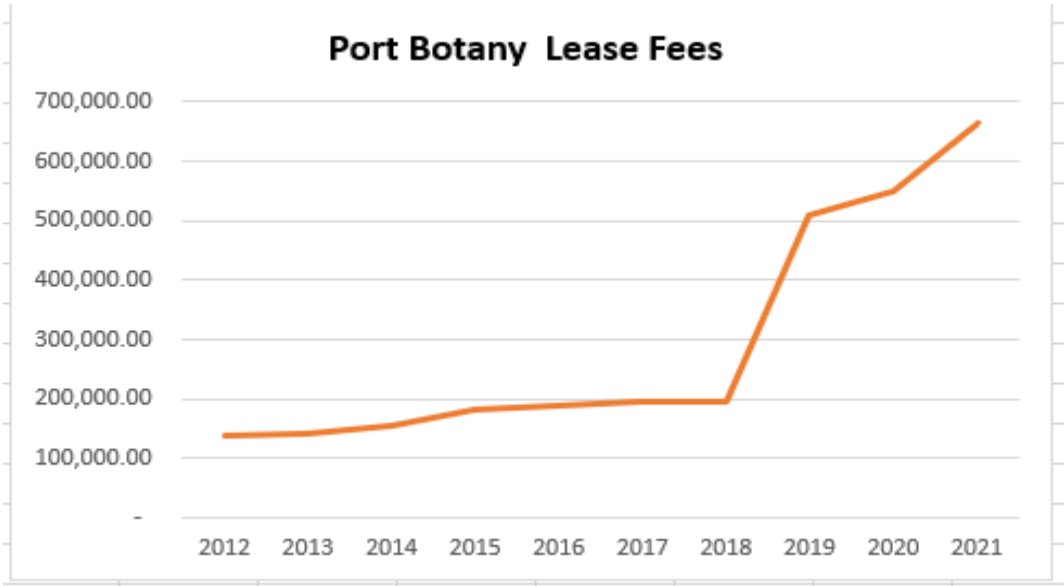
We appreciate the opportunity to provide feedback on an independent review of the Act and wish to comment in particular on the following matters below.

## 2.2 PORT CHARGES

### 2.2.1 Charges

In our experience, privatised ports including NSW Ports charge higher rents to access its infrastructure than government owned and operated ports. As an example, the table below shows the access charges Svitzer paid to access infrastructure at Port Botany from 2012-2021, where the landlord was initially Sydney Ports Corporation and later NSW Ports when the leases were renewed in 2019. Not only have the access charges increased very significantly, the value provided by the access has decreased due to the smaller footprint and the shift in maintenance obligations to Svitzer (see notes to Table 1 below). There are market review provisions in the leases but we question whether such provisions are effective and competitive in this operating structure where there is not really a comparable market.

Such higher costs can only be absorbed by the access seeker to a certain extent and will ultimately be paid for by users and consumers, which damages the productivity of Australia's economy, impeding growth, international competitiveness and living standards.



**Table 1. Access charges paid by Svitzer to access Port Botany infrastructure (land, berths, wharf structures, outgoings) from 2012-2022.**

Notes to Table 1:

- Access charges have increased almost 500% between 2012 and 2021 and increased by 160% when the landlord changed to NSW Ports.
- The lease footprint from 2019 onwards is smaller than was leased under Sydney Ports Corporation.
- From 2019, the obligation for capital and structural repairs and maintenance was shifted from the landlord to Svitzer. Svitzer was also required to transfer ownership of the jetty which it had built and paid for to the landlord but is still required to pay for its maintenance and repair.

### **2.2.2 Port Price Monitoring**

We note that one of the objectives of price monitoring is to "*promote a competitive commercial environment in port operations...*" (paragraph 2.4, pg 14, Discussion Paper). Under the port price monitoring scheme, annual reports on port charges revenue are provided to the Minister who is then able to publish reports using this information.

We believe that the desire to promote a competitive commercial environment is undermined by the monopolistic nature of port operators as the access seeker often has no other alternative for access so there is no effective competition. As such port operators are effectively unfettered in their ability to charge any amount of fees it wishes to access its infrastructure. Increasingly we see that the port operator wishes to act not just as landlord by imposing access charges but also encroaching on the regulator's role by imposing commercial and operational requirements on the towage operator.

We agree with feedback from other stakeholders during recent consultation on amendments to the Act that the port price monitoring scheme should be strengthened. These could include widening the scope of port charges that must be reported to the Minister, caps on increases to port charges and penalties for exceeding caps.

## **2.3 MARINE SAFETY**

The type of towage assets required for a port varies from port to port depending on a wide range of factors from geographical, safety and environmental factors to number and type of vessels visiting the port. Increasingly port authorities mandate more tugs in the port, more requirements for replacement tugs as well as larger and more powerful tugs. In our experience, examples of good practice by ports and port authorities when mandating towage assets involve close collaboration with all stakeholders including the towage operator to provide the best overall commercial and operational solution.

There is no commercial link between the port authority and payment for such investment as the port authority does not pay for towage services. Any increased capex investment borne by the towage operator may not be easily passed on to the customer due to incumbent commercial relationships. Any upgrades in technical requirements should be balanced with considerations whether these are truly necessary for safety as increasing the number and specification of assets requires additional capex investment which ultimately has a knock-on effect on prices paid by consumers. Gold plated solutions may not always result in the most productive or efficient allocation of resources, instead market forces of demand and supply should be permitted to play out, although always subject to minimum safety considerations.