
Pricing

Towage charge increase at Port of Melbourne

On 26 February 1999 the Commission announced that towage charges at the Port of Melbourne would rise by a weighted average of 10 per cent, rather than the 17.5 per cent sought by Howard Smith Towage. The last price rise was in 1987.

Harbour towage in the major ports is a declared service under the Prices Surveillance Act. Towage companies must notify the Commission of any proposed price rises.

In the Commission's view an increase was justified. Reforms by Howard Smith have

reduced the number of tugs required per ship, chiefly by using more powerful tugs. Invoiced costs to users have therefore fallen. But Howard Smith's costs have risen as the tugs are available on a 24 hour, more flexible basis.

As a result Howard Smith Towage proposed to increase prices by a weighted average of 17.5 per cent.

The Commission had some concerns, especially about Howard Smith Towage's accounting for depreciation costs. It concluded that a 10 per cent weighted average price increase would allow Howard Smith Towage to earn a reasonable rate of return and provide users with better service.

