



ADSTEAM MARINE LIMITED

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9 June 2005

Ric Wells
China FTA Task Force
Department of Foreign Affairs and Trade
RG Casey Building
John McEwen Crescent
Barton ACT 0221

Dear Ric,

SUBJECT: INCLUSION OF TOWAGE IN AUSTRALIA – CHINA FTA NEGOTIATIONS

Australia has 61 ports around its coastline, of which the majority are open to any towage company who wants to begin operations. There are no restrictions on the ownership of the towage company.

In the ports where a licencing regime has been imposed by the respective state government or port authority, there are no restrictions on who may participate in the licencing process.

Whatever the case, the only constraint is that any towage operator in Australia must fulfil the guidelines of the port authority and harbour master.

In China, however, the situation is very different.

There are more than 80 ports in mainland China, and this number is increasing to support China's growing economy and trade.

Maritime services companies in China come under the Ministry of Communications. In the major ports, these companies are State Owned Enterprises (SOE) which are directly or indirectly supervised by the relevant port authority. As SOEs, maritime services companies are also supervised by the State Council.

Foreign companies can enter joint venture arrangements with a local partner to provide maritime services. The proportion of foreign ownership must be no more than 49 per cent, and the chairman and general manager of the joint venture must be appointed by the Chinese side.

Despite these legal constraints, all joint venture towage companies in China are structured such that the majority share is held by the relevant port authority.

As an Australian company with existing overseas operations in the USA, UK, India, New Zealand, Fiji and Papua New Guinea, and a desire to grow our business, we propose that Adsteam Marine be given the same opportunity to operate its tugs in Chinese ports as Chinese operators have in respect of operating tugs in Australian ports.

Quite simply, we want the playing field to be levelled.



Adsteam Marine is the largest operator of towage and emergency response services in Australia and the UK, and one of the leading towage companies in the world. We are a long established service provider with a great reputation among our customers, port authorities and other stakeholders.

We operate a fleet of more than 200 vessels and the company continues to invest in new tugs in order to maintain its fleet at the highest level.

We strive to be the pre-eminent supplier of maritime services through operational excellence, innovation and timely response to customer requirements. The company complies with the highest international standards applicable within our industry.

Our speciality is tugs and we are expert at what we do.

Towage is an essential service to the shipping industry and we offer an alternative in the provision of this service. The existing situation in China where towage is provided by SOEs means the port authority is both regulator and service provider. In Australia it is the exception for a port authority to have this dual role.

As an experienced towage operator we offer an independent service thereby helping China to continue to liberalise their regime and offer a more predictable environment for trade and foreign investment.

We want to foster good relations with our neighbours, China being a major one in our region. Our market research suggests there are substantial growth opportunities in China for our company. These opportunities will increase in line with the growth in bilateral trade between the two countries as a result of the free trade agreement.

We ask for a level playing field so we have the opportunity to provide towage services in China on a commercial basis.

Regards,
ADSTEAM MARINE LIMITED

JOHN MOLLER
Managing Director and Chief Executive Officer