

14 May 1999

Dr Neil Byron
Presiding Commissioner
Liner Cargo Shipping Inquiry
Productivity Commission
LB2 Collins St East
MELBOURNE VIC 8002

Dear Dr Byron

The Western Australian Shippers Council (WASC) is a designated secondary shipper body for Western Australian shippers. As such the WASC welcomes the opportunity to present its views for the record on the current inquiry into the future directions of Part X of the Trade Practices Act.

The WASC provided a detailed submission for the previous review held in 1993 when our unequivocal recommendation was for retention and strengthening of the Part X provisions. However since the last review there have been considerable changes to the international shipping industry and the necessity and effectiveness of the shipping conferences has declined and more competitive consortiums and independent operators have emerged.

Whilst the WASC philosophically supports maximising competition within the Australian economy, which would call for the termination of Part X, three major implications must be carefully considered.

1. By rescinding Part X exclusions there is considerable risk, particularly for Western Australia that service levels will be greatly reduced. Conference lines currently are obliged under agreement to service Fremantle. This may not be considered commercially viable by lines operating independently.

Therefore in order for the WASC to support rescinding Part X shipping lines would need to be able to form consortia rather than conferences in order to provide adequate and commercially viable service to Australia and particularly Western Australia. There should however be no collusion by the lines on shipping rates.

2. Due to the relatively small size in terms of volumes shipped of many Australian exporters it is current practice for industry associations to negotiate rates on behalf of members in order to facilitate the most economical shipping.

If Part X is to be rescinded it would be necessary for local consortia of exporters to still be able to operate in this way without objection from the shipping lines or the ACCC.

3. Rescinding Part X exclusions would also bring into question the future role of the Australian Peak Shippers Association and other designated secondary shipper bodies. The WASC believes there would remain a need for these bodies to provide a watchdog service for shippers in regards to services provided by the shipping lines.

Exporters recognise that the current position of low rates and abundant capacity is not commercially sustainable in the long term and already we are witnessing some service withdrawals from Western Australia. It is important that internationally competitive freight rates are maintained for container and bulk cargoes from Fremantle and other WA Ports. Future movements in rates for Australian exports and imports either up or down should continue to reflect world-trading trends.

There is no doubt that changes will continue in the international shipping industry and therefore prediction of future direction is difficult. Due to this uncertainty for Australian shippers there remains a need for some protection for users of liner shipping services and unless the aforementioned concerns can be addressed the WASC must recommend that Part X should be retained in the foreseeable future.

Should the Commission require any additional information in relation to the WASC submission please do not hesitate to contact WASC Executive Officer, Keith Seed on 08 9365 7637.

Yours sincerely

Phillip Nixon
President WASC