

**INTERNATIONAL LINER CARGO
SHIPPING: A REVIEW OF PART X OF THE
TRADE PRACTICES ACT 1974 BY THE
PRODUCTIVITY COMMISSION**

QUEENSLAND GOVERNMENT SUBMISSION

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The majority of sea trade to and from Queensland is transported via bulk or break bulk carriers. The Part X exemptions apply principally to containerised trade. There has been a 100% increase in containerised traffic over the last decade. In 1987/88 the throughput in Queensland was some 100 million tonnes with 4.5 million tonnes being containerised traffic. By 1997/98 the throughput had increased to 145 million tonnes of product, with approximately 9 million tonnes being containerised.

Conference services provide for ocean carriers to cooperate in the provision of scheduled and coordinated regular services to shippers and it is this cooperation which is the subject of the Part X exemptions. The argument for removing the Part X exemptions stems from the National Competition Policy and the Competition Principles Agreement (CPA) between the Commonwealth and the States. However, the objects of Part X need to be considered and balanced alongside the interests of National Competition Policy. Two of the principal objects of Part X are:

- (a) to ensure that Australian exporters have continued access to outwards liner cargo shipping services of adequate frequency and reliability at freight rates that are internationally competitive; and
- (b) to promote conditions in the international liner cargo shipping industry that encourage stable access to export markets for exporters in all States and Territories.

It is considered that the existence of conferences in itself does not limit competition as individual conferences are competing against not only other conferences but also individual liner services. The move by several global shipping lines to enter the Australian trade as non-conference operators has provided alternatives to Australian shippers.

For example, Table 1 below indicates that at the Port of Brisbane, which carries the majority of Queensland's containerised traffic, conference vessels carry only 53% of twenty-foot container equivalent's (TEU's) in those regions where conferences operate, indicating that non-aligned, independent shipping operators exert countervailing market pressure. Nonetheless, the existing services offered by conference lines have become the benchmark for service frequency, price and quality.

Table 1
Market Share By TEU : Port of Brisbane

Trade	Conference TEU's	Other TEU's	Total TEU's
SE Asia	37,246	8,737	45,983
North & East Asia	45,479	57,882	103,361
US Trade - East Coast	7,153	4,384	11,537
US Trade -west	1,024	1,672	2,696
Europe	7,750	10,703	18,453
Middle East, South Asia	759	6,140	6,899
Total TEU's	99,411 (53%)	89,518 (47%)	188,929 (100%)

Additionally, conference arrangements have set standards of service that have been agreed with shippers thus enabling supply and demand to be matched much more

readily. It has been argued that the absence of conference services would result in fewer ports being serviced and a lower service frequency, as individual liners seek to maximise loads and achieve economies of scale.

Indeed as global trends move towards hubbing (transshipment) and the selection of fewer ports of call, it becomes more important that conferences remain to ensure that Queensland ports are serviced adequately. The number of shipping operators as illustrated in Table 2 highlights the competition currently in the market place, with only the SE Asia trade dominated by Conference-aligned operators¹.

Table 2
Number of Shipping Operators By Trade including NVOCC's² Port of Brisbane

<i>Trade</i>	<i>Conference</i>	<i>Other</i>	<i>Total Operators In Trade</i>
SE Asia	17	11	28
North & East Asia	8	22	30
US Trade - East Coast	2	20	22
US Trade - west	3 ³	16	19
Europe	7 ³	15	22
Middle East, South Asia	2 ³	15	17

Ocean freight rates in the Australian trade are low by international standards. The danger for exporters is that with low freight rates, shipping lines will not deploy sufficient vessels into the region. However, a conference member makes a commitment to exporters, thus providing a stable environment for exporters and also providing a frequent and reliable service. To a certain extent both shipping lines and exporters are protected through involvement in a conference that provides for vessel sharing arrangements and trade alliances.

Finally, the current arrangements in place in Australia are in line with those of our major trading partners. There are some real concerns about the impact that withdrawal by Australia from these arrangements would have, on the availability of ongoing, frequent and reliable shipping services for exporters from Australia.

Australia represents only 2% of international container throughput.

¹ Many shipping operators provide services in more than one trade.

² NVOCC'S are non vessel-owning common carriers. They are companies which do not deploy ships into a trade and rely on chartering container slots from those shipping lines which do.

³ The conference does not offer direct shipping services to Brisbane. Nonetheless shippers can make arrangements with this conference line for the movement of containers through Brisbane. This could involve transshipment in Singapore (for European destinations) or in Auckland (for US destinations).

It is considered unlikely that current freight rates and levels of service would be sustained in the absence of conference arrangements.

Conferences provide competitive, reliable and frequent shipping services for exporters, thus supporting the above-mentioned objectives of Part X, and it would appear that the current framework is working well. However, in the event that Part X should be repealed in favour of some other regulatory approach, it is essential that transitional arrangements be put in place to ensure that there were no price escalations or trade disruptions.

Such arrangements may include deemed compliance of all existing operations or require only new or revised conference arrangements to be vetted by the Australian Competition and Consumer Commission.

In conclusion, it is considered that the current “conference” arrangements:

- are perceived to provide shippers with access to regular port calls, and low freight rates;
- are in line with the practice of Australia's major trading partners; and
- provide for the Part X objectives to be met.

Accordingly, it is recommended that the current Part X arrangements be retained.