

Bunbury Port Authority

A.B.N. 30044 341 250



Your Ref:
Our Ref:
Enquiries:

Review of Part X of TPA
Productivity Commission
PO Box 80
BELCONNEN ACT 2616

Dear Ms Sloan

PART X TRADE PRACTICES ACT (1974)

In response to the new enquiry on Part X of the Trade Practices Act 1974 the Bunbury Port Authority would like to comment as follows;

Australia is in a unique position where on the mainland liner services only service the capital city ports, unlike New Zealand and many other international countries where regional areas are also serviced. Tasmania for instance has a small geographic area, but yet hosts 4 container terminals. Western Australia ' has a single container port.

The concentration of liner services in the capital cities is in our view partly due to application of Part X of the Trade Practises Act and the lack of support given to the need for regional development. In making this comment it is recognised that there may be some benefits from Part X of the Act through lower ocean freight freight costs, however there is nothing to say that these freight rates would not have occurred regardless. Of importance is that Part X fails to address the higher land transport costs incurred by regional import/export industries in transporting containers to a central location, the community cost of expensive road infrastructure, increased traffic congestion in metropolitan areas and environmental safety impacts.

Of concern is the impact that Part X has had on regional development. For instance while competitive freight rates may be obtained from capital city ports, regional producers in the South West of Western Australia incur as an average an additional cost of approximately \$400 per TEU to road or rail transport containers from the South West to Fremantle for export, a distance of some 170 kilometres. This compares unfavourably to the \$100 plus paid by metropolitan exporters/importers.

Also of importance and as a result of the "authorisation" under Part X is the high cost placed on the community by the need to improve and extend transport corridors into an ever increasing metropolitan area. These costs are not considered in the overall cost equation and equally use of regional resources ie. regional ports is not maximised.

The benefits of Part X may have been passed on to metropolitan businesses through lower ocean freight rates but the authorisation has not assisted the establishment of regional industries. The Bunbury Port Authority is aware of businesses that did not locate in the South West due to the higher transport cost of getting their product to the International market.

The Authority argues that Item 1.4 of the Productivity Commission Report into International Liner Cargo Shipping A Review of Part X of the Trade Practices Act (1974) regarding regional development as an objective should be a requirement for international liner cargo shipping services before they are authorised as alliances or cartels.

To pursue this objective the Authority suggests that before authorising an alliance of liner shipping services that a guarantee is given by the alliance that at least one regional port in addition to the capital city port will be serviced in each state on a regular weekly frequency.

Application of Part X of the Trade Practices Act as per the Productivity Commission's objective will ensure that Australia's regions are serviced by adequate liner shipping and allow industries to establish in the regions without incurring higher transport costs.

The benefits to the South West region of a regular liner service is demonstrated by an economic impact study commissioned by the Authority that showed that handling a small volume of containers (5000 per annum) will generate 44 jobs and have an annual economic benefit of \$13 million.

In Western Australia for example a recent study undertaken by the Fremantle Port Authority and the Seafreight Council has shown that 24% of full export containers and 5% of full import containers are for the South West of Western Australia. These companies have no option but to road/rail their containers to/from Fremantle placing considerable strain on the metropolitan road network in conflict with community traffic and increasing costs to regional producers and the community in general.

A survey undertaken by the Authority in conjunction with the South West Development Commission showed that subject to cost and service frequency that over 97% of regional importers/exporters would use a container service through the Bunbury Port if it was available.

This service would have significant regional benefits including optimising resource utilisation.

International liner shipping is not responsive to this need as the land transport cost is additional to the ocean freight rate and not paid by the shipping company. Regional importers and exporters have no option but to use the capital city service.

This approach in our view is iniquitous and needs to be rectified. Part X of the Trade Practices Act does not encourage competition and does not reflect or encourage allocative efficiency of resources.

It is also accepted that additional port calls by vessels will incur additional port costs such as towage, pilotage and mooring costs. The estimated additional cost is approximately \$80 per TEU compared to the additional land transport cost of in excess of \$400 per TEU incurred by regional exporters and importers but not including the public and community cost of infrastructure, traffic congestion and environmental affects.

The Authority argues that Part X of the Trade Practices Act is an anachronism and should be abolished. If Part X is to remain, the objective should include to also provide regional container shipping services to encourage regional development. This should be a requirement for all International liner cargo shipping services seeking authorisation in Australia. Part of this commitment is that at a minimum, one regional port must be serviced in each State in addition to a capital city port.

I trust that the above is of some assistance when reviewing Part X of the Act and please call me at your convenience if you require further information or clarification.

Yours sincerely



D. Figliomeni
Chief Executive Officer

2 July, 2004