

# AMIC

8 September, 2004

The Commissioner  
Review of Part X of TPA  
Productivity Commission  
P.O. Box 80  
BELCONNEN ACT 2616

Dear Sir/Madam,

**Subject: Review of Part X of the Trade Practices Act 1974: International  
Liner Cargo Shipping**

## Introduction

The Australian Meat Industry Council (AMIC) was formed through the merger of Members of the Australian Meat Council (AMC) and the National Meat Association of Australia (NMAA) in August 2003.

AMIC is now the Peak Council representing all sectors of the meat industry post-farmgate. Sectors include abattoirs, boning rooms, non-packer exporters, smallgoods manufacturers and independent retail butchers. As a Peak Council, AMIC holds two seats on the Red Meat Advisory Council (RMAC), the body commissioned to provide advice on the meat industry to the Government of the day.

AMIC has as an objective to advise and represent Members in matters that directly affect their business, including such issues as Market Access, Quota Management, Technical matters, Industry programs, representation to Government at various levels, industrial representation and shipping and transport issues. AMIC's collective membership directly employs some 48,000 persons, contributing approximately A\$6 billion per annum to Australia's exports and a turnover in excess of A\$10 billion per annum.

A delegation from the Productivity Commission visited the AMIC on 15 July 2004, seeking our input into the Commission's current review on *Part X of the Trade Practices Act 1974 as it affects International Liner Shipping and inviting AMIC to put a submission to the Enquiry*. In accepting that invitation AMIC would make the following comments.

## The Importance of an Efficient International Transport System

The Australian Meat Council (AMC) remains a designated secondary shipper body for the purpose of the North American trade. It has regularly exercised that status to meet with the Australian United States Discussion Agreement (AUSDA) to discuss service levels.

As a Trade Council AMIC does not get involved in the negotiation of freight rates. Its principle area of activity is to identify areas, policies and problems where review as an industry may provide a more efficient, cost effective and reliable service to members.

Australia's ability to transport its product quickly, efficiently, in perfect condition and at a competitive cost, is a crucial component of its comparative advantage in the Global marketplace. While Australia is the world's largest exporter of red meat products (beef and sheepmeat), it has few carriers of its own and depends on strong commercial relationships with international carriers to access major international markets most of which are in the northern hemisphere. Australia

exports over 65% of its beef production and over 50% of its sheepmeat production. An efficient cost effective sea and airfreight system is an integral component of our current leadership as a global trader in red meat products.

In an industry that works on tight margins, the seafreight component often represents between 15%-20% of an exporter's CIF value. The cost competitiveness of the transport leg therefore has a crucial influence over the Australian industry's global performance and its ability to maintain market share in a global sense.

Australia exported 1,217,657 tonnes of beef and sheepmeat in the 12 months to June 2004, representing approximately 80,000 teu's, all of it in a refrigerated form mostly frozen at -18°C or colder. Part of Australia's comparative advantage worldwide however is our hygiene standards that allow us to extract a shelf life for the more perishable chilled beef and lamb that is unequalled by our competitors giving us access to premium markets in North America and North Asia. Over 226,000 tonnes of beef (26.2%) was exported as chilled beef in 2003/2004 and 41,000 tonnes (36.6%) as chilled lamb. To extract the maximum shelf life in chilled form requires temperatures to be held at preferably -1°C with little or no variance. This requires the provision of either food standard reefer containers or conventional freight capacity that can maintain this standard and puts a priority on the co-ordination of the necessary equipment and space in order to ensure capacity is available to meet least cost, just in time export strategies.

### The Role of *Part X* in AMIC's Activities

It is our understanding that if *Part X* is removed from the *Act* it will effectively remove, under law, the ability of Shipping Lines to fully co-operate in joint services to and from Australia. Since only the very larger Shipping Lines could individually maintain services that could match those currently operated by Conferences, Discussion Agreements and Consortium Agreements such as the Australia United States Discussion Agreement (AUSDA), AMIC may lose the ability to hold the type of constructive and mutually beneficial discussions which we currently undertake with USDA each quarter.

The vessel sharing arrangement operated to the West Coast of USA equally falls under the definition of "Conference" under *Part X*. These types of operational agreements have been effective in co-ordinating vessels operated by a number of carriers which have been an attempt to provide improved levels of service and the co-ordination of the supply of specialised equipment such as refrigerated containers. It would appear that these areas of operation might be affected if *Part X* were not permitted to operate.

AMIC does not get involved in the setting of freight rates. This is an area of responsibility between the exporter and the Shipping Line concerned. The removal of *Part X* would not seemingly affect this situation. It has been suggested, however, that in a free and open seafreight environment, market volume may become a more important determinant in negotiated freight rates. This could disadvantage a number of AMIC's smaller specialised exporters.

The greatest concern for Australia as an exporter, given the distances to our major markets, is that there be a reliable, cost-effective and efficient seafreight service. It remains a concern that if the level of service were to become more subject to the vagaries of the market that the current levels of service (while they can always be better) may suffer, especially in areas such as fixed daily/weekly sailings to major markets like Japan and North America, especially in times when freight rates for whatever reason dropped to less than sustainable levels. On the other hand the opportunity for greater competition between Lines in ensuring a more competitive market for freight is always an attraction.

While a world leader in the export of refrigerated meat products, we cannot lose sight of the fact that Australia represents less than 5% of world freight volumes. As most trends and policies in the world of international freight are decided and implemented in Asia and Europe, we must take every opportunity to ensure we exercise some influence over those trends and/or stay in touch with their direction and the implications they have for our business. Our secondary shipper designation and the ability to meet with the Conferences and Discussion Agreements offers that opportunity and is a facility the industry would like to expand rather than restrict.

## Conclusion

Since AMIC was formed, it has pursued a policy of building closer, more professional relationships with the Conferences and Discussion Agreements rather than the reverse. While the current arrangements are not perfect they do provide the opportunity to conduct open and frank discussions with a group of carriers who jointly can provide the assurance on future service in order to make sound, commercial decisions in a very competitive global environment and for an industry with specific requirements.

On balance, given the special requirements of the meat export sector and its dependence on a reliable international seafreight option, we support the continuance of the ability to meet with the Lines as an industry and to discuss those issues of importance to members that can deliver a more dependable level of service. If . *Part X* of the *Trade Practices Act 1974* is the only means of maintaining that provision then we would support its retention in a form that ensures there is not further erosion of current services and that it does not contribute to a lack of competitiveness in a global context.

Yours sincerely,

***Stephen Martyn***

National Director - Processing