

# AUSTRALIAN COTTON

AUSCOTT MARKETING, CARGILL COTTON, COLLY COTTON, DUNAVANT ENTERPRISES, ECOM COTTON AUSTRALIA, GEONKA-IMPEX, NAMOI COTTON, QUEENSLAND COTTON, PAUL REINHARD (AUST), VOLCOT AUSTRALIA, WALTERS COTTON CO, WEIL BROTHERS - COTTON (AUST).

## SHIPPERS ASSOCIATION

Tuesday, November 23, 2004

[Scanned copy of letter]

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

Dear Sir,

The Australian Cotton Shippers Association (ACSA), as a member of the Australian Peak Shippers Association (APSA), supported the thrust of APSA's submission to the Commission in August

Our members handle the export of in excess of 92% of Australia's raw cotton production worth some A\$1.5 billion pa all of which is containerised. As such we have a vital need to access regular and competitive liner shipping services from Australia to our markets.

In APSA's submission it was stated that Part X is fundamental to the interests of exporters ensuring that carriers participate in negotiations; to provide alliances that give effective access to our markets and prevent carriers disregarding the interests of exporters.

The draft report does not distinguish between the effects upon exporters and importers. It can be argued that public benefits accrue from exporters being equipped with the maximum immunity under Part X to secure the best terms to put Australia in a competitive position and obtain the most favourable fob returns.

It should also be stated that there is a fundamental difference between exporters who are proactive in sourcing freight and negotiating rates and terms for their account and importers, many of whom are cfr buyers and are accepting of rates that are decided by overseas suppliers and the overseas carriers totally outside the scope of Australian jurisdiction. There seems to be no distinction made in the draft report to reflect this position and the impact upon "net public benefit".

Also we believe that in the APSA submission there was sufficient argument to show that Australia's geographic location made it somewhat unique in terms of trade flows and hence made it quite dangerous to assume that the adoption of narrower regulations applicable in the USA or EU would be effective here in protecting shipper's interests. Following overseas experience does not necessarily translate to our benefit.

One of the main commercial advantages for ACSA members negotiating as an industry has been the development of sophisticated logistics in supplying to our customers built upon our reliance on first rate liner services. Our ability to work with the conferences as an industry under Part X protection has greatly assisted us to ensure adequate equipment availability, timely schedules and tonnage capacities are available to meet our needs. This is all the more important when we are competing with other producing nations that may have trade-distorting subsidies and/or lower shipping costs.

We are concerned that the draft report makes out it is in favour of the repeal of Part X when an overall majority of public submissions (19 of 24) called for its retention.

We feel that to come to that conclusion when in the previous review in 1999 the findings were "that Part X is the most effective form of regulation to achieve the objective of a competitive liner shipping service of quality for shippers." There has been no significant alteration in circumstances in the intervening period.

In the APSA submission it was clear that whilst seeking retention of Part X there were concerns that the operation of Discussion Agreements were contrary to the spirit of the protection afforded under Part X. One of the statements in the draft report refers to carriers "limiting competition" and "limiting or regulating capacity and price" which are true under Discussion Agreements but not of the traditional conference concept.

Therefore, we respectfully suggest that the removal of immunity Discussion Agreements but preservation of the original Part X provisions would be consistent with the aims of the review, without prejudicing the ability of exporters to continue to access efficient liner freight services from Australia.

Yours faithfully,

Hilton J Lobb  
Chairman

cc  
Mr F Beaufort  
Australian Peak Shippers Association