



## NSW ROAD TRANSPORT ASSOCIATION INC.

Your Road to Success is our Expertise

hm1081/04  
25 November 2004

Prof Judith Sloan  
Presiding Commissioner  
Productivity Commission  
PO Box 80  
BELCONNEN ACT 2600

Dear Ms Sloan

Thank you for the opportunity to comment on the Productivity Commission's Draft Report entitled *Review of Part X of the Trade Practices Act 1974: International Liner Cargo Shipping*.

As the peak industry body representing road transport operators in New South Wales, the New South Wales Road Transport Association represents container carriers operating in Sydney who are adversely affected by the relative market power of the international shipping lines and the relationship between individual lines as well as groups of lines with individual stevedores.

The draft report highlights the extent to which shipping lines collude and engage in other practices that are anti-competitive. By contrast, road transport in Australia has been relatively free of regulations that hamper competition. Over 200 road transport operators are involved in the movement of containers through Port Botany. NSWRTA believes none have a market share of more than 15 per cent. Effective collusion in any form between participants with interests confined to road based container transport is not viable.

NSWRTA's view is that the principles that apply to the movement of containers by ship also apply to the movement of containers by road. The owner of the transport equipment wants to achieve maximum asset utilisation by minimising turnaround time and maximising payload. This can occur amongst other ways by allocating space to competitors where the market determines there are advantages for both parties and, ultimately, the client. Operators in both industries are also driven by the desire to ensure consistency in operations. Benchmarks are set to achieve a complete turnaround in service within a specified time frame, irrespective of whether this involves a regular shuttle between two or more points, which is more characteristic of shipping or the more unstructured arrangements that apply to road transport.

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The only differences between road and shipping transport in this context relate to the scale of the operation and the importance of timing. Ships have long, infrequent moves involving a large number of containers. Trucks invariably have many more moves over much shorter distances involving the carriage of no more than three TEU's. One delay to one ship which puts it out of window is costly but delays occur relatively infrequently. One delay to one truck is relatively inexpensive but delays occur frequently. A shipowner has plenty of scope to make up time if the vessel is delayed by a stevedore by an hour. If a truck is delayed by an hour at a stevedore's terminal during the daytime peak, there will be a build up of seventy trucks waiting for service at Port Botany. NSWRTA estimates the hourly cost due to a delay involving seventy trucks at \$5,000. Benchmarks in terms of achieving a specified number of moves per day are also less likely to be achieved. The magnitude of this problem is overlooked because there is too much emphasis on the stevedoring-ship interface and not nearly enough emphasis on the stevedoring-land interface.

Stevedoring represents the interface between sea and road transport. Stevedores gain maximum efficiency by ensuring maximum use of cranes and other equipment and by minimising average dwell times for containers in their terminals. Stevedores need to determine the allocation of resources between ship, road and rail. This is best done in circumstances where the participants in the transport modes operate in a relatively free market and where the drivers of efficiency ultimately lead to rational resource allocation between competing modes and competing interests. If stevedores were able to allocate resources rationally, this should encourage the achievement of lower average dwell times.

The draft report does not highlight how the behaviour of shipping lines affects the overall efficiency of the container transport chain. However, it is vital that the Productivity Commission examine this broader perspective as part of its inquiry. Any inquiry involving one leg of the transport chain needs to consider the flow-on effects to the other legs and to clients, in this instance importers and exporters of containerised freight.

Trade practices arrangements in the shipping industry add to the collective bargaining power of shipping lines. The stevedore is faced with a well organised group of large multinational companies who enter into contracts with significant penalties if delays in turnaround occur. On the other hand, when a truck arrives late, the owner is penalised. When a stevedore is delayed, there is either limited or no recompense for the affected road transport operators.

Stevedores when faced with these contrasting business relationships and associated pressures readily admit they give preference to ship side movements over land side movements.

While the shipping industry is allowed to behave in a manner contrary to the general provisions of the Trade Practice Act, this will adversely affect the behavioural relationship between stevedores and the road transport industry. It is possible that removal of the present exemption may not be sufficient to bring about more equity in the market relationships between the stevedore and the ship side on the one hand and the stevedore and the land side on the other, but it is necessary if an equitable situation is to occur.

The basic principles of competitive market behaviour should be allowed to apply in the shipping industry by removing the current exemption. This would enable shipping lines to operate in a market environment more similar to that which applies to road transport.

I would be happy to elaborate on these comments at hearings in Sydney if this will assist the Commission.

Please contact me at the above telephone number or by e-mail,  
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Yours sincerely

*(signed by) Hugh McMaster*

Hugh McMaster  
**Government and Commercial Services Manager**