



## **Review of Part X: supplementary submission**

Comments on the Productivity Commission's draft  
report *Review of Part X of the Trade Practices Act  
1974: International Liner Cargo Shipping*

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## Overview

This supplementary submission is made by ACIL Tasman, economic consultants, and Thompson Clarke, shipping consultants. It comments on the Productivity Commission's October 2004 draft report on the review of Part X of the Trade Practices Act; International Liner Cargo Shipping. The two firms have been engaged by Shipping Australia Ltd (SAL) to provide input to the inquiry, based on economic analysis and shipping industry knowledge. The views in this report are those of the two firms; the views of SAL are set out in the SAL supplementary submission.

Most of this submission is in the form of a table in which our comment is placed alongside the relevant portion of the draft report. At a more general level, our views are that:

- The draft report has many errors of a factual or statistical nature, in areas (eg carrier capacity provided, market shares of conference and independent carriers) which were important to the logic that led to the Commission's conclusions. Corrected information, provided in this submission (in particular the attached tables), should lead the Commission to reconsider some of its main positions
- A theme through much of the draft report is what the Commission thinks that discussion agreements (DAs) MIGHT do, as opposed to what they DO do. As we discuss in this submission, there is a large gap between the two. The Commission's reasoning is deductive logic or supposition based on initial premises. Actual DA behaviour is different, for practical reasons that we discuss, notably ease of entry and lack of enforcement mechanisms.
- Lines do price deals to get business, on most routes trend rates are stable or declining, and where they have spiked (eg on the Nth Asian run due to increasing demand) capacity has increased in response. 80% of Australia's liner shipping is under individual contracts which incorporate the price deals and are usually confidential – an effective counter to any alleged attempts at price fixing as US experience shows. There is also no evidence of capacity management and no effective means of achieving it. Long run financial returns on equity in liner companies (as opposed to transport conglomerates like AP Moller) are very low (3-5% despite sharp improvements in the last 12 months largely attributable to booming People's Republic of China trade), and are inconsistent with suggestions of exercise of market power.
- The onus-of-proof discussion is based on National Competition Policy provisions on monopoly legislation. However Part X does not establish monopolies. It merely allows certain types of activity, which in practice do

not produce evidence of monopoly behaviour. It can be argued that the onus of proof should instead be on those who want to cancel Part X, because they are proposing an extension of economic regulation (through Part VII authorisations) into an area where it does not now apply. Economic regulation, with its attendant costs (transaction costs and economic distortions) should not be contemplated unless these costs would clearly be outweighed by benefits – and no such benefits are established.

- The draft report bases its conclusions in part on overseas experience, but most of the sources cited are from Europe and North America. Most of Australia's shipping is with Asia, where conditions differ substantially from the trades to Europe and North America.
- Even if one were to accept the Commission's conclusions, we consider that they would not work. All liner shipping services to/from Australia are foreign owned, and the majority of principal trading partners do not have rules similar to those being proposed. In particular we do not expect that they would generally be prepared to commit resources to understanding and pursuing part VII authorisations – a process peculiar to Australia, involving an extensive body of local law, transaction costs, delays (conditions on a trade can change substantially in 6 months as clearly demonstrated in the PRC trade since mid 2003) and uncertainty. Instead, discussions now permitted by Part X would increasingly take place informally in other countries, outside Australia's jurisdiction.
- Policy should be made in the public interest, best represented in this context by the shippers, not by a regulator. Most shippers have supported current arrangements or variations of them. ("Public interest" is not a precise concept, but is represented by the market when, as in this case, there is no monopoly, minimal "externalities", and sound regulation of safety. The efficient functioning of a competitive market such as this one is of benefit to shippers and in turn to the wider economy and community. Benefits to shipping lines are limited by competition, notably low barriers to entry).
- A variation which would substantially address the Commission's concerns is a provision ensuring the confidentiality of individual contracts, as in the US. The radical alternative of dropping part X would end an arrangement that is known to work and is supported by the bulk of Australian exporters. It would replace it with an uncertain one, that would be prone to greater rate volatility and less service consistency (capacity on offer, port rotation and frequency) – all critical factors in a competitive global market with JIT logistics.

These and other issues in the draft report are discussed further in the attached table. Additional information is provided in appendices A-D

## Part X PC Report Issues

Reference	Statement	Comment
<b>CHAPTER 2 The Market for Liner Shipping</b>		
Intro Page 5	Freight Rates have risen sharply on many routes since 2002	In ACIL/TCS submission to PC of 8/04, since 1999 out of a total of 22 key route/cargoes: <ul style="list-style-type: none"> <li>• 12 out of 22 rates examined have declined</li> <li>• 4 have risen in line with inflation targets (2 – 3% p.a.)</li> <li>• 3 have risen substantially – Reefers to Japan (surge in meat exports due to BSE in the US), General Cargo ex PRC (volume growth in 2004 &gt;20% p.a.) and to EU (lack of Transhipment capacity due to surging Asian exports in the critical East West trade).</li> </ul>
Pg 12 para 3	Excess Capacity is endemic in liner shipping	Data quoted by PC (& ACIL/TCS) strongly supports the endemic problem; also Drewry Shipping Consultants presentation to AusIntermodal Melbourne 10/04 pages 20/21.
Pg 15 Tables	Increasing concentration in liner shipping (although still low by other industry standards)	This is a strong symptom of the inability of carriers to make a reasonably consistent return – since 1995 P&ONL/Nedlloyd, Maersk/Sealand and NOL/APL all consolidated as 5 of the 6 parties were producing unacceptable results
Pg 16 para 3	Volatile Freight Rates	Conferences and DAs are partially effective in making rates less volatile – bulk ship charter rates have increased between 400 & 700% (Capesize & Panamax) since 2002 while an index of global liner rates rose only 33% in the same period (Drewry Shipping)

Pg 18 table	Carrier Return on Equity	Industry ROE is traditionally very poor – excluding Maersk it is 4.7%. Maersk results include the highly profitable oil & gas operations and & are atypical of its liner shipping that only 12 months ago AP Moller described as “unsatisfactory”. Maersk Sealand return on net assets (ROE not available) was 1.5% in 2002 and 10.2% in 2003, when M-S accounted for 57% of group net revenue and 22% of the profit after tax. The rest are an equity investor’s worst nightmare.
Pg 21 last par	Container imbalances	See appendix Table B for North & South East Asia exports
Pgs 24 - 27	PC Figures 2.2 – 2.6 on freight rate indices	All these Figures are incomplete, except 2.4: 2.2 is general cargo import & export; 2.3, 2.5 & 2.6 are all general import & reefer export. The worst performing (Tasman trade) has been omitted despite being a 50% larger than North America in volume terms.
Pg 27, sect 2.3 p28, p30 (main para)	[definition of discussion agreements: “agreements to exchange information”].	There are several definitions of discussion agreements in the report, which are not fully consistent. This definition here IS consistent with what discussion agreements do. In effect members of such agreements (which are open to anyone who wishes to participate) meet regularly and take note of changes in trade demand, trade capacity, and discuss potential changes in prices and surcharges. However they have NO powers to enforce or implement the outcome of any of these discussions nor to access or review any bilateral contracts between a shipper and carrier, the contents of which are normally confidential. Minimum service levels are reviewed when required in connection with negotiations with APSA or IAA or with registration of the agreement.

		<p>The definition on the next page is incorrect – “voluntary agreement to reduce the level of capacity with the ultimate objective of raising rates to cover costs.” We are not aware of evidence that discussion agreements on Australian routes have acted to reduce capacity, and our understanding is that they are too loose to do so – there is no ability to control what individual members, or newcomers, do (i.e. no enforcement mechanism).  The same comment applies to the definition on p 30, “the aim of discussion agreements is to provide an overall limit on route capacity to prevent instability in freight rates.”</p>
<p>Pgs 29 &amp; 30</p>	<p>Conferences &amp; Discussion Agreements</p>	<p>This ignores the fact that other than closed conferences, of which today there effectively NONE in Australian trades, none of these arrangements control capacity and none can enforce pricing levels.</p>



### CHAPTER 3 The Economics of International Liner Shipping

Intro Page 35	Destructive Competition overstated in liner shipping	An observed absence of destructive competition may in part reflect information sharing under discussion agreements. But abolition of discussion agreements is being proposed, so one must consider what could happen without information exchange, especially during recessions in a totally free market.(See OECD reference to destructive competition on Pg 52, para 1)
Pg 36 last para	Container ship fixed capital costs >80% of total, and variable operating costs comparatively low.	Incorrect – typical current mix of liner operating costs to/from Australia currently is: FIXED:           Vessel Costs – 21% Shore Admin – 11% Other           - 1% VARIABLE   Fuel           - 22% Port etc       - 13% Cargo          - 19% Containers   - 13%
Pg 40 para 3	Larger vessels can carry more cargo ... with less frequent sailings	In practice the vessel size increases but the frequency does not drop as vessel speeds increase and operators attempt to preserve port rotation to meet cargo demands. Consortia coordinate their respective capacity and members market a range of service options using the same shared vessel.
Pg 41 para 3	Consortia redeploying vessels between trades	Consortia do not own vessels or even charter them – the members do, and while consortia may control the scheduling and routing of all the vessels in the consortia, once the vessels are redeployed they are the responsibility of the single owners

Pg 42 para 4	Network externalities - increase in demand on one leg reduces cost on a return leg	Not necessarily – if the increase is on the dominant leg the equipment imbalance goes up, and the vessel size and cost may increase, and average capacity utilization stagnates
Pg 48 para 3	Surcharges	Surcharges are indeed applied, but generally represent a pass-through of costs outside shipping lines' control. They do not undermine competition as they are applied on top of base rates that in practice vary (e.g. under confidential individual contracts).
Pg 49 para 4	Currency & fuel cost hedging v the risk to offset costs	Hedging premiums are often greater than the risk; and it may not be worth hedging v. the risk specifically for Australia which is <5% of a carrier's business
Pg 53, para 3	Destructive competition is more likely when capacity has to be added to a route in large indivisible units...	In practice an increment in capacity on the main routes to Asia will consist of 4 - 5 extra ships, to provide a regular weekly schedule and competitive port rotation
Pg 55 – 57 para 2	Parallels with US domestic aviation & railroads	There are similarities with other industries, but also differences that are relevant to the conclusions being drawn here. Liner shipping in practice is more competitive than aviation because of lower barriers to entry. Liner shipping in Australia's main trades does not face the equivalent of ownership nationality restrictions, or bilateral government agreements that limit flight frequencies and who may be carried (5 <sup>th</sup> freedom). Experience with failed attempts has shown the substantial barriers to successfully establishing new domestic airlines (minimum size, minimum network, sophisticated pricing and other management skills, high working capital). Domestic aviation in Australia, EU, US etc has only been deregulated relatively recently and competition is still developing (some of the established airlines are still benefiting from incumbent advantage).

## CHAPTER 4 Competition in the Market for Liner Shipping

Pg 62 para 1	D/As & conferences are principally designed to limit competition	DAs have no control over capacity and no power to enforce pricing policy; similarly open conferences; closed conferences used to, but are now a very rare breed (none in Australian trades)
Pg 63 para 4	Service differentiation possible	Rarely true in Australian consortia in respect of frequency, directness of sailing, port coverage, transit times
Pg 64 para 4	Market development strategies	Consortia make this difficult; NB carriers generally do NOT share marketing networks
Pg 65 para 5	Strategies to limit competition	DAs' ability to monitor member activities is very limited and there are no tools for punishing non-compliance
Pg 66 para 5	Korean Shipping Lines	What relevance does this and all the other examples in section 4.1 have to Australia? All taken from Europe/Asia/N America
Pg 69 para 1	Definition of the market defined by presence of substitutes	<p>a) Bulk shipping and air are not and never can be commercially viable alternatives for the majority of liner cargo.</p> <p>b) The charter alternative traditionally operated in the reverse manner – liner carriers chartered vessels to access tonnage rapidly and avoid the capital/debt commitment of owning</p> <p>c) the Wood example is a perfect case, if reversed, where global contracts signed by carriers and multinationals outside Australia will escape the purview of the ACCC and Australian cargo will move under terms over which ACCC it has no control</p>
Pg 70 para 3	Limits to market power from third party competition	See appendix Table C which shows on average independents provide about 1/3 of container capacity to/from Australia – a key competitive driver. This undermines APSA's "views" (not evidence) of colluding

		DAs. APSA says (Pg 72) "...there is a view that voluntary guidelines may not be truly voluntary..."; this implies an enforcement mechanism that does not exist.
Pg 71 para 2	Contestability of liner shipping	PC here argues the industry is different from aviation – pg 55 the opposite; also that there are high barriers to liner industry entry; on page 41 the opposite!
Pg 73 para 3	Collusive agreements	There is a misconception DAs in Australia are primarily organized to control members capacity and pricing. In practice there is no effective mechanism to enforce prices (most of which are contained in confidential individual contracts) or capacity (because of low barriers to entry). Note that capacity depends on deadweight restrictions on vessels and the variable density of predominant cargoes in different trades (particularly export), not just shipyard specs of the physical number of container slots
Pg 74 para 1	Anticompetitive Agreements	Note the OECD comment on lack of evidence – is it just a difficulty or does it just not exist? This section is all suggestion and innuendo, nothing concrete. DAs do not fit the competition-limiting criteria – there is current and potential competition, little ability to influence behaviour, and market shares are lower than the report suggests (see appendix & Table D that demonstrates little change in lines involvement in conferences DAs since the last PC review).
Pg 75 para 2	Conferences & Freight Rates	Could the argument be that conferences do not rig the market but they reduce the risk of destructive competition? The observed differences may reflect quality differences, e.g. frequency of service. And in practice Australia meets the condition (for lower rates) of shipping lines being free to negotiate with shippers.
Pg 75 para 3	Liner Shipping Costs v Tramp (bulk) shipping costs	The Hummels 1999 reference is out of date and/or not relevant to Australia. Bulk shipping rates since 2000 have

		been much more volatile than liner, and the exact opposite of Hummel's observation has been occurring in the industry since 2002.
Pg 75 para 4	Confidential Contracts	About 80% of Australian liner cargo moves on contracts which in practice are confidential – external parties (including the Commission) are not able to get copies without recourse to legal process.
Pg 76 para 4	ACCC found Australian conference agreements to be closed	Incorrect, at least for Australian routes. Conferences are voluntary here; membership is applied for and we are not aware of a case of any applicant being turned away, let alone expelled.
Pg 77 para 3	Discussion Agreements	US FMC description is reasonably accurate for Australia in respect of DAs; and the entries to the North Asia trade in the last 12 months make it clear in that case the DA did NOT deter several new entrants.
Pg 78 para 1	Price rises in times of high demand	This is the outcome of the interaction of changing supply and demand rather than carrier collusion. There was a rapid increase in demand (ex PRC to Australia in the last 12 months of the order of 30%), and a lagged (but definite) increase in supply (also of the order of 30% via the entry of 4 new carriers and 13 additional ships
Pg 79 para 2	Brooks view: discussion agreements should continue to receive antitrust immunity provided they did not engage in price fixing or capacity management.	DAs on Australian routes meet these criteria – they do not fix or enforce pricing but do engage in setting reference or guideline prices – a critical distinction. This last reduces volatility of rates for shippers, and provides reference points for contracts – but actual rates are negotiated and often lower. There is no price enforcement mechanism, hence no price “fixing”.

## Chapter 5 Key elements of Part X of TPA

Pg 87 box, last para	...Discussion Agreements can also include route-specific but non-binding agreements between carriers on mutual issues, such as the level of capacity, type and amount of cargo carried, or a “recommended” freight rate.	Low barriers to entry mean that attempts to limit capacity would not stick. We are not aware of any agreements to limit the types of cargo.
Pg 88, table	Shares of capacity	See Appendices A and B – this table is erroneous and overestimates capacity by an approximate factor of 3 times. Actual DA market shares are lower with independents typically accounting for about a third of capacity provided on the major trade routes (Appendix C)
Pg 96, para 4	ACCC must demonstrate a net public loss	In the recent North Asia case, the ACCC asserted a loss in its draft report (based on supposition), and withdrew the assertion in the final report because it could not demonstrate a net public loss. Firm evidence of net public losses should be a prerequisite to a decision to extend economic regulation to a new area.

## Chapter 6 International regulation of liner cargo shipping

Pg 99	Europe and the US protect confidential service contracts. Australia does not protect the confidentiality of these contracts.	In practice Australia's contracts are usually confidential. We would support Australia providing this protection, which would address many of the points made by the report.
Pg 106, bottom	EU permits conferences, but not discussion agreements	The prohibition of discussion agreements makes conferences more attractive than otherwise. Closed Conferences previously were involved in price fixing and, in some circumstances, capacity management. That is, the EU allowed price fixing and some capacity management
Pg 110, bullet near bottom	“Collusive agreements among carriers have ceased to be significant determinants of rates. Carriers may still collude in the current regime but lack significant incentives to stick to the agreements...”	This is a comment on OSRA, which provided increased confidentiality for shipper – shipping line contracts. It is relevant to Australia where individual contracts are usually confidential and could be made formally confidential.
Pg 112, bottom	Three OECD principles: freedom to negotiate, freedom to protect contracts, freedom to coordinate operations	Reflected in the current reality in Australia.
Pg 113-114	European Commission review	Our understanding of this review is that its outcome is uncertain. The initial Commission paper was as described but the most recent developments have been more equivocal

## Chapter 7 Evaluation of Part X

Pg 115	<p>“... the guiding principles that legislation should not restrict competition...”, “Part X restricts competition by limiting the pro-competition regulatory safeguards on the market conduct of ocean carriers...”</p> <p>Proposed new objectives for Part X: coordination, joint provision, better shipping services.</p>	<p>That legislation is not restricting competition. No firm evidence on restricting competition is provided in the report. This section, like others, is based on supposition (e.g. “seem”). Such evidence should be a prerequisite to expanding the scope of economic regulation. However there is no problem with the proposed principal objectives of a revised Part X.</p>
Pg 116, last para	Onus of proof	The onus of proof should be on those who wish to extend regulation, with its attendant transaction costs and possible economic distortion costs
Pg 117, last para	"The Commission's general policy guidelines... stress the need to... reduce regulation of industry..."	The report's proposals would increase regulation of industry
Pg 120 and 122, headings	“...Part X restrictions on competition”	This is a loaded heading -- it presumes, incorrectly in our view, that Part X restricts competition
Pg 122, third para, and pg 123.	Reference to market power, and to market share providing an indication of it.	As discussed elsewhere, the Commission's estimates of market share are erroneous. Also, market share is not a good indicator of market power where, as in this case, there are low barriers to entry.
Pg 124	The degree of control depends on cohesiveness among its carriers -- that is, the degree of "internal competition".	In practice internal competition is substantial in discussion agreed on Australian routes. For example in general terms sales forces frequently negotiate on price, which is then incorporated in confidential contracts. In more particular terms in the North Asia trade there are 15 individual carriers operating variously in 8 different consortia, all of whom are members of the Southbound Asia Australia Discussion Agreement (AADA)
Pg 127-8	Open offer or ceiling rates tend to apply only to small and medium, or irregular, shippers while large shippers negotiate [their own rates] directly.	Small and irregular shippers can increase their bargaining power by operating through freight forwarders.



## Chapter 8 Alternatives to Part X

Pg 135, para 1	".. collusive agreements often have significant anti-competitive detriment."	This wording appears to prejudge the issue. The report has not established that discussion agreements are having anti-competitive effects.
Pg 136 on	Part VII authorisation	Under the authorisation process, shipping lines would have to go through the process for each of the routes in each direction, and repeat their applications periodically. Each would take six months for an uncertain outcome - shorter than in the past but still a period during which trading conditions can change substantially (as has happened since mid 2003 in Asian trades). This process is unfamiliar in the countries where the shipping lines servicing Australia are domiciled. The alternative for them is avoiding part VII and coming to arrangements outside Australia's jurisdiction.
Pg 149, last para	"Even if the authorisation process reduced the incidence of price fixing in carrier agreements on the margin, the Commission does not expect to see any material effects, as around 80% of cargo on Australian routes is currently transported under individual service contracts."	The Commission appears to recognise that there is not much material effect from alleged price fixing even now.

## Chapter 9 Options for modifying Part X

Pg 167 (bottom)	“... whether excluding discussion agreements from registration under Part X would have the effect of inducing shipping lines that have collaborated in non-binding discussion agreements to instead join some form of binding conference.” (Department of Transport and Regional Services).	In response the Commission says that those who are willing to enter into more binding agreements would have already done so. However this does not follow -- if the discussion agreement option is denied, the decision about joining a binding arrangement changes.
Pg 170 para 2	“... discussion agreements... enhance the ability of carriers to act in an anti-competitive manner, thereby limiting competition to detriment of Australian shippers...”	This is an in-principle argument. A more relevant practical argument is whether carriers actually have the ability to act anti-competitively; we argue above that there is little evidence of such ability. The latter part of the sentence is a non sequitur -- the ability to do something does not mean that it happens.

## A Productivity Commission Liner Container Capacity v International Trade Volumes 2003/4 (TEU's '000s)

(based on Table 1 in PC Draft Overview)

Route	Exports			Imports			Total		
	Capacity	Volume	% utilised	Capacity	Volume	% utilised	Capacity	Volume	% utilised
Europe <sup>^</sup>	1566	144	9.2	1515	319	21.1	3081	463	15.0
S&W Asia <sup>`</sup>	527	71	13.5	147	57	38.8	674	128	19.0
SE Asia	1571	423	26.9	1538	319	20.7	3109	742	23.9
North Asia	1087	731	67.2	1214	724	59.6	2301	1455	63.2
N. America	713	98	13.7	715	181	25.3	1428	279	19.5
Oceania <sup>~</sup>	1209	248	20.5	219	193	88.1	1428	441	30.9
<b>SUBTOTAL</b>	<b>6673</b>	<b>1715</b>	<b>25.7</b>	<b>5348</b>	<b>1793</b>	<b>33.5</b>	<b>12021</b>	<b>3508</b>	<b>29.2</b>
Others <sup>*</sup>	1094	155	14.2	766	169	22.0	1860	324	17.4
<b>TOTAL</b>	<b>7767</b>	<b>1870</b>	<b>24.1</b>	<b>6114</b>	<b>1962</b>	<b>32.1</b>	<b>13881</b>	<b>3832</b>	<b>27.6</b>

### NOTES:

a) Routes combined from PC Overview Table 1 in Draft Report as follows:

^ Europe – Europe & Mediterranean; ` Middle East & South Asia; ~ Oceania – NZ, Pacific Islands & PNG; \* Others – Africa, South & Central America.

b) Serious double counting has occurred on capacity between SE Asia and Europe, and North America (USEC) and Europe; also between NZ and Europe and North America; also between Others & Europe (MSC)

c) Middle East capacity is overstated as there are no direct container services ex/to Australia

d) Export capacity is approximately 30% overstated since it is based on nominal slot capacity prior DWT restrictions

e) Cargo volumes are TCS data, include MTs and are understated by 2 – 3% - based on 5 main container ports – no data for Darwin, Townsville, Bell Bay, Gladstone

## B Container Capacity v International Trade Volumes 2003/4 (Teus '000s)

	Exports							Imports			Total		
	Space Supply	GP Teus	RF Teus	MT Teus	Total Teus	% utiliz		Space Supply	Teus Lifted	% utiliz.	Space Supply	Teus Lifted	% utiliz.
						Full	Tot						
<b>Europe<sup>^</sup></b>	280	107	9	29	145	41.4	51.8	400	319	79.9	680	464	68.2
<b>S &amp; W Asia<sup>`</sup></b>	80	59	9	3	71	85.0	88.8	80	56	70.0	160	127	79.4
<b>SE Asia</b>	480	191	21	211	423	44.2	88.1	400	319	79.9	880	742	84.3
<b>North Asia</b>	734	369	73	289	731	60.2	99.6	999	724	72.5	1733	1455	84.0
<b>N. America</b>	135	63	27	8	98	66.6	72.6	200#	181	90.5	335	279	83.3
<b>New Zealand</b>	229	138	10	61	209	64.6	91.3	204	158	77.5	433	367	84.8
<b>SUBTOTAL</b>	<b>1938</b>	<b>927</b>	<b>149</b>	<b>601</b>	<b>1677</b>	<b>55.5</b>	<b>86.5</b>	<b>2283</b>	<b>1757</b>	<b>70.7</b>	<b>4221</b>	<b>3434</b>	<b>81.4</b>
<b>Others*</b>	N/A	110	10	74	194	N/A	N/A	N/A	204	N/A	N/A	398	N/A
<b>TOTAL</b>	<b>N/A</b>	<b>1037</b>	<b>159</b>	<b>675</b>	<b>1871</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>1961</b>	<b>N/A</b>	<b>N/A</b>	<b>3832</b>	<b>N/A</b>

### NOTES:

a) Space Supply is defined in Teus p.a.; for exports it is based on vessel DWT divided by 18 tons (normally 12 - 15 except on the Tasman) to reflect the dense nature of Australian exports on most international routes.

b) Routes combined are as follows:

<sup>^</sup> Europe – Europe & Mediterranean & assumes 33% of space on SE Asian services allocated to European T/S traffic;

<sup>`</sup> South & West Asia - Middle East & Indian Subcontinent – space allocated 50/50 ex SE Asian & European services;

SE Asia – assumes 66% of space on services allocated to local traffic, plus 50% of Export space on European services Europe  
North America USEC space NB & SB allocated on RTW services as advised by conference members, + 10% of SB traffic transshipped  
over Asia or South Africa (in the proportion 2:1)  
New Zealand – dedicated services 100%, cross traders as advised by Forum secretariat; balance TCS estimates  
\* Others – Africa, South & Central America, Pacific Islands: capacity data not available

c) GP = dry 20 foot full containers or equivalent; RF = refrigerated 20 foot full containers or equivalent; MT = empty 20 foot containers or equivalent (account for under 10% of imports v. 36% for exports)

d) Export utilisation is expressed firstly as full containers as a % of ship space supplied (Full) and secondly as total export containers (including empty) as a % of ship space supplied (Total); import utilisation is expressed only for total import containers moved (since the movement of MTs is relatively low – on average less than 10% of the directional total compared with over 33% on average in the case of exports).

## C Share of Container Capacity Provided by Independent Carriers 2004

Route	Exports				Imports				Total			
	PC		TCS		PC		TCS		PC		TCS	
	Space Supply	% Indep	Space Supply	% Indep	Space Supply	% Indep	Space Supply	% Indep	Space Supply	% Indep	Space Supply	% Indep
Europe <sup>^</sup>	1566	53	280	80	1515	46	400	66	3081	50	680	72
S & W Asia <sup>`</sup>	527	91	80	67	147	100	80	67	674	93	160	67
SE Asia	1571	14	480	40	1538	11	400	33	3109	13	880	37
North Asia	1087	8	734	18	1214	10	999	17	2301	9	1733	17
N. America	713	29	135	10	715	34	200#	10	1428	32	335	10
New Zealand	1110	22	229	31	118	22	204	35	1228	22	433	33
<b>SUBTOTAL</b>	<b>6574</b>	<b>31</b>	<b>1938</b>	<b>35</b>	<b>5247</b>	<b>27</b>	<b>2283</b>	<b>31</b>	<b>11821</b>	<b>29</b>	<b>4221</b>	<b>33</b>
Others*	1193	81	N/A	N/A	867	91	N/A	N/A	2060	85	N/A	N/A
<b>TOTAL</b>	<b>7767</b>	<b>39</b>	<b>N/A</b>	<b>N/A</b>	<b>6114</b>	<b>36</b>	<b>N/A</b>	<b>N/A</b>	<b>13881</b>	<b>37</b>	<b>N/A</b>	<b>N/A</b>

### NOTES:

a) Space Supply is defined in Teus p.a.; for exports it is based on vessel DWT divided by 18 tons (normally 12 - 15 except on the Tasman).

b) Routes combined are as follows:

<sup>^</sup> Europe – Europe & Mediterranean & assumes 33% of space on SE Asian services allocated to European T/S traffic;

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SE Asia – assumes 66% of space on services allocated to local traffic, plus 50% of Export space on European services Europe  
North America USEC space NB & SB allocated on RTW services as advised by conference members, + 10% of SB traffic transshipped  
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New Zealand – dedicated services 100%, cross traders as advised by Forum secretariat; balance TCS estimates  
\* Others – Africa, South & Central America, Pacific Islands : capacity data not available

c) GP = dry 20 foot full containers or equivalent; RF = refrigerated 20 foot full containers or equivalent; MT = empty 20 foot containers or  
equivalent (account for under 10% of imports v. 36% for exports)



## D Carrier Membership of Conferences/Discussion Agreements/Talking Agreements 1999 v 2004

Trade	Year	Conference	Discussion Agreement	Independents
North East Asia SB	1999	10	13	4
	2004	7	15	5
North East Asia NB	1999	10	13	4
	2004	7	14	6
South East Asia*	1999	-	16	5
	2004	-	14	13
North America#	1999	3	11	16
	2004	4	12	16
Europe^	1999	7	-	15
	2004	7	-	15
Tasman	1999	-	10	4
	2004	-	11	3
Middle East +	1999	2	-	19
	2004	2	-	23

### Notes:

\* the high number of independent operators is generated by carriers in the European trade offering space to Australian cargo to/from SE Asia en route to/from Europe

# North American cargo has the opportunity to move via transshipment over Durban to/from the USEC and over North Asia to/from USWC via independents (up to a dozen in the latter case)

^ similarly European cargo has the opportunity to move via transshipment over SE Asia on SE Asian regional services which act as independents in respect of such cargo. Prime transshipment point is Singapore.

+ similarly the Middle East is only served via direct calls on the European service at Jeddah and transshipment services over SE Asia, virtually all of which are provided by independents