

Australian Peak Shippers Association Inc.

15 December 2004

To: Productivity Commission  
TPA Part X inquiry

At the Public Hearings in Melbourne on 6 December 2004, APSA gave an undertaking to respond on several items discussed. These were:

1. Minimum Levels of Service (MLS)

In 1991 APSA proposed 80% as being a realistic and practical level for the minimum obligation that Shipping Conferences must provide on space levels and this has worked well ever since.

There have been no cases where Conferences have not provided the minimum and in many cases the space provided has been close to the maximum possible.

For example, in 2004 the European Conference minimum obligation exceeded export requirements by 9%.

In addition, the 80% allowed for occasional delays that vessels experience in Australia and overseas. It also allows for vessels to keep their fixed day sailing schedules when cargo may not be ready. It also allows the vessels to carry empty containers back to the origin of imports.

2. Statutorily-imposed confidential individual service contracts

APSA would welcome such contracting to strengthen Part X as a number of APSA's members believe confidential contracts to be of significant value to their export business.

3. Surcharges

Surcharges have been a problem for exporters unlike freight rates which generally are agreed with Conferences on satisfactory terms.

As recommended in its submission, surcharges should only be allowed in an emergency situation and not for revenue enhancing purposes. All-in freight rates for exporters are called for.

4. Stevedoring

APSA requests that provision be made under Section 10.24a for APSA to sight contracts between Stevedores and Shipping Conferences. The reason for this request is that exporters at the end of the day pay the cost of stevedoring but have no input to negotiations.

5. Long and thin trades

There appears to be a view by the Commission that the "long and thin" trades eg. Europe and the USA, do not have Part X agreements. This is not correct. To Europe there is the Australia/New Zealand to Europe Liner Association (AELA) and to the USA there is the Australia/United States Container Line Association (AUSCLA).

There is an independent in the Europe trade ie. Mediterranean Shipping, and this assists in keeping shipping to Europe competitive.

There would be a danger in APSA'S view that to repeal Part X and replace it with the authorisation process would reduce the current competitiveness in that trade and the risk should not be "promoted".

The independent in the USA trade also provides some competition for AUSCLA and the same risk would

apply.

6. Multiple port calls

There has been a worldwide trend for shipping lines to speed up their services as a requirement by shippers. This has stemmed from shippers contractual obligations to deliver "just in time". The speeding up of services has led to the culling of various ports in Australia and overseas.

Significant increases in port costs and ship costs just do not allow for vessels to call at every port anymore. Although all shippers would like to have daily shipping services at their port even though cargo volumes are insignificant in nearly every case, shippers are not disadvantaged by having to ship through a major neighbour port. Adelaide/Melbourne is a good example. Bunbury/Freemantle, Port Kembla/Sydney, Hobart/Bell Bay are all examples.

Feeder costs to major ports are more cost efficient than direct ship calls.

In Australia because of the MLS obligations by the S E Asian Conferences, Adelaide and Bell Bay are still receiving direct calls but are seen as a deviation by Conferences.

Any repeal of Part X could have significant repercussions for Adelaide and Bell Bay.

In summary, APSA believes that any statement made by shipping lines on calling at ports whether there is cargo there or not has been misconstrued by the Commission.

7. Discussion Agreements

APSA has further considered the future of Discussion Agreements but confirms its earlier comments that Discussion Agreements should not be registered and that current Agreements should be deregistered.

The Agreements have no value to exporters who believe their motive is to destroy competition.

8. Price fixing by Shipping Conferences

There appears to be a view by the Commission that Conferences are anti-competitive and fix prices to the disadvantage of exporters. There is not a scrap of evidence to show that Conferences are anti-competitive and disadvantage exporters.

The purpose of Conferences is to develop the commerce of Australia, promote the carriage of Australian products with an efficient and speedy service and suitable vessels at stable rates.

Professor Haralambides from the Centre for Maritime Economics and Logistics at the Erasmus University in Rotterdam has studied the liner shipping business and found that the world's four largest shipping companies control 41.5% of global container movements. This ratio implies that the liner industry has low market concentration and a high degree of competition. Despite the fact that carriers can form Conferences, consortia and alliances, his studies have found that the degree to which carriers fix prices within these groupings, is low or non-existent.

There is no evidence either to show that exporters would be advantaged by a move to the authorisation process when currently they have certainty in frequent reliable shipping services of quality at freight rates that exporters can bear.

At a time when the Federal Government is urging the export industry to double its efforts, the Commission is seeking a move to the unknown based on theory and abstract views.

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