



AUSTRALIAN FEDERATION OF INTERNATIONAL FORWARDERS Ltd.

Supplementary
submission
to the
Productivity Commission
Review
into
Part X
of the
Trade Practices Act 1974:
International Liner Cargo Shipping

December 16th, 2004

In August 2004, the Australian Federation of International Forwarders Ltd (AFIF) made submission to the Productivity commission review of Part X of the Trade Practice Act as it relates to Liner Shipping Discussion Agreements and 'Conferences'

Since the Draft report issued by the Commission and, subsequent to the Public Hearings held in Melbourne on December 6 (*attended by Fritz Heinzmann, Chairman of the Federation*), AFIF wishes to submit additional summary views as follows:

AFIF position.

Firstly we wish to comment that the issue has such a complex web of influences and circumstances that we certainly do not envy the Assistant Commissioner's task to address the problem of complaints about the misuse of shipping line discussion groups, wherein they may seek to fix and / or increase freight rates drastically in such a coherent fashion that the commission must come to the conclusion that there is evidence of the discussion groups being instruments of anti competitive behavior and practice.

In the same way as in the public hearing, we shall endeavour to keep to the narrow segment of what is in our industry's interest.

1. We do not favour prices being drastically reduced, nor do we favor price increases in the same manner.

2. Most Forwarders operate service agreements with specific lines subject to rate stabilisation in exchange for reasonably secure quantities of *TEU's*. We do not wish these agreements to at risk by newly introduced legislation, as we see them as tools to foster stability and competition. In fact we see our industry as a "buffer" for smaller shippers to gain better price stability by utilisation of the service contracts of the freight forwarders.

3. We do not favour legislation which would result in the role of the shipping lines agencies being further diminished to purely operational functions, resulting in all important pricing discussions taking place overseas.

In our view, changes in North American and European legislation are, in the short term, affecting the main trade lanes. The apparent lack of legislative instruments in China will result in these changes applying to the North Asia Trade in one way or another.

The long / thin Australian trade from/to Europe and North America will most likely continue to rely on direct sailing but there is no question about the fact that this trade will be influenced by the transshipment options of the main carriers, which is directly linked to the main trade Asia/Europe/North America.

As mentioned before, the direct trade from/to Asia will most likely also be affected by these changes.

It would therefore appear to be somewhat courageous for Australia, without a national carrier and with a figure of less than 2% of the world shipping market, to lead the world in legislating such dramatic and far reaching changes. Furthermore, it may find itself in a situation whereby such legislation may require future amendment to take into account the final rules the US and Canadian Government and the EU decide to implement.

The main trade lanes face changes with the introduction of the new generation of container vessels and their potential oversupply of space, on certain routes. There is, as yet, an inconclusive picture on the future ratio of hub traffic vs. point to point traffic. Lastly, the growth rate of China will not last for ever. These factors and others will reverberate in the Australian Trade.

We believe that Australian legislation makers should rule on these issues with the least degree of interference and the utmost sense of applying the rules of market forces. The Australian rules ought to reflect world wide trends and place factional local interest into the background.

Australian Federation of International Forwarders Ltd

Fritz Heinzmann

Chairman