

23<sup>rd</sup> November, 2004

The Commissioner  
Review of Part X of the TPA  
Productivity Commission  
P.O. Box 80  
BELCONNEN ACT 2616

Dear Sir/Madam

**Review of Part X of the Trade Practices Act 1974 : International Liner Cargo Shipping**

I refer to the Productivity Commission's draft report dated October 22, 2004 "*Review of Part X of the Trade Practices Act 1974: International Lines Cargo Shipping*" which was sent to the Australian Meat Industry Council following our initial submission to the Inquiry on September 9.

The Australian Red Meat Industry Council (AMIC) is the Peak Council representing all sectors of the Red Meat Industry post the farmgate. As a Peak Council, AMIC holds two seats on the Red Meat Advisory Council (RMAC), the body commissioned to provide advice on the red meat industry to the Government of the day.

The Australian Meat Council (AMC) remains a designated secondary shipper body for the purpose of the North American trade. It has regularly exercised that status to meet with the Australian/United States Discussion Agreement (AUSDA) to discuss levels of service.

A cost effective, efficient and reliable seafreight service is a critical component of Australia's current status as the largest exporter of red meat (beef and lamb) to the world and is a subject of significant importance to AMIC members.

As per our submission to the Commission of September 9, AMIC does not get involved in the negotiation of freight rates. This is for negotiation between the exporter and the Shipping Line concerned. When deemed appropriate, the AMC has however entered into agreements on the operation of bunker surcharges on behalf of industry. AMIC's principle area of activity remains to identify areas, policies and problems where review as an industry may provide a more efficient, cost effective and reliable service to members.

AMIC has continued to pursue a policy of building closer, more professional relationships with the Shipping Lines through the Conferences and Discussion Agreements in existence. They have provided the opportunity to conduct open and frank discussions with a group of carriers who jointly can provide assurances on future service levels in order for exporters to make sound commercial judgments in a competitive global environment.

We conveyed in our submission of September 9 our support for the continuance of the ability to meet with the Lines as an industry and to discuss those issues of importance to members that can deliver a more dependable level of service. Beyond the area of price-setting, our view has not changed: that there is value in maintaining a structure that allows this level of consultation to continue.

It is important to separate out the requirements of the import sector from that of the export community as in most cases, exporters represent the freight customers. Current space sharing arrangements, the ability of shipping Lines to fully co-operate in joint services to and from Australia, and the provision of fixed roster weekly services have been welcomed initiatives by the red meat industry that have evolved under the current arrangements. Operational agreements have been effective in co-ordinating vessels operated by a number of carriers which

have been an attempt to provide improved levels of service and the co-ordination of the supply of specialised equipment, so important to our global competitiveness.

The greatest concern for AMIC members as an exporter remains that given the distances to our major export markets, that we have access to a reliable cost-effective and efficient seafreight service. There remains concerns that if the levels of service were to become more subject to the vagaries of the market, that current levels of service may suffer, especially in times when freight rates, for whatever reason, dropped to less than sustainable levels.

It is also important not to directly compare Australia with Europe and the U.S. Australia is unique in its level of trade for such a large continent, operating at levels 1/10th the size of Europe and the U.S. In a Global context Australia is generally a nation of smaller shippers and in that environment, traditional Conferences have played an important role in providing frequent, reliable service to a comprehensive range of destinations utilising specialised equipment for a perishable product in a competitive global environment. Any aberrations to this mix can significantly affect our competitive advantage. Representing only around 3% of world container movements, we cannot become complacent about our place in the global marketplace. Ours is also a seasonal business and co-operation to cater for the peaks and troughs in our production and export trends requires a synergy of purpose. It is a concern that in a free and open seafreight environment, market volume may become a more important determinant in negotiated freight rates. This could disadvantage a number of AMIC's smaller specialised exporters.

The red meat export sector remains the principal agricultural export commodity in Australia. Given that over 50% of our sheepmeat production and 65% of our beef production is exported, a close relationship with the through chain transport network to ensure that all cost efficiencies and technological benefits are being utilised is essential to the maintenance of this position. AMIC would like to pursue a policy of building closer, more professional relationships with the shipping lines as an industry rather than the reverse.

There is a concern that the costs involved in attempting to deliver these outcomes under other sections of the Act may be inhibitive and that a lack of timeliness in the accreditation process contemplated will negate any benefits.

As per our submission of September 9, if Part X of the Trade Practices Act 1974 is the only means of maintaining current provisions, then we support its retention in a form that allows AMIC to continue to meet with the Lines as an industry to discuss levels of service with a view to ensuring there is not further erosion of current services and avoiding factors that might contribute to reduced competitiveness in a global context.

Yours sincerely,

***Steve Martyn***

National Director – Processing