

**Container stevedoring monitoring report
no. 4**

October 2002



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Glossary

BTRE	Bureau of Transport and Regional Economics
Commission	Australian Competition and Consumer Commission
DTRS	Department of Transport and Regional Services
EBA	Enterprise Bargaining Agreement
LLDCN	Lloyd's List Daily Commercial News
MIFCO	Maritime Industry Finance Company
MUA	Maritime Union of Australia
Patrick	Patrick the Australian Stevedore
P&O Ports	P&O Ports Ltd
PSA	Prices Surveillance Authority
Ro/Ro	roll-on/roll-off
CSX	CSX World Terminals Pty Ltd
TEU	Twenty-foot equivalent unit

Summary

On 20 January 1999 the Federal Treasurer directed the Australian Competition and Consumer Commission (the ACCC) under s. 27A of the *Prices Surveillance Act 1983* to monitor prices, costs and profits of container terminal operator companies at the ports of Adelaide, Brisbane, Burnie, Fremantle, Melbourne and Sydney. The ACCC's monitoring program is designed to provide information to the government and wider community about the progress of waterfront reform at Australia's major container terminals. The monitoring program will also provide information to the community about the absorption of the stevedoring levy by the stevedores.

As part of the government's reform strategy, funds were provided to ensure that all stevedoring employees made redundant as part of the reform process received full redundancy entitlements. A levy on the loading and unloading of containers and cars for export and import was to be applied to fund these payments. The levy is expected to be in place for a number of years. P&O Ports and Patrick both agreed to absorb the full cost of the levy.

The first report of this monitoring program was issued in October 1999 and set out the ACCC's methodology. The report indicated no significant reductions in stevedoring rates during the first monitoring period. Overall, however, stevedoring companies did seem to absorb the cost of the levy.

The second report covered the period July 1999 to June 2000 and showed container stevedoring in Australia in a period of transition. During this time P&O Ports undertook a major restructuring resulting in a 34 per cent reduction in its permanent workforce. This restructuring had implications for both major stevedores and came at a time when there was a significant increase in container throughput in Australian ports.

The third report covered the period between July 2000 to June 2001. During this period the growth rate in containerised throughput slowed. Industry-wide average revenue per TEU fell to \$171 in the six-month period to December 2000 and remained constant in the six-month period to June 2001. Industry-wide average costs per TEU fluctuated between the two six-month periods, which largely reflected movements in containerised throughput.

In August 2001 Patrick Stevedores bought CSX World Terminal's facility in Brisbane. Patrick offered contracts to the shipping lines using the CSX terminal, on similar terms and conditions.¹

The present report covers the period between July 2001 and June 2002. In contrast to the slowdown in growth in throughput in the previous period, throughput measured by total TEUs grew by 9.4 per cent. During this period, industry-wide average revenue per TEU declined to \$165, and industry-wide average costs per TEU fell to \$129 (both historical lows). As the magnitude of the fall in average costs per TEU was greater than

¹ LLDCN, news wire service, 30 August 2001.

the fall in average revenue per TEU, the industry-wide average margin per TEU increased to \$36, (a historical high).

Industry productivity measured in terms of average crane, average ship and average elapsed labour rates all increased over the 12 months to June 2002.

The monitoring carried out by the ACCC indicates that the government-imposed levy has not been reflected in increased average charges by the stevedoring companies during the period July 2001 to June 2002.

It should be noted that CSX World Terminals has provided the ACCC with revised data for periods covered in the ACCC's third monitoring report and as a consequence this information has been used to update information in this report. While in some instances numbers have changed, this has not affected the substantive conclusions that were reached in the previous monitoring reports.

1. Introduction

This is the fourth container stevedoring monitoring report produced by the ACCC. It presents commentary and analysis of the ACCC's monitoring of the container stevedoring industry for the 12 month period between July 2001 and June 2002. This follows on from the first three reports which were publicly released in November 1999, October 2000, and December 2001.

The data presented in this report has been collected using the same methodology as in previous reports, with the following exceptions.

- Reporting of trends in company and terminal average revenue and unit margins has been discontinued—though commentary is still provided.
- The survey of shippers and shipping lines concerning the quality of stevedoring services has been discontinued.
- New revenue and container volume information, enabling the calculation of average revenue per TEU on a 40-foot and 20-foot container basis has been included.

1.1 Background

On 20 January 1999 the Federal Treasurer directed the ACCC under s. 27A of the *Prices Surveillance Act 1983* to monitor prices, costs and profits of container terminal operator companies in Australia's major ports.² Previously the Prices Surveillance Authority (PSA) had monitored stevedoring prices and costs from March 1991 to November 1995, during which it released five reports. The program included monitoring of general stevedoring as well as container stevedoring.

As part of the government's waterfront reform strategy, funds were provided to ensure that all stevedoring employees made redundant as part of the reform process received full redundancy entitlements. A levy on the loading and unloading of cargo was to be applied to repay these funds. Patrick and P&O Ports agreed to absorb the full cost of the levy. The monitoring program provides information to the government and wider community about the progress of waterfront reform and the absorption of the stevedoring levy by the stevedores.³

The ACCC's monitoring program covers prices, costs and profits relating to the supply of services by container terminal companies in the ports of Adelaide, Brisbane, Burnie, Fremantle, Melbourne and Sydney.

2 Direction no. 17 of 20 January 1999 made pursuant to the Prices Surveillance Act. Sections 27A and 27B of the Act are reproduced in appendix A.

3 For the Treasurer's press release of 22 January 1999 and discussion of the ACCC's role, see Rural and Regional Affairs and Transport Legislative Committee: *Stevedoring Levy (Collection) Amendment Bill, 1999*, Hansard, 27 August 1999, pp. 42–45.

The major stevedores undertook to meet the full costs of reform through the application of a levy on the loading and unloading of cargo. The levy is being used to repay funds made available through a wholly Commonwealth government owned company, the Maritime Industry Finance Company (MIFCO). The government established MIFCO on 8 April 1998.

The levy came into effect at the beginning of February 1999 and is paid at a rate of \$12 per container and \$6 per car imported and exported. The funds from the levy are remitted monthly to the Department of Transport and Regional Services (DTRS), the first payment having been made on 14 March 1999. Cars are loaded and unloaded from roll-on/roll-off (ro/ro) vessels and at separate terminals. The levy is expected to continue for some years.

1.2 Report outline

This is the fourth report prepared under the monitoring program. The ACCC has relied primarily on data from the stevedores to monitor the performance of the container stevedores.

Section 2 presents some information on industry trends while sections 3 and 4 identify the main findings of the monitoring program. Some broad conclusions are also drawn in sections 3 and 4.

2. Industry trends

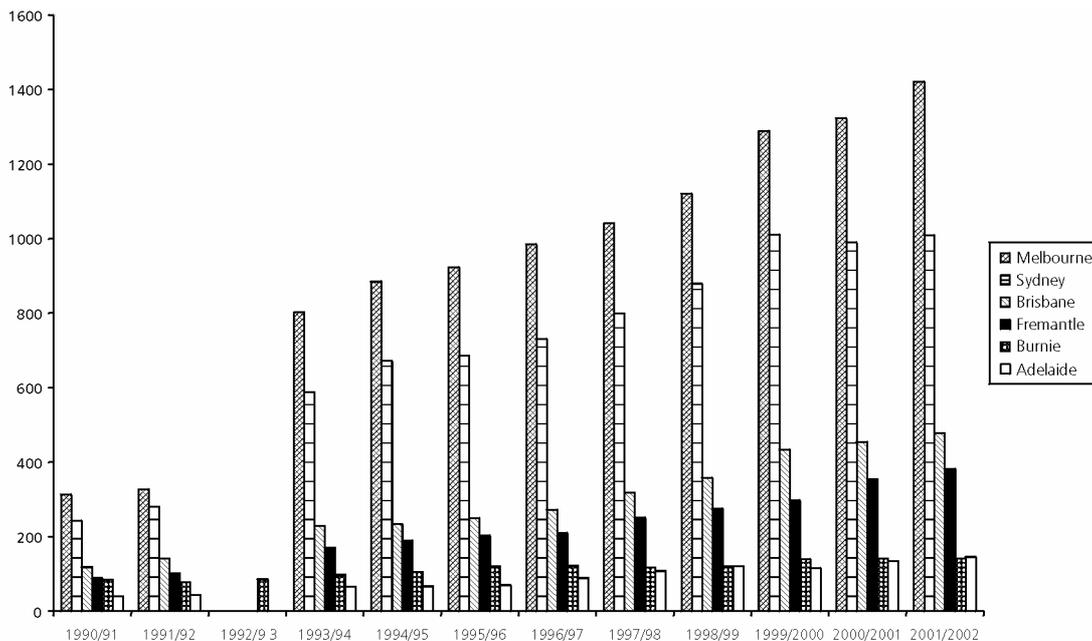
2.1 Introduction

This section presents information in relation to trends in containerised throughput and productivity in the container stevedoring industry.

2.2 Trends in containerised throughput

Total containerised trade throughput for the 12 months to June 2002 is 3.6 million TEUs. This represents a 5.6 per cent increase over the total containerised traffic for the six ports for 2001–2002. Figure 2.1 shows recent trends in total containerised throughput for the six ports where the monitored container terminals are located.

Figure 2.1. TEU exchanges through designated ports 1990–91 to 2001–2002 (000 TEUs)



Source: BTRE, *Waterline 2002*, Burnie Port Corporation.

All six ports experienced growth in containerised throughput in 2001–02 with the greatest percentage increases occurring in the ports of Adelaide, Melbourne and Fremantle. However, the growth in containerised trade for both Adelaide (9 per cent) and Fremantle (7.8 per cent) in the 12 months was lower than was recorded for these ports in the previous financial year. In comparison, annual containerised throughput for the Port of Melbourne increased by 7.9 per cent to 1.42 million TEUs in 2001–02 compared to a 2.2 per cent increase during the previous 12 months. In 2001–02 the Port of Brisbane also experienced a higher rate of trade growth compared to the previous financial year with annual containerised throughput increasing by 5.3 per cent to

477 000 TEUS. Annual containerised trade through the Port of Sydney also increased by 2.1 per cent in 2001–02 to one million TEUS following a decline in throughput experienced in the previous financial year.⁴

2.3 Productivity in container stevedoring

In its latest *Waterline* publication (September 2002), the Bureau of Transport and Regional Economics (BTRE) reported on recent trends in capital productivity of container stevedoring operations in the five mainland ports. Productivity is measured in terms of average crane, average ship and average elapsed labour rates which all increased over the 12 months to June 2002.

The five port average crane rate is defined as productivity per crane while the ship is worked.⁵ As shown in figures 2.2 and 2.3 the five-port average crane rate (measured in terms of containers and TEUs) has historically exhibited an increasing trend.

During the six months to December 2001 the five-port average crane rate fell from 26.8 in June 2001 to an average of 26.0 containers per hour. However the crane rate increased in the six-month period to June 2002 reaching an historic high (since *Waterline* commenced collecting data in 1996) of 26.9 in the June quarter 2002. Overall the average crane rate for the 2001–2002 financial year was higher than in the proceeding financial year. The five-port average crane rate, measured in TEUs per hour, also increased over the 12 months to June 2002.

The five-port average ship rate is defined as productivity per ship while the ship is worked.⁶

The five port average ship rate increased from 40.4 containers per hour in June 2001 to 41.4 in December 2001. The five port average ship rate remained stable during the three-month period ending March 2002 before increasing to 42.1 containers per hour in the June quarter 2002. The five-port average ship rate, measured in TEUs per hour, also increased during the 2001–2002 financial year.

The elapsed labour rate is defined as productivity per ship, based on the time labour is aboard the ship.⁷

The five-port average elapsed labour rate increased from 28.7 containers per hour in June 2001 to 30.7 in June 2002. Similar trends were prevalent in the five port average elapsed labour rate measured in TEUs per hour which also increased during the 2001–2002 financial year.

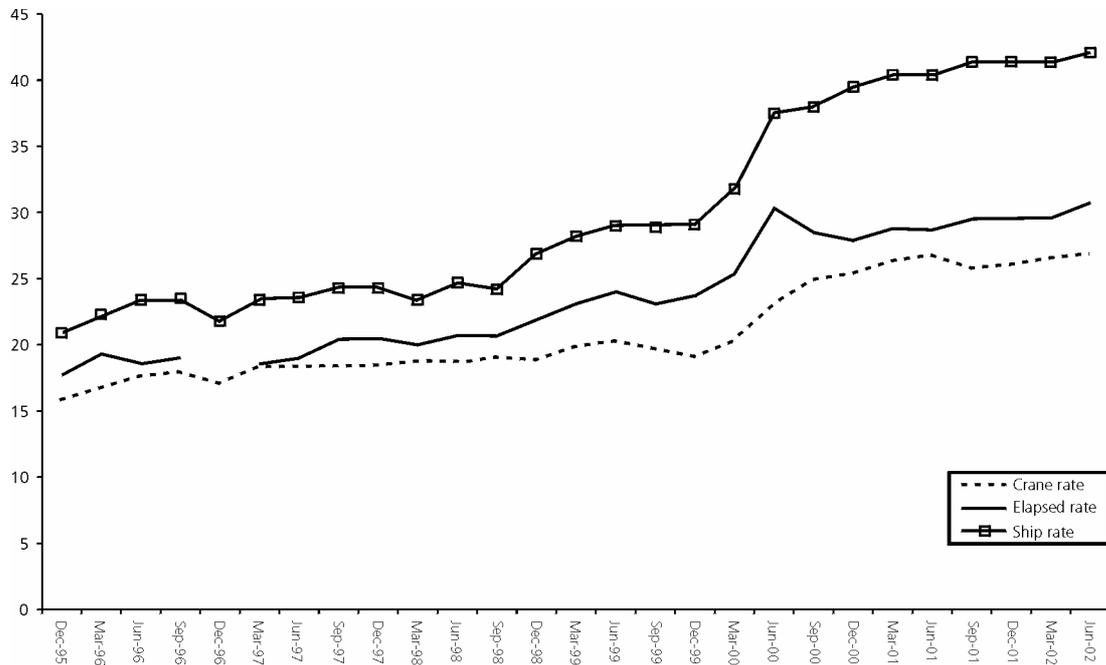
4 The magnitude of these increases in throughput when measured in term of TEUS is greater than that when measured in terms of container numbers, because of the prevalence of forty-foot containers. Stevedore charges are levied on a lift or container basis, rather than on a TEU basis, with similar rates for forty foot containers and twenty foot containers. Consequently, increases in stevedoring revenue will reflect the magnitude of increased throughput as measured on a lift basis, which is less than that on a TEU basis.

5 Bureau of Transport and Regional Economics, *Waterline*, Issue No. 3, p. 2.

6 *ibid.*

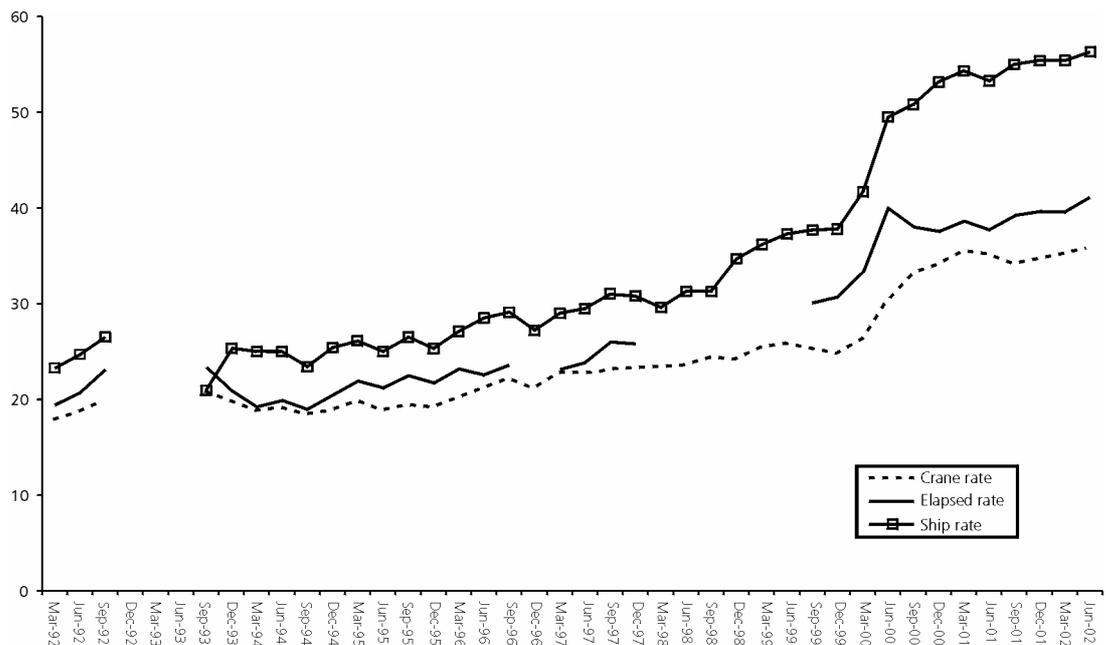
7 *ibid.*

Figure 2.2. Stevedoring productivity, five-port average 1995–2002 containers per hour



Source: BTRE, *Waterline 2002*. Five major mainland ports — Adelaide, Brisbane, Fremantle, Melbourne and Sydney.

Figure 2.3. Stevedoring productivity, five-port average 1992–2002 TEUS per hour



Source: BTRE, *Waterline 2002*. Five major mainland ports — Adelaide, Brisbane, Fremantle, Melbourne and Sydney.

3. Monitoring results

3.1 Introduction

This section presents the results of the monitoring of stevedore company information on a national basis. It presents average revenue, cost and profit data.

3.2 National container terminal aggregates

Data on weighted average revenue and costs for all ports shows that average margins rose in the 12 months to June 2002. Although average revenue fell, average costs fell by a greater proportion. This represents the continuation of long term trends exhibited since 1985.

3.2.1 Data

The ACCC collects data on throughput, revenue, costs and profits of the Australian container terminals in Adelaide, Brisbane, Burnie, Melbourne, Perth and Sydney. These have been aggregated to obtain national weighted average revenue and cost figures for container stevedoring terminal operations.

The data on revenue and prices provided to the ACCC has been submitted in two forms: total revenue and costs of the container terminals monitored, and specific container terminal revenue and expenses. The bulk of the revenue generated by the container terminals comes from container services, but each terminal conducts some break-bulk work. The previous monitoring work conducted by the PSA used the total revenue and costs data of container terminals (including break-bulk revenue costs) to derive national average revenue and cost indicators. The PSA indicators were derived from a sample of container terminals in Sydney, Fremantle and Melbourne. To establish long-term trends, some of the results of the PSA monitoring program are reproduced in table 3.1, along with data from the 1990 PSA inquiry into charges by the stevedoring and container depot industries.

Recent national average revenue and cost figures are also presented in table 3.1 for the eight periods:

November 1998 to January 1999
February to June 1999
July to December 1999
January to June 2000
July to December 2000
January to June 2001 July to December 2001
January to June 2002.

These figures are derived from the total revenue and expenses of the major container terminals in Australia and have therefore been derived in a similar way to those in the

PSA reports. However, the sample used includes additional terminals in Brisbane, Burnie, Adelaide, Sydney and Melbourne.⁸

3.2.2 Long-term trends

According to table 3.1 and figure 3.1 the long-term trend of declining average total costs per TEU since the peak in 1990 has continued with significant falls in the average total cost per TEU in the July to December 2001 and January to June 2002 reporting periods. Average total revenue per TEU has also fallen in the latest two consecutive six-month periods and is currently averaging about \$166 per TEU which represents a historical low since monitoring began in 1985.

Average margins per TEU, as represented by the difference between the two indicators, increased to \$36 in the latest two consecutive six-month periods to reach a peak over the entire monitoring period since 1985. This is a result of declining average costs per TEU which has more than offset the impact on margins of continued declines in average revenue per TEU. Since January 1999 average costs per TEU have declined by 17 per cent while over the corresponding period there has been a 10 per cent reduction in average revenue per TEU.

8 These terminals include: P&O Ports and Patrick Swanson Dock, Melbourne; P&O Ports, Patrick and Sea-Land Fisherman Island, Brisbane; Patrick and P&O Ports (CTAL) Port Botany, Sydney; P&O Ports and Patrick, Fremantle; Sea-Land, Adelaide and Burnie Corporation, Burnie. Patrick Darling Harbour, Sydney; P&O Ports White Bay, Sydney; and Patrick Webb Dock, Melbourne are not included in this aggregate because they have significant proportions of their revenue from non-container cargoes.

**Table 3.1. Average stevedoring revenue and average stevedoring costs
1985–2002**

	Average revenue \$/TEU	Average costs \$/TEU	Average margin \$/TEU
1985	238	219	19
1986	247	239	8
1987	244	218	26
1988	244	227	17
1989	247	241	6
1990	254	262	-8
1991	244	243	1
1992	195	196	-1
1993	195	190	5
1994	201	188	13
1995	206	191	15
Jan–Jun 1997	188	n/a	n/a
Nov 98–Jan1999	184	155	29
Feb–Jun 1999	182	161	21
Jul–Dec 1999	178	145	33
Jan–Jun 2000	173	148	25
July–Dec 2000	171	139	32
Jan–Jun 2001	171	147	25
Jul-Dec 2001	166	130	36
Jan – Jun 2002	165	129	36

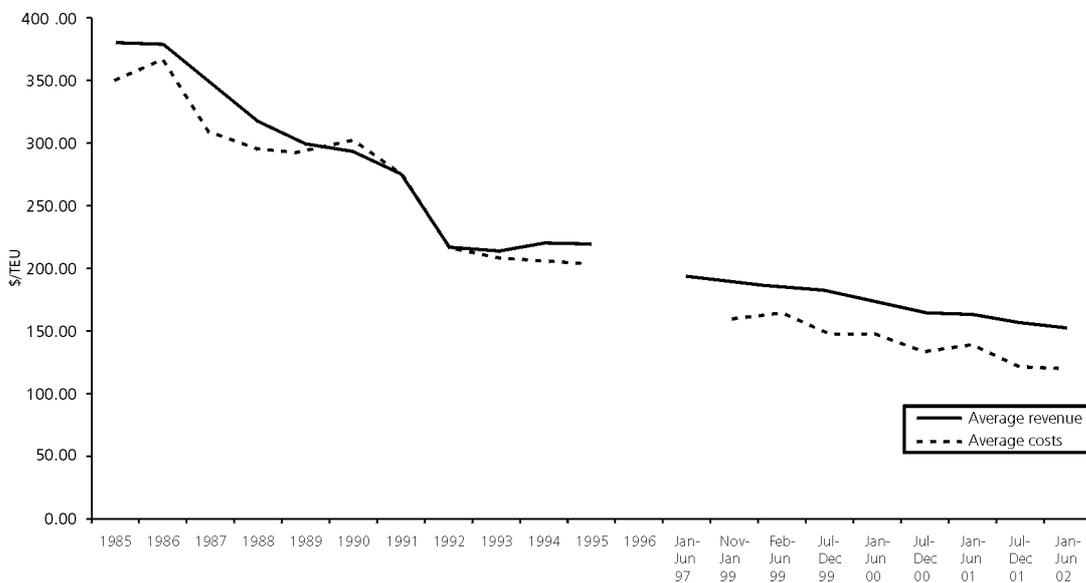
Sources: Australian Competition and Consumer Commission 1996, *Monitoring of Stevedoring Costs and Charges and Terminal Handling Charges 1995*. Figures for Jan–Jun 1997 are an estimate derived by the BTRE, *Waterline*. The stevedoring companies, as part of the monitoring program, supply figures for

Figure 3.1. National weighted average revenue and costs per TEU, 1985–2002



Source: Same as table 3.1

Figure 3.2. Constant price average revenue and costs per TEU, 1985–2002, 1997–98 dollars



Source: Same as for table 3.1, Reserve Bank *Bulletin* <<http://www.rba.gov.au>>.

The improvement in net margins as presented in table 3.1 is reflected in a significant increase in the rates of return for the container-stevedoring industry. According to

table 3.2, annualised earnings before interest and tax (EBIT) divided by total assets for the stevedoring industry increased to 19.7 per cent during the six months to December 2001, before falling back slightly to 19.2 per cent in the six months to June 2002. These rates of return are broadly in line with those of overseas port operators. The ACCC also notes that the rates of return of the Australian businesses included in table 3.2 have been affected by the purchase of major assets towards the end of their financial reporting periods.

Table 3.2 Rates of return for selected companies, earnings before interest and tax/total assets

	%
Australian container terminals Nov 98–Jan 99	12.17
Australian container terminals Feb–Jun 99	8.96
Australian container terminals Jul–Dec 99	14.04
Australian container terminals Jan–Jun 2000	12.44
Australian container terminals July–Dec 2000	18.42
Australian container terminals Jan–Jun 2001	12.00
Australian container terminals July–Dec 2001	19.67
Australian container terminals Jan–Jun 2002	19.18
Lang Corporation 2000–2001	9.28 ⁹
Toll Holdings Limited 2000–2001	10.11 ¹⁰
PSA Corporation 2000–2001	16.47
South Port Ltd 2001–2002	14.89
Port Otago Ltd 2000–2001	16.40 ¹¹
Lyttelton Port Co Ltd 2001–2002	31.40
Ports of Auckland Ltd 2000–2001	18.13

Source: Data supplied by the stevedoring companies, annual reports and the Australian Stock Exchange.

3.2.3 Cost components

Table 3.3 shows that the cost shares of all cost categories have been relatively stable during the last two consecutive six-month periods. The labour cost share has varied between 50 and 53 per cent of total costs over the two six-month periods to June 2002. The variation in industry-wide equipment and property cost shares has been even less over the same reporting periods. The industry levy share is currently around 6 per cent of total costs.

9 Lang Corporation's annual financial reporting period is from 1 October 2000 to 30 September 2001 and the figure in table 4.2 reflects the purchase of equity (in TDG Logistics Ltd) in September 2001 and the revenue generated by this investment over the reporting period.

10 Toll Holdings Limited annual financial reporting period is from 1 July 2000 to 30 June 2001 and the figure in table 4.2 reflects the purchase of Finemores Holdings Limited in March 2001 and the revenue generated by this investment over the reporting period.

11 This figure is in respect of Port Otago Ltd's port operations.

Table 3.3. Cost components as a proportion of total terminal costs (%)

	Nov 98– Jan 99	Feb 99– Jun 99	Jul 99– Dec 99*	Jan 00– Jun 00*	July 00– Dec 00*	Jan 01– Jun 01*	July 01– Dec 01	Jan 02– Jun 02
Labour	56.4	54.6	48.0	49.6	49.0	50.0	51.7	53.1
Equipment	19.3	17.2	18.1	20.7	21.3	21.1	20.3	19.6
Property	10.7	10.5	10.0	10.1	9.8	9.9	8.9	9.8
Industry	-	5.3	5.3	5.6	5.7	5.5	6.2	6.1
Other	13.6	12.5	18.6	14.0	14.2	13.4	13.0	11.4
Total costs	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Data supplied by the stevedoring companies. Other costs include port management costs and other overhead costs. Terminals include East Swanson, West Swanson, Port Botany, CTAL Sydney, Fisherman Island, P&O Ports Brisbane, Adelaide, Burnie and P&O Ports and Patrick terminals in Fremantle.

*CSX Brisbane is included from July 1999 onwards.

3.2.4 National container-specific revenue, costs and profits

As well as the data on total revenue, costs and profits of the container terminals (including break-bulk activity carried out at each terminal), data was also supplied to the ACCC on the basis of container-specific activity in the container terminals for Patrick and CSX World Terminals (formerly Sea-Land). P&O Ports' accounting practices are slightly different and while revenue figures are broken down in this way, costs are not. Given this, Patrick and CSX container-specific data is combined in the following table with P&O Ports' general revenue and cost data at their container terminals to provide national aggregates. These provide a slightly better indication of the actual price of container stevedoring faced by consumers. The Patrick terminals at Darling Harbour and Webb Dock can be included in this sample as their break-bulk activity has been excluded from the revenue and cost data.

National aggregates of average container-specific revenue, average costs and average profit margins are provided in table 3.4. Container-specific revenue is defined as the revenue attributable to loading and unloading cargo. It includes rebates offered by the container stevedores to shipping lines. It is also net of revenues attributable to other stevedoring services such as storage, restowage, and container movements on the wharf and is measured on a dollar per TEU basis, rather than dollar per container basis.

The data contained in table 3.4 covers all container terminals in Melbourne (including Webb Dock), Sydney (including Darling Harbour but excluding White Bay), Adelaide, Brisbane (excluding CSX's terminal for the first two periods), Fremantle, and Burnie. It shows that industry-wide container-specific unit revenue per TEU declined in both consecutive six-month periods to June 2002.

Industry-wide average container-specific costs per TEU also decreased significantly in both consecutive six-month periods to June 2002 to a record low of \$123 per TEU in the period January to June 2002. This was also reflected in significantly improved profit margins over the consecutive six-month periods to June 2002. This mainly reflects the growth in throughput volumes over this period. Total throughput over the two consecutive six-month periods to June 2002 was about 4 per cent greater than in the corresponding period to June 2001, while total industry-wide container-specific costs were 4 per cent lower.

Table 3.4. National stevedoring aggregates for container-specific revenue, costs and profit margins*

	Nov 98 –Jan 99	Feb-Jun 99	Jul-Dec 99	Jan-Jun 00	July–Dec 00	Jan-Jun 01	Jul-Dec 01	Jan-Jun 02
\$/TEU			**	**	**	**		
Revenue	171.93	169.7	166.1	161.44	158.94	159.70	155.90	154.18
Costs	146.19	152.5	138.1	140.14	131.96	138.98	124.05	123.00
Profit margin	25.74	17.2	28.0	21.30	27.78	20.72	31.85	31.18

Source: Data supplied by the stevedoring companies.

* Total revenues and costs for P&O Ports.

** Includes Sea-Land Brisbane terminal.

Total industry-wide throughput for the six months to June 2002 was down 3 per cent on the levels reached for the previous six months but was 9 per cent higher than that recorded for the corresponding six-month period in 2001.

In the 12 months ending June 2002 container stevedoring margins were on average 30 per cent higher than in the previous financial year. This reflects the effect of declining average costs per TEU which more than offset the impact on margins of declines in average revenue per TEU.

Unit container-specific costs fell substantially in the 12 months to June 2002 and were on average 8 per cent lower than in the previous corresponding period. This affected all of the major stevedores, which reported reduced unit container-specific costs for this period compared to the corresponding 12 month period to June 2001.

Average container-specific revenue was also 3 per cent lower in the 12 months ending June 2002 compared to the corresponding period in 2001.

3.2.5 Trends in container usage

There are two main types of containers used by stevedores, the twenty foot container (equivalent to one TEU) and the forty foot container (equivalent to two TEU).

Stevedoring charges are normally calculated on a ‘per lift’ basis with the same rate applying for both twenty foot and forty foot containers. As a consequence the per TEU rate will be lower for forty foot containers than for twenty foot containers and any trend to forty foot containers may be contributing to a lowering of average stevedoring revenue on a per TEU basis.

To better analyse the impact of the increased use of forty foot containers on movements in total average revenue per TEU over time, the stevedores have provided information to the ACCC to enable separate calculations of average revenue per TEU on both twenty foot and forty foot containers.

There are, however, a number of factors that need to be taken into account when comparing differences in average revenue generated from twenty and forty foot containers. In particular the ACCC has information that indicates that there are higher

costs in handling forty foot containers. In addition it has also been claimed that the expected mix of twenty foot and forty foot containers will be a significant factor for stevedoring companies when they are determining the actual ‘per lift’ stevedoring rate to be charged to a shipping line.

Readers of the ACCC’s reports also need to recognise that even with this additional information, average unit stevedoring rates can only be seen as an approximation of actual rates and that movements in average rates may not necessarily reflect movements in specific stevedoring rates.

The data contained in table 3.5 covers all container terminals in Melbourne (including Webb Dock), Sydney (including Darling Harbour but excluding White Bay), Adelaide, Brisbane, Fremantle, and Burnie. It shows that industry-wide container-specific unit revenue per TEU increased by around 2 per cent for both twenty and forty foot containers in the six-month period to June 2002.

Table 3.5 National stevedoring aggregates for container-specific average revenue—20 and 40 foot containers

	Jul-Dec 01	Jan-Jun 02
\$/TEU		
Revenue 20’ containers	194.3	197.3
Revenue 40’ containers	99.4	101.5

3.2.6 Effect of stevedoring levy

In March 1999 the Commonwealth government imposed a stevedoring levy on the industry to finance the labour force reductions of the three stevedores. The rate of the levy is \$12 per container and \$6 per vehicle for non-coastal export cargoes and cargoes that enter Australia (i.e. not transhipped).¹² Part of the ACCC’s direction is to examine the absorption of the stevedoring industry levy by the stevedoring companies.

With the passage of time since the stevedoring levy came into effect in 1999 it is becoming increasingly difficult to clearly assess whether the stevedores have absorbed the cost of the levy.

The increased margins per unit measured in this report raise the question of whether prices have been set at a level that passes on the cost of the levy to the customers of the stevedores. Of itself, however, increased margins per unit do not constitute evidence that the stevedores have not absorbed the levy. Factors that have been increasingly influencing the margins of stevedoring services include: cost savings associated with improved industry productivity levels; the extent to which the benefits of workplace reform (net of the levy) have been shared between the stevedores and their customers; and increases in the volume of container throughput which are contributing to a lowering of unit costs.

¹² Transshipment cargo is cargo that is unloaded and loaded back onto the vessel.

However, the ACCC can conclude that since the introduction of the stevedoring levy average unit prices have not increased—indicating that the stevedores have not increased prices to fund levy payments.

4. Company specific data

4.1 Introduction

This section presents the results of the monitoring of stevedore company information for each company and container terminal. Data is presented for the companies and terminals in the form of index numbers rather than raw data to protect commercially sensitive information.

The key findings are that average revenue and average costs per TEU for all three stevedores fell in the 12 months to June 2002.

4.1.1 Description of data

This and the following two sections compare trends in container stevedoring operating results for the three container terminal companies on an individual terminal basis. New data for the latest two periods, July to December 2001, and January to June 2002, has been included.

Average container-specific costs per TEU and the various average cost components are presented as individual indexes, using the period November 1998 to January 1999 as a base.

Company-wide aggregates are also derived. Terminal costs relate only to container activity and exclude that for break-bulk or ro/ro operations that may be conducted within the precincts of each container terminal.

4.2 Patrick

4.2.1 Patrick revenue, costs, profits and levy

The Patrick terminals examined in this section are predominantly container terminals, with the exception of Webb Dock in Melbourne and Darling Harbour in Sydney. However, these terminals do have a significant container throughput.

Average stevedoring revenue per TEU for Patrick as a whole continued a downward trend over the 12 months to June 2002, with successive falls in both six-month periods. This is in contrast to the previous 12-month period, in which average stevedoring revenue per TEU was stable. As shown in table 4.1, average stevedoring cost per TEU dropped significantly to a historical low in the six months to December 2001, and increased slightly in the six months to June 2002.

For Patrick as a whole, average stevedoring cost per TEU is now 20 per cent lower than during the period November 1998 to January 1999. Average stevedoring revenue per TEU for five of the seven Patrick terminals fell in the six-month period up to December 2001. Brisbane, Port Botany, Darling Harbour and Fremantle experienced the largest declines, whereas East Swanston and Burnie remained relatively constant.

According to Patrick, the decrease in average stevedoring revenue per TEU for Fremantle in the six months to December 2001 is attributable to an increase in the proportion of transshipment containers.

For the following six-month period up to June 2002, average stevedoring revenue per TEU declined in Brisbane, Port Botany, Darling Harbour, Webb Dock and Burnie. In contrast, average revenue per TEU in Fremantle and East Swanston increased in the six-month period up to June 2002.

According to Patrick, the decrease in the Brisbane terminal's average revenue per TEU was the result of a significant increase in the proportion of transshipment containers. Patrick attributes East Swanston Dock's small increase in revenue per TEU to a significant decrease in transshipment containers. In addition, Patrick states that Fremantle's increase in average revenue per TEU was the result of a change in the customer mix, rather than any increased prices.

As shown in table 4.1, average costs per TEU for Patrick's terminal operations were significantly lower for the six-month period to December 2001, than that of the corresponding period in 2000. Average costs per TEU for the six-month period to June 2002 was also significantly lower than that in the corresponding first six months of the previous year.

Throughput for the six-month period to December 2001 grew strongly, recovering from the fall in the previous six-month period. However, throughput in the six-month period up to December 2001 was below the corresponding six-month period in 2000. Throughput declined marginally in the six-month period to June 2002 but remained significantly above levels recorded for the six months to June 2001.

The recovery of throughput in the six-month period to December 2001 was a contributing factor in the increase in stevedoring margin per TEU in Brisbane, Port Botany, East Swanston, and Fremantle. During the same period Darling Harbour, Burnie, and Webb Dock all experienced a decrease in the level of stevedoring margin per TEU. In contrast, average margin per TEU for Brisbane, Port Botany, and Fremantle fell in the six-month period to June 2002. Average margin per TEU for Webb Dock increased, whereas Darling Harbour declined further.

Patrick's stevedoring levy payments increased significantly in line with the increase in throughput in the six months to December 2001. As volume declined it subsequently fell in the six months to June 2002

4.2.2 Changes in costs

Table 4.1 indicates that for Patrick as a whole, all of the TEU cost indexes fell during the six-month period to December 2001, and were significantly lower than in the corresponding period in 2000. This was a result of the recovery from the significant drop in throughput in the six months to June 2001. In the six-month period to December 2001 Patrick experienced significant falls in all of the monitored cost categories.

The average stevedoring cost per TEU for Patrick as a whole fell in the six months to December 2001. Patrick attributes this to increased container volumes in most ports,

and their effect on fixed costs. Patrick also stated that improvements in operational productivity and maintenance management helped reduce expenses per TEU.

The largest four of the Patrick container terminals, Brisbane, Port Botany, East Swanston and Fremantle all experienced decreases in stevedoring costs per TEU, and decreases in all of the monitored cost categories over the 12 months to June 2002. The other three terminals' stevedoring cost per TEU increased over this period, as did their other monitored cost categories.

The reduction in throughput at Webb Dock, Darling Harbour, and Burnie in the six months to December 2001 was the main factor behind the increase in their cost indexes.

The average cost per TEU for Patrick as a whole remained constant in the six-month period to June 2002. The stevedoring cost per TEU for Port Botany, East Swanston and Fremantle increased, whereas the Brisbane, Webb Dock, Darling Harbour and Burnie terminals fell in the six months to June 2002.

The average labour cost per TEU for Patrick as a whole decreased significantly in the six-month period to December 2001, and in the six-month period to June 2002. This may be attributable to a combination of the increase in throughput in the six-month period to December 2001, and the implementation of a new enterprise bargaining agreement on the 10 September 2001, which featured rosters designed on labour demand.

Table 4.1 Patrick trends in terminal unit costs components (per TEU)

Brisbane	Jan 99	Jun 99	Dec 99	Jun 00	Dec 00	Jun 01	Dec 01	Jun 02
Cost index	100	100.4	89.1	97.7	105.9	102.2	90.1	84.8
Labour cost index	100	92.3	82.2	82.3	82.2	84.5	80.9	76.9
Equipment cost index	100	72.7	67.6	76.0	88.6	97.2	72.3	52.6
Property cost index	100	88.6	68.7	66.5	70.2	74.9	63.5	56.4
Port Botany	Jan 99	Jun 99	Dec 99	Jun 00	Dec 00	Jun 01	Dec 01	Jun 02
Cost index	100	98.3	84.3	83.0	78.5	82.7	73.0	76.5
Labour cost index	100	100.0	83.6	86.2	76.8	85.0	75.5	76.1
Equipment cost index	100	80.7	76.2	78.9	78.6	81.2	67.4	72.2
Property cost index	100	91.2	75.8	57.8	68.6	70.2	46.6	52.0
East Swanson	Jan 99	Jun 99	Dec 99	Jun 00	Dec 00	Jun 01	Dec 01	Jun 02
Cost index	100	106.1	94.2	94.2	91.7	98.6	84.2	86.0
Labour cost index	100	102.6	93.4	87.8	85.3	97.0	86.8	83.8
Equipment cost index	100	84.9	80.6	93.0	89.3	90.8	75.0	73.7
Property cost index	100	99.3	74.4	72.7	63.3	80.7	56.1	58.9
Fremantle	Jan 99	Jun 99	Dec 99	Jun 00	Dec 00	Jun 01	Dec 01	Jun 02
Cost index	100	110.5	100.9	88.5	82.0	74.7	69.9	73.6
Labour cost index	100	104.7	88.4	77.8	71.3	68.0	64.5	65.8
Equipment cost index	100	92.0	86.9	77.7	68.4	58.1	49.8	52.0
Property cost index	100	74.8	106.3	92.7	85.9	65.4	64.8	73.8
Webb Dock	Jan 99	Jun 99	Dec 99	Jun 00	Dec 00	Jun 01	Dec 01	Jun 02
Cost index	100	103.6	95.7	101.2	98.1	100.3	116.2	109.7
Labour cost index	100	107.9	96.8	111.9	112.0	119.0	232.6	278.2
Equipment cost index	100	105.8	92.9	103.3	97.4	115.5	229.8	292.9
Property cost index	100	103.7	76.8	90.2	65.8	84.7	249.8	388.3
Darling Harbour	Jan 99	Jun 99	Dec 99	Jun 00	Dec 00	Jun 01	Dec 01	Jun 02
Cost index	100	107.2	98.3	104.0	98.1	118.0	125.2	120.2
Labour cost index	100	125.4	100.5	113.2	106.0	124.4	222.7	203.2
Equipment cost index	100	98.6	92.2	105.4	104.4	145.8	215.4	248.2
Property cost index	100	93.9	73.0	60.7	81.7	115.5	249.2	320.9
Burnie	Jan 99	Jun 99	Dec 99	Jun 00	Dec 00	Jun 01	Dec 01	Jun 02
Cost index	100	98.5	98.2	96.6	90.4	98.3	98.5	87.3
Labour cost index	100	95.2	82.9	75.3	78.1	85.2	95.5	76.4
Equipment cost index	100	79.6	84.0	84.8	88.1	91.5	112.2	84.6
Property cost	100	62.3	76.3	93.2	58.4	62.3	105.8	101.7
National	Jan 99	Jun 99	Dec 99	Jun 00	Dec 00	Jun 01	Dec 01	Jun 02
Cost index	100	102.9	91.6	91.8	89.0	91.9	79.8	80.3
Labour cost index	100	102.6	89.3	89.7	84.9	91.1	83.3	79.7
Equipment cost index	100	85.5	80.3	87.0	85.6	90.1	75.6	72.8
Property cost index	100	94.8	77.1	70.2	69.1	77.0	64.0	67.7

4.2.3 Patrick conclusions

After a stabilisation of average revenue per TEU for Patrick as a whole in the six-month period to June 2001, average revenue per TEU fell in the six-month period to December 2001 and remained relatively steady in the subsequent six months to June 2002. The decline of average revenue per TEU in the 12 months to June 2002 as compared to the previous 12-month period is attributable to a recovery from the slowdown in throughput in the six-month period to June 2001.

Patrick as a whole experienced a decline in its average cost per TEU index and monitored cost categories in the six-month period to December 2001. Patrick attributes the decline in costs during this period to increased container volumes in most ports, and their effect on fixed costs. Patrick also stated that improvements in operational productivity and maintenance management helped reduce expenses per TEU.

There was a small reduction in throughput in the six-month period to June 2002. Average costs remained stable in the six-month period to June 2002. Average revenue per TEU for Patrick as a whole fell slightly in the six-month period to June 2002.

Margin per TEU for Patrick as a whole increased substantially during the six-month period to December 2001, and declined slightly in the six-month period to June 2002.

4.3 P&O Ports

4.3.1 P&O Ports' revenues, costs, profits and levy

P&O Ports' movements in container stevedoring unit costs are shown in table 4.2.

For P&O Ports as a whole, average revenue per TEU declined in the six-month period to December 2001. Average revenue per TEU in the six-month period to December 2001 was marginally lower than that in the equivalent period in 2000. P&O Ports stated that this reflected generally stable rates during the period.

Average revenue per TEU fell for each of the four terminal operations in the six-month period to December 2001.

In contrast to this, average revenue per TEU increased for each of the four terminal operations in the six-month period to June 2002. The average revenue per TEU for the Melbourne terminal in the six-month period to June 2002 is lower than that for the same six-month period in 2001. Average revenue per TEU in Fremantle was higher in the six-month period to June 2002, and was also higher than that in the corresponding period in 2001.

P&O Ports attributes the lower rate in Melbourne in the six-month period to June 2002 to additional business handled at that terminal at lower rates. P&O Ports attributes the significant increase in average revenue per TEU in Fremantle over the six-month period to June 2002 to higher rates on renegotiation of a major contract that had previously been offered at a lower rate.

The principal influence on the six-month trends in P&O Ports' cost per TEU data for both July to December 2001 and January to June 2002 is the seasonal variation in throughput at P&O Ports' terminals. Throughput for the six-month period to December 2001 increased, whereas throughput decreased in the following six-month period. Throughput for the 12 months to June 2002 was 10 per cent higher than throughput in the previous 12-month period¹³. P&O attributes the increase in volumes to higher market volume growth and higher market share.

As illustrated in table 4.2, the average cost per TEU for P&O Ports as a whole decreased in the six-month period to December 2001, and was marginally lower than that for the first half of the preceding financial year. The average cost per TEU for P&O Ports as a whole remained relatively constant in the six-month period to June 2002, and was 10 per cent lower than for the second half of the preceding financial year. A contributing factor to this significant reduction in cost per TEU was the higher level of throughput in the six-month period to June 2002 as compared to that in the second half of the previous financial year.

Each of P&O Ports' terminal operations cost per TEU index fell in the six-month period to December 2001. The Melbourne and Brisbane terminals both experienced significant falls, in excess of 12 per cent.

Costs per TEU for P&O Ports individual terminal operations showed a mixed picture in the six-month period to June 2002. Cost per TEU fell in Sydney and Fremantle, remained relatively constant in Melbourne and increased in Brisbane. However, costs per TEU for the individual terminal operations were significantly lower in the six-month period to June 2002, compared to the same period in 2001.

Average margin per TEU for P&O Ports as a whole increased in the six-month period to December 2001. This resulted from the seasonal increase in throughput, and the effect of declining average costs per TEU which more than offset the impact of declining average revenue per TEU. In the six-month period to June 2002, margin per TEU increased. P&O attributes this to lower overall expenses and 11 per cent higher volume compared to the corresponding period in 2001.

The stevedoring levy payments for P&O as a whole increased as throughput rose in the six-month period to December 2001 and fell as throughput declined in the following six-month period. The stevedoring levy collected for each of the individual stevedoring operations increased in the six-month period to December 2001. In the six-month period to June 2002 the stevedoring levy collected for three of the terminals fell, and the levy collected for the Fremantle terminal increased.

4.3.2 Changes in costs

According to table 4.2 for P&O Ports as a whole, the costs per TEU fell in the six-month period to December 2001, and remained relatively constant in the six-month

¹³ Consistent with previous container stevedoring monitoring reports, details on revenue, costs and throughput of P&O Ports' White Bay terminal have been excluded for the purposes of ACCC analysis. If data from P&O's White Bay terminal is also included then throughput for the year ended June 2002 was 11.8 per cent higher than for the same period in 2001.

period to June 2002. This is because the effect of seasonal variations in throughput was dampened, as a result of an increase in throughput in the six-month period to June 2002, compared to the equivalent period in 2001.

Each of the component cost indexes for the individual terminals fell in the six-month period to December 2001. This is also attributable to the increase in throughput during this period.

The labour cost per TEU for P&O Ports as a whole fell in the six-month period to December 2001. Each of the terminals reported falls in labour cost per TEU in the six-month period to December 2001. Labour cost per TEU for P&O Ports as a whole increased in the six-month period to June 2002. However, when comparing the various unit cost indexes for the last six months of 2002 with that of the corresponding period in 2001, the average labour costs per TEU are about the same.

For P&O Ports as a whole, equipment costs per TEU fell in the six-month period to December 2001. The Melbourne and Sydney terminals experienced the largest decreases in equipment costs during the six-month period to December 2001. For P&O ports as a whole, equipment costs per TEU fell in the six-month period to June 2002. In this period, Melbourne's equipment cost per TEU fell, and Sydney's increased slightly.

Table 4.2 P&O Ports' trends in terminal unit costs components (per TEU)

Brisbane	Jan 99	Jun 99	Dec 99	Jun 00	Dec 00	Jun 01	Dec 01	Jun 02
Cost index	100	107.5	96.1	110.4	93.4	103.5	90.5	94.2
Labour cost index	100	106.6	84.1	99.7	88.2	98.3	90.4	97.1
Equipment cost index	100	95.9	113.2	120.3	92.6	112.6	87.6	90.5
Property cost index	100	92.7	80.8	108.2	75.4	83.2	62.8	73.2
Sydney	Jan 99	Jun 99	Dec 99	Jun 00	Dec 00	Jun 01	Dec 01	Jun 02
Cost index	100	98.3	84.6	91.4	86.4	92.2	85.6	83.2
Labour cost index	100	98.9	67.5	78.6	73.0	80.0	75.5	81.4
Equipment cost index	100	93.5	96.8	119.1	119.6	122.0	107.0	108.0
Property cost index	100	92.9	86.6	92.9	83.3	91.8	92.2	117.2
Melbourne	Jan 99	Jun 99	Dec 99	Jun 00	Dec 00	Jun 01	Dec 01	Jun 02
Cost index	100	111.7	107.1	110.1	95.2	106.2	93.0	94.1
Labour cost index	100	100.3	81.1	84.6	73.9	78.4	68.9	74.4
Equipment cost index	100	105.9	101.3	131.6	123.2	139.0	118.8	116.0
Property cost index	100	147.7	133.5	163.5	126.8	145.8	116.5	120.5
Fremantle	Jan 99	Jun 99	Dec 99	Jun 00	Dec 00	Jun 01	Dec 01	Jun 02
Cost index	100	113.5	105.8	91.1	91.2	97.8	94.1	88.3
Labour cost index	100	111.4	100.2	79.9	84.3	89.9	86.9	90.2
Equipment cost index	100	126.7	115.7	94.7	103.8	106.4	98.7	88.0
Property cost	100	75.3	115.9	90.8	59.2	83.1	77.0	75.3
National	Jan 99	Jun 99	Dec 99	Jun 00	Dec 00	Jun 01	Dec 01	Jun 02
Cost index	100	106.3	96.5	100.6	91.5	99.8	90.0	89.6
Labour cost index	100	102.1	78.3	84.1	77.5	83.7	76.9	82.5
Equipment cost index	100	102.2	103.2	120.3	114.5	124.0	106.2	104.7
Property cost index	100	109.9	103.5	117.1	92.8	107.7	92.6	103.0

4.3.3 P&O Ports conclusion

Average revenue per TEU for P&O Ports as a whole fell in the six-month period to December 2001, and rose marginally in the six-month period to June 2002.

Volume throughput trends at P&O Ports exhibit seasonality with higher throughput levels in the second half of the calendar year than for the first half. Throughput levels in corresponding biannual periods for each year 1999, 2000 and 2001 have been similar. However, the reduction in throughput was less pronounced in the six-month period to June 2002.

Comparison of the levels of cost between the corresponding biannual periods to December 2001 and December 2000 show that for P&O Ports as a whole, cost per TEU has fallen. Because of the significantly higher level of throughput in June 2002, as compared to the same period in 2001, cost per TEU in the six-month period to June 2002 has dropped significantly.

The long-term trend in the unit cost indexes show a mixed picture.

Labour costs per TEU for P&O Ports as a whole decreased in the six-month period to December 2001, and increased in the six-month period to June 2002. This indicates that the labour cost per TEU index inversely reflects volume movements.

For P&O Ports as a whole, equipment costs per TEU fell in the six-month period to December 2001, and fell again in the six-month period to June 2002.

Unit profit margins for P&O Ports increased significantly in the six months to December 2001. This was a result of the seasonal increase in throughput, and the effect of declining average costs per TEU which more than offset the impact of declining average revenue per TEU. In the following six months to June 2002, margins per TEU increased. P&O attributed this to lower overall expenses and 11 per cent volume growth compared to the corresponding period in 2001.

4.4 CSX World Terminals Pty Ltd

In August 2001 Patrick Stevedores bought CSX (formerly Sea-land) World Terminal's facility in Brisbane. Patrick bought the assets of CSX and Utilco in Brisbane, including the leases and equipment rather than the ongoing business. CSX will be concentrating on its Adelaide terminal where the company expects some streamlining to take place.¹⁴

Table 4.3 presents indexes of average total stevedoring costs, labour, equipment, and property costs per TEU for the CSX Adelaide terminal, and retains the national index for comparative purposes. Indexes for the former Brisbane terminal were not previously presented separately.

Average revenue per TEU for CSX as a whole increased in the six-month period to December 2001.

Average revenue per TEU for CSX as a whole, fell in the six-month period to June 2002. Average revenue per TEU for CSX in the six-month period to June 2002 was significantly lower than in the same six-month period in 2001.

Throughput for CSX as a whole decreased significantly in the six-month period to December 2001 following the sale of the Brisbane terminal, and then increased in the six-month period to June 2002. Throughput in the six-month period to June 2002 was lower than in the same period in 2001 (when the Brisbane terminal was still operating).

The stevedoring cost per TEU at CSX's Adelaide terminal fell slightly in the six-month period to December 2001. The cost per TEU in the six-month period to December 2001 was significantly lower than in the same six-month period in 2000. Likewise, the cost per TEU for the six-month period to June 2002 is significantly lower than that in the same six-month period in 2001.

14 LLDCN, 13 August 2001, p. 1.

Labour cost per TEU at CSX's Adelaide terminal increased in the six-month period to December 2001 but was significantly lower than in the corresponding period to December 2000. The labour cost index fell in the six-month period to June 2002.

The rising trend in equipment costs per TEU for the Adelaide terminal continued in the six-month period to December 2001. However, this trend was broken as equipment costs per TEU dropped sharply in the six-month period to June 2002.

The property cost per TEU at CSX's Adelaide terminal fell in the six-month period to December 2001, and is significantly lower than in the same period in 2000. The property cost index increased in the six-month period to June 2002.

Table 4.3 CSX trends in terminal unit costs components (per TEU)

Adelaide	Jan 99	Jun 99	Dec 99	Jun 00	Dec 00	Jun 01	Dec 01	Jun 02
Cost index	100	112.7	135.7	143.8	132.2	111.3	108.7	98.7
Labour cost index	100	109.7	126.7	132.7	112.5	94.5	99.1	94.8
Equipment cost index	100	117.6	168.5	199.1	183.9	157.4	167.4	113.9
Property cost	100	94.0	119.0	88.0	153.3	44.3	39.3	70.3
National	Jan 99	Jun 99	Dec 99	Jun 00	Dec 00	Jun 01	Dec 01 #	Jun 02
Cost index	100	100.7	104.1	104.2	94.4	90.1	91.5	83.1
Labour cost index	100	101.9	99.7	99.5	80.8	77.6	82.9	79.3
Equipment cost index	100	102.5	110.3	123.7	113.4	107.8	122.5	83.3
Property cost index	100	86.8	92.9	89.5	85.5	49.1	24.4	43.6

* National includes ports of Adelaide and Brisbane

CSX ceased operations at the port of Brisbane.

5. Conclusion

Stevedoring in Australia was subject to price monitoring by the PSA between 1991 and 1995. The present program began in February 1999 and is being conducted by the ACCC to provide information on the progress of waterfront reform and the absorption of the stevedoring levy by stevedores. The levy is expected to be in place for some years. The initial report set up the monitoring methodology and provides some findings.

This fourth report comments on trends in the third full year of monitoring from July 2001 to June 2002.

In the six-month period to December 2001, industry-wide average revenue per TEU fell from \$171 to \$166. Industry-wide average revenue per TEU declined to \$165 in the six-month period to June 2002, a historical low. Industry-wide average costs per TEU fell from \$147 to \$130 in the six-month period to December 2001. Industry-wide average cost per TEU declined slightly to \$129 in the six-month period to June 2002, also a historical low.

The significant declines in industry-wide average revenue and costs in the six-month period to December 2001 were primarily driven by the 17.5 per cent increase in throughput. As the magnitude of the fall in average cost per TEU was greater than that of the fall in average revenue per TEU, average margin per TEU increased to a historical high of \$36 in the six-month period to December 2001. Industry-wide margins remained constant in the six-month period to June 2002.

The stevedore levy represents a cost to the stevedores. The government, in adopting the levy system, was concerned that the cost of the levy should not be passed through to users but rather be absorbed by the major stevedores. The monitoring carried out by the ACCC indicates that the government-imposed levy has not been reflected in increased average charges by the stevedoring companies during the period July 2001 to June 2002.

Appendix A. Prices Surveillance Act 1983, ss. 27A, 27B

s. 27A

Directions to monitor prices, costs and profits of an industry or business

- (1) The Minister may give the Commission a written direction:
 - (a) To monitor prices, costs and profits relating to the supply of goods and services by persons in a specified industry and to report to the Minister on the monitoring at a specified time or at specified intervals within a specified period; or
 - (b) to monitor prices, costs and profits relating to the supply of goods and services by a specified person and to report to the Minister on the monitoring at a specified time or at specified intervals within a specified period.
- (2) The Minister must not direct the Commission to monitor prices, costs and profits of a State or Territory authority that supplies goods and services unless the State or Territory concerned has agreed to the direction being given.

s. 27B

Report on Monitoring

- (1) The Commission must make copies of a report under paragraph 27A(1)(a) available for inspection by the public as soon as practicable after the Commission has given the report to the Minister.
- (2) In the case of a report under paragraph 27A(1)(b) relating to a person, the Commission must:
 - (a) send the person a copy of the report on the day the Commission gives the report to the Minister; and
 - (b) make copies of the report available for inspection by the public as soon as practicable after the person has received a copy of the report.

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