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SHIPPING SERVICES PTY LTD

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FAXED

Australian Consumer & Competition Commission
GPO Box 3131
Canberra ACT 2601

Attention Ms Joanne Palisi

8th July 2009

Dear Ms Palisi,

FILE No:

DOC:

MARS/PRISM:

RE AAT APPLICATIONS A91141 & A91142

Thank you for giving us with the opportunity to respond to the Australian Amalgamated Terminals (AAT) applications for authorisation A91141 & A91142.

Our company is mentioned in the submission by AAT as an agent representing Spliethoff Transport BV, a Dutch ship operating group running break bulk services into Australian ports. Currently they use AAT terminals in Brisbane and Port Kembla. We also act on some occasions for other shipowners who occasionally use AAT facilities on a 'one off' basis. Asiaworld has been operating in Australia for 26 years this year and we have represented Spliethoff for 25 of those, and our (Asiaworld's) business focuses on the break bulk, bulk parcel and dry bulk shipping sectors.

By way of background to explain some of our viewpoints in relation to AAT, Australia's ports for many decades were managed by the Port Authorities (or Harbour Trusts as they often were) meaning the management, operation, berth allocation, development and investment in ports was performed by these Authorities. Usually these were managed and funded by State Governments which recognised the importance of ports as strategic assets for trade. The advent of container shipping in the late 60's/early 70's saw a new port management strategy whereby the Port Authorities saw the need to fund and manage container shipping as a somewhat specialist business and therefore leased out some of the ports' berths to this new industry with lessees investing in cranes and equipment specifically designed to handle container ships and the containers themselves within the newly created port 'terminals'. All other cargo however remained under the control of the 'common user' facilities operated by the Port Authorities. During the 80's and 90's general cargo berths were less in demand as containers took up much of their cargo and in some ports these 'common user' berths were leased to stevedores who became responsible for the maintenance and port handling equipment required at the facility. We should point out that the breakbulk industry requires little infrastructure at the port other than sheds for cargo protection. Port Authorities therefore in many ports became 'landlords' or developers seeking to build new berths only against long term leases, a strategy that has perhaps saved State Governments money but put the interests of port users behind that of raising revenue.

We believe the system where Port Authorities (as they do in most ports in New Zealand for instance) actively manage their assets, rather than simply taking a profit on long term leases, has more public interest benefits. Examples of major ports in Australia currently successfully running a 'common user system' for regular services for break bulk and general cargo are Adelaide, Fremantle and Darwin.

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The leases to AAT for general cargo and the motor vehicle trade created the first monopolistic use of port berth and land for these purposes. No doubt the motor vehicle industry will have its own view on the level of benefits AAT provide, but for general cargo the promised savings and productivity improvement in the public interest has yet to be seen. If anything costs have risen quite dramatically, whilst the terminals (especially in Brisbane) have suffered congestion and confusion in cargo delivery to receivers. The end users (importers and exporters) ultimately pay for this.

We have, however, endeavoured since the commencement of operations of the AAT system to make it work for all interested parties but we have run into a number of obstacles and still have concerns about the structure of AAT and the way it interfaces with its customers. We also have concern about the potential for this concept to move to other ports without industry consultation. There was no public tender and only limited industry consultation at the introduction of AAT in either Port Kembla or Brisbane. There was therefore no opportunity for other potential terminal operators to present an alternative system of operation. Given the experiences of the current AAT terminals, the industry would be reticent to embrace another such terminal in Australia along similar lines.

To be specific, we list some of these matters which we feel do not serve the public interest as the AAT submission might indicate. We comment firstly on some matters raised in the executive summary then examine some of the barriers we encounter in an operational sense and finally comment on public benefit.

Executive Summary

1. Providing an opportunity for commercial returns for corporatized port authorities does not provide public benefit. These port authorities have been raising lease costs well above CPI without having to account to the real users of the facilities. The Port authorities and AAT agree to lease costs and the port corporations give approval to AAT charges. There is no public benefit or open accountability in this procedure. The Port of Brisbane for instance raised the rent 130% in 2008 based on their commercial assessment of the land value, with AAT charges being raised to cover this increase.
2. The breakbulk industry did not exert pressure on stevedores to form a monopoly terminal with a vision of improving the supply chain and enhance efficiencies. They were delivered a 'fait accompli' when facilities were closed in Port Jackson and Hamilton/Maritime in Brisbane with less berth space available in Brisbane resulting in periods of berth congestion.
3. The reference to 'state of the art' IT technology is a somewhat curious claim given that industry has been asking, without serious response, for electronic delivery orders for 2 years, something commonly used in container terminals.
4. The reference to the ease with which a new stevedoring entrant can enter the market has not resulted to one new stevedore at AAT terminals and there is no suggestion of any new entrant. Most of the cargo is still stevedored by the key shareholder interests.
5. The reference to Port Kembla being unsuitable for multiple terminals is again misleading. This facility, prior to the berth upgrading by the Port Kembla Port Corporation, was a common user terminal and the same stevedores were using the terminal then as currently use the facility.

Operational Barriers

1. The arrangement whereby only the stevedores are the customers of AAT creates an unwieldy, unmanageable relationship between the shipping lines, their customers and the terminal operator. Some examples of this are:
 - a. Dealing with damaged or missing cargo where two separate entities are involved with the potential loss of continuity in tracking an incident.
 - b. Dealing with anomalies in AAT charges, a good example of this being the charge for mobile cargo on mafi trailers being approximately 1/3rd of the charge levied on cargo delivered direct to truck under hook or taken from water to ship. Neither of the latter cargoes even occupy space at the terminal. This is highly prejudicial to operators of vessels using ship's cranes to discharge (as opposed to roll on roll off operations). Efforts to resolve this for the past two years have been stonewalled by AAT.
2. Agent berth access by agent's vehicle in Brisbane has been a contentious point which again has seen no resolution by AAT. This is simply an example where the lack of direct relationship between the lines or their agents to the terminal operator is proving to be an obstruction to efficiency.

Public benefit

1. There appears to be a lack of accountability on the level AAT can raise their port charges as outlined above in the example of the Port of Brisbane. Since the start of operations in both Port Kembla and Brisbane these charges have risen steadily, well above CPI and exceed charges at common user facilities. We have attached a confidential table which shows comparisons of costs per revenue ton for pure terminal charges at majors ports. To illustrate this we have taken a typical cargo mix of about 3,000 tons in these ports to compare actual amounts. These give evidence of the higher costs at AAT terminals against either 'common user' or 'stevedore leased terminals'.
2. Generally the Facility Access Charges (FAC) rise at higher levels than Stevedore Access Charges (SAC). FAC is a cost that is passed directly to the importer or exporter. In the end the public suffer the result of these charges as importers have no choice other than pass on these increased costs in the ultimate price of imported goods.
3. Our final observation is not as critical as the others but the AAT policy of giving three months notice is not what happens in practice. Recent increases were:
 - a. Port Kembla notice given on 19/01/09 for effect 01/03/09 – 5 weeks 6 days
 - b. Brisbane notice received 08/07/08 for effect 01/09/08 – 7 weeks 6 days

Our clients ask for 3 months notice to allow for adjustment pricing of Inbound pre-sold goods.

Summary

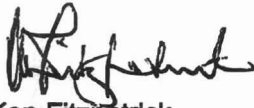
We see no reason to suggest dismantling the structure of current AAT terminals as this would prove counterproductive for all parties involved. However we feel

consideration of the key issues listed above and summarised below are important in the process of approval of this application:

1. Review of the process for alterations to any AAT charges to make the process more transparent and independent of the port authorities
2. Review of the relationship between AAT and terminal users and ultimate customers
3. Review of pricing anomalies
4. A fully transparent process for development of any future AAT styled terminals with extensive industry involvement
5. A finite expiry date of this approval should be determined, rather than at the termination of any joint venture.

We trust we have provided you with information from an industry participant's perspective to assist you in evaluating the applications.

Yours sincerely



Ken Fitzpatrick
Managing Director

Attach: