



**Patrick Bulk and General Ports**

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Ms Joanne Palisi  
Director  
Adjudication Branch  
ACCC  
23 Marcus Clarke Street  
CANBERRA ACT 2601

**By facsimile: (02) 6243 1199**

22 July 2009

Dear Ms Palisi,

**Australian Amalgamated Terminals Pty Ltd – Application for authorisation  
A91141 and A91142**

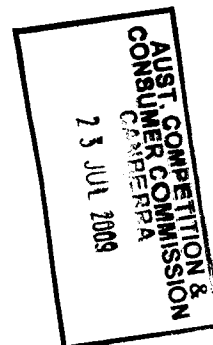
**Submission by Patrick Stevedoring**

Thank you for the opportunity to comment on the authorisation application A91141 and A91142 lodged by Australian Amalgamated Terminals Pty Ltd (AAT).

Please find attached the submission by Patrick Stevedoring in respect of AAT's authorisation application.

Yours sincerely,

**Steven Ford**  
Divisional General Manager  
Patrick Auto, Bulk & General Ports



**Australian Amalgamated Terminals Pty Ltd (AAT) –  
Application for authorisation A91141 and A91142  
Submission by Patrick Stevedoring**

**Introduction**

Patrick Stevedoring welcomes the opportunity to make a submission to the ACCC in respect of the above authorisation applications, which it supports.

Patrick Stevedoring is an automotive, bulk and general stevedore at each of the Ports in Australia at which AAT's terminals are located, and makes use of AAT's terminal services at each of those terminals in order to be able to provide stevedoring services to its own customers. Patrick Stevedoring is wholly owned by Asciano Limited.

In line with the statutory test for authorisations under the Trade Practices Act, this submission considers, firstly, the impact of the establishment of AAT on competition for the supply of stevedoring services of the kind provided by Patrick Stevedoring, and, secondly, the public benefits of AAT which Patrick Stevedoring has experienced and observed.

Patrick Stevedoring considers that having single terminals at these ports has resulted in increased efficiency for customers of Patrick Stevedoring, particularly in the areas of terminal utilisation, equipment and labour utilisation, and IT systems efficiencies for shipping lines.

**Impact of the establishment of AAT on competition**

Patrick Stevedoring wishes to make several observations about the impact of AAT on competition in the supply of stevedoring services in Australia.

First, Patrick Stevedoring and P&O continue to compete vigorously against each other in the supply of stevedoring services, including by tendering competitively against each other when tender opportunities arise. The shipping line contracts are generally of relatively short duration (1-3 years), and customers can readily switch between stevedores once they expire.

For example:

- until recently, Toyofuji had always had a national stevedoring contract with Patrick. However, in February 2008 this contract was split between Patrick and P&O. Patrick has retained Toyofuji's business in Melbourne and Brisbane, and P&O now has its business in Port Kembla.

- Wallenius Wilhelmsen Logistics (**WWL**) had a contract with Patrick for the east coast of Australia only, and P&O had a contract for the west coast. About two years ago the contracts were split so that Patrick now has WWL's business in Melbourne, while P&O has its business in Brisbane, Sydney and Fremantle.

in terms of national contracts, KLine is contracted with P&O (whereas in 2001 KLine's work was divided between P&O in Brisbane and Sydney, Patrick in Fremantle, and Strang Stevedores Australia W.D.W. Pty Limited in Melbourne). NYK, Hoegh, Kiwi Car Carriers and Eukor are contracted to Patrick on a national basis. NYK switched from using P&O to using Patrick in the early 2000s. Stevedores.

Second, AAT provides access on a multi-user basis, and provides the necessary IT systems and much of the heavy equipment to any person wanting to conduct stevedoring services, which makes it easier for new stevedores to commence business. The provision of facility services by AAT both reduces a new stevedore's start up costs and removes the need for duplication of these services by each individual stevedore using the facility.

The only other "items" that a new stevedore requires to enter the market are skilled labour, and relationships with shipping lines. The ability of a new entrant to establish the right relationships with the shipping lines, and to obtain access to a stevedoring workforce, does not depend in any way on the identity of the operator of the various Australian terminals.

Patrick Stevedoring therefore believes that the advent of AAT has seen no reduction in competition in the stevedoring business in which Patrick Stevedoring competes.

### **Public benefits of AAT**

#### **Improvements in terminal utilisation**

One of the most important efficiency benefits of having a single automotive terminal at each major port is that the utilization of that terminal is able to be maximised, including by enabling stevedores to more quickly, and therefore more efficiently, switch from one type of freight to another in response to the changing demand patterns of their customers.

#### *Utilisation of shipping berths*

Prior to AAT, the stevedores did have problem with "peaks and troughs" in demand for stevedore services (and the terminal space needed to provide those services) at the separately operated Patrick and P&O terminals. That is, there were numerous instances where vessels waited to use the Patrick berth whilst the P&O berth lay empty, and vice versa.

Whilst subcontracting between Patrick and P&O was an option in these circumstances, this rarely occurred in practice. Subcontracting was not attractive to the stevedores, as it involved one stevedore entrusting stevedoring work for its own customer to another stevedore whilst remaining liable to the customer for any damage.

Sub-contracting was also not attractive to end-consignees, who had concerns about whether the IT systems supporting each stevedore were capable of ensuring that the movement of their goods between each stevedore was properly tracked and accounted for, and that their goods would not be mislaid in the handover.

In contrast, the operation of the AAT has led to significant improvements in access to shipping berths for shipping lines. The existence of multiple berths, and the ability to allocate berths without regard to whether the relevant stevedore is Patrick Stevedoring or P&O, has enabled AAT to offer reduced waiting times and therefore to run a more efficient schedule for shipping lines. Ship turnaround time is very important to shipping lines, due to the costs involved in berthing, and because quick turnaround enables more efficient utilisation of ships across the various shipping routes throughout the world, including return journeys to Australia.

#### *Utilisation of wharf space and other terminal space*

The operation of a single terminal by AAT has also enabled the more efficient utilisation of wharf and other storage space within the terminal compared to the previous utilisation of space by Patrick and P&O. As with shipping berths, this space could not be physically swapped between Patrick and P&O to take account of peaks and troughs in demand.

The improved utilisation of shipping berths, wharf space and other storage space at the AAT terminal also enables end-consignees to receive their cargo faster, and therefore more efficiently, than was the case when Patrick Stevedoring and P&O Stevedores operated separate terminals. This is because these improved utilisation rates means that AAT is able to handle a greater volume of freight per square metre.

#### **State government policy objectives - improved port utilisation rates**

By improving the utilisation of shipping berths, wharf space and other terminal space in the manner described above, the establishment and operation of a single terminal by AAT also gives effect to the policy objectives of various state governments - namely, to ensure that:

- available space at constrained port sites is used more efficiently;
- a greater volume of freight is able to be moved through the various ports and therefore through the freight supply chain as a whole;

- by reducing the amount of land that is required for the operation of terminal facilities, other alternative land can be freed up for more intensive and higher value uses.

In New South Wales, for example, the statutory objectives of each of the port corporations (including Port Kembla), specifically include promoting and facilitating trade through their respective ports, and improving its port facilities, and improving productivity and efficiency in their ports and in the port-related supply chain.

In Queensland, the statutory functions of a port authority include establishing, managing and operating, and making land available for, efficient and effective port facilities and services. The statutory objectives of port corporations in Victoria include managing and developing their ports in an economically sustainable manner.

Duplication (or even multiplication) of terminal infrastructure with lower utilisation rates would be a sub-optimal use of scarce port land and would not as effectively achieve the stated public benefit objectives of the State Government and port corporations.

#### **Equipment and labour utilisation**

Maximising the use of shipping berths, wharf space and other terminal space in the manner described above also enables the costs of terminal facilities to be spread, or amortised, more efficiently over a higher volume of freight.

Operation of a terminal, and the supply of terminal services, involves high fixed costs in the areas of rent, equipment, terminal equipment, security, IT systems, labour, and amenities for labour. Greater utilisation of the AAT terminal enables these fixed costs to be more readily defrayed, and for available resources in these areas to be deployed in a more even manner.

In the case of equipment, for example, the high fixed costs of providing and investing in the "big ticket" items such items as wharf development and heavy cranes would take a take a longer time for each individual stevedore to recover based on their lower respective volumes of freight.

AAT has been able to undertake significant improvements to its terminals in these areas, and to make the investments that have been required in order to establish new terminal facilities at Fisherman's Island and at Port Kembla, which would have been harder for Patrick Stevedoring and P&O Stevedores to undertake in their own right if they had continued to operate separate terminals, each with a lower volume of cargo than AAT.

**Improvements in IT systems for shipping lines**

Patrick Stevedoring considers that having a single IT system at AAT's terminals which is accessible to all shipping lines is a significant advantage for shipping lines (and end-consignees).

First, having a single IT system, regardless of the stevedore involved, means that: shipping lines can switch stevedores from one port to another (as happens, for example, with Toyofuji and WWL) but use the same IT system when discharging cargo. This is more efficient than the former system, in which the majority of data was manually entered by the stevedores from the bill of lading.

A further efficiency advantage of this system is that, from the perspective of the shipping companies and consignees, the paperwork and administrative routines associated with the unloading of freight at the AAT terminals is exactly the same no matter which stevedore services the vessel, and is issued by the same entity. This means, in particular for consignees, that there is one point of contact for the delivery and receipt of vehicles.

From the perspective of a customer of AAT, Patrick Stevedoring believes that these systems and the higher utilisation of land that can be achieved through AAT are beneficial, both for Patrick and for its customers, the shipping lines, and the consignees of cargo.