



**NATIONAL BULK  
COMMODITIES GROUP INC**

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The General Manager  
Adjudication Branch  
Australian Competition and Consumer Commission  
PO Box 3131  
Canberra ACT 2601

Dear Sirs

**Re: Report that Brisbane Marine Pilots are seeking an exclusive license to provide pilotage services at the port of Brisbane**

The National Bulk Commodities Group (NBCG) understands from national maritime press reports that Brisbane Marine Pilots (BMP) are seeking acceptance by the Australian Competition and Consumer Commission (ACCC) to BMP's request to provide pilotage services at the port of Brisbane on an exclusive basis.

The NBCG supports other industry groups; notably Shipping Australia Limited and Ports Australia, in their opposition to this proposal.

**The National Bulk Commodities Group Inc**

The NBCG is the peak national body representing Australia's dry bulk commodity shippers and receivers. The aim of NBCG is to represent the collective interests of its members on issues connected with the production, transportation, storage, loading, unloading and shipment of Australia's dry bulk commodities.

Importantly, the principal focus of NBCG is the promotion of efficient and quality maritime services that are available to Australian shippers at internationally competitive prices.

In 2010/2011 the national dry bulk commodity transport shipping task (shipped internationally, domestically or imported) is expected to be approximately 675 million tonnes.

The Australian Maritime Safety Authority (AMSA) records show that dry bulk carriers' make-up 38% to 42% of all foreign flagged vessel calls at Australian ports. Australia's dry bulk export and import task is exclusively carried in foreign flagged ships.

The NBCG shares a common position with ship owner representatives (Shipping Australia Limited and the Australian Ship Owners Association) as well as the ports advocacy group Ports Australia on a number of issues concerning maritime cost efficiency.

The principal area of differentiation between the NBCG and ship owner advocates is related to commercial issues, where freight rates and/or charter party issues have the capacity to become points of difference.

As a generalisation, the NBCG becomes involved in maritime issues that have the potential to impact on either freight rates and/or charter hire.

AUST. COMPETITION &  
CONSUMER COMMISSION  
CANBERRA

- 1 SEP 2010

A list of current NBCG members is attached.

### **The NBCG's position**

Because maritime service markets in Australia are relatively small, the NBCG accepts that from a sustainable perspective Australian ports find a single service provider model a natural fit as distinct from serial or parallel competition models.

However, the NBCG is always seeking answers to the perennial question: how is competitive tension maintained should the option of parallel or serial competition be unsustainable?

The NBCG suggests the ACCC has three options to consider:

1. A serial competition model;
2. A parallel competition model; and
3. An open-book exchange of financial data provided to the licensor by the licensee.

### **Serial competition model**

The NBCG has difficulty understanding how a serial competition model could be introduced given the need for each prospective pilot provider to have access to trained and licensed pilots when submitting their pilot license tender. To introduce an arrangement of this complexity would require the regulator to have in place contractual provisions that would allow prospective competitor pilots to undertake the local knowledge segment of their pilotage license with an organisation and/or pilot whose job security (or business security) the trainee was seeking to destroy.

### **Parallel competition model**

Previous attempts to introduce parallel competition for pilotage services (with the exception of the Great Barrier Reef and Torres Strait pilotage) have never been able to overcome the barrier to entry hurdle of where does a competing pilot service find a pool of competent trained pilots who are or could be licensed for Brisbane (in this case). The parallel competition model will only work if sufficient licensed Brisbane marine pilots leave their current employer (BMP) and form a company to competitively challenge BMP.

### **Open-book exchange**

An open-book exchange is a practical instrument to demonstrate to customers that the port of Brisbane's pilotage model is subject to competitive tension. A license could be issued for a set period (say 7-years) with an annual transparent review of revenue and expenditure along with arrangements to deal with non-conformance should KPI's not be met. Such a review would be undertaken by the licensor assisted by an independent arbitrator. During this exchange pilotage volume increases or decreases as well as pilot productivity would be evaluated.

The NBCG believes that a license covering all these goals is achievable, but would require the goodwill of BMP for these license arrangements to be supported by BMP's customers.

Yours faithfully  
For National Bulk Commodities Group

Dale Cole  
Executive Chairman

# **NATIONAL BULK COMMODITIES GROUP INC**

## **List of Members:**

BHPB Freight Pty Ltd

CBH Grain Pty Ltd

Minerals Council of Australia

Queensland Alumina Limited

Queensland Sugar Limited

Rio Tinto Shipping Pty Limited

## **List of Associate Members:**

Australasian Institute of Marine Surveyors

CSL Australia

Fertilizer Industry Federation Australia

Gladstone Ports Corporation Limited

Inchcape Shipping Services Pty Ltd

Inco Ships Pty Limited

Pacific Basin Shipping (Australia) Pty Ltd

Penrice Soda Products Pty Ltd

Ports Corporation of Queensland

Sanko-Kisen (Australia) Pty Limited

Strang International Pty Ltd