



SHIPPING CLASS EXEMPTION

Ports Australia is pleased to provide comments to the Australian Competition and Consumer Commission regarding the Proposed Class Exemption for Ocean Liner Shipping. While not the key source of information on issues relevant to shipping and its regulatory environment, ports are a key player in the supply chain that have a direct interface with ships in facilitating over 98 per cent of Australia's trade. Accordingly, our comments are shaped at a high level and speak to the practicality of arrangements that current exist and their pros/cons.

Ports Australia is the peak industry body representing port authorities and corporations, both publicly and privately owned, at the national level. Ports Australia is governed by a Board of Directors comprising the CEOs of ten Member port corporations.

Ports Australia works closely with Federal, State and Territory Governments and its agencies on the development and implementation of policies and regulatory settings that will facilitate the safe and efficient operation of our ports and ensure that they have the ability to develop their capacity to meet Australia's freight task efficiently and effectively. In doing so, Australian Ports acknowledge their responsibility in ensuring their operating environment is managed for the sustainability of the business and the community, including marine and animal life.

Ports Australia Position

Ports Australia commends the ACCC for undertaking this analysis on a future regulatory environment that could follow a potential repeal of Part X of the *Competition and Consumer Act 2010*. It is essential that regulatory arrangements similar to those instituted in New Zealand are considered for our environment given our geographic location, population and its spread across the country and the purchasing power parity. The unique characteristics of the industry need to be considered including the limited number of liner operators, the dependence on international liner operators, the high fixed costs for liner shipping and relatively inelastic demand for their services.

Ports Australia response to relevant questions put forward in the ACCC's Discussion Paper are restricted mainly to the first question regarding the consideration of Liners being covered by class exemptions. Ports Australia is supportive of all arrangement continuing as listed under the first question. We are not supportive of arrangements that distort operations in the marketplace and adversely affect customers of liner operators or liner operators looking to fairly compete. These arrangements outlined in the Discussion Paper are:

- Fixing or coordinating freight prices;
- Fixing or coordinating surcharges;
- Allocating markets; and
- Sharing commercially sensitive information.

The arrangements we are supportive of continuing are to ensure that the market for the services provided

by Liners is sustainable in our part of the world. For liner shipping to be viable around Australian waters relevant companies coordinate operations to provide value shipping for costumers while ensuring financial efficiency for their business. This arrangement allows larger capacity ships to be utilised thereby resulting in lower service costs and the opportunity to make great number of port calls, when viable. The arrangement also facilitates numerous operators to share the same timetables and port calls, increasing competition on freight rates and customer service. It also increases the number of services being offered by enabling services to be provided that would not be economically viable by a single operator and by providing network connections to a wider variety of ports.

Ports Australia is supportive of a class exemption being instituted. Under the existing legislative regime liner operating are only able to react quickly to adjust service capacity within the negotiated limits of the minimum level of services. The process to amend the minimum levels of services is arduous and accordingly does not align with changing markets.

Michael Gallacher
Ports Australia