

NOTICE OF LODGMENT
AUSTRALIAN COMPETITION TRIBUNAL

This document was lodged electronically in the AUSTRALIAN COMPETITION TRIBUNAL on 04/04/2016 4:13 pm AEST and has been accepted for lodgment under the Interim Practice Direction dated 21 August 2015. Filing details follow and important additional information about these are set out below.

Lodgment and Details

Document Lodged: APP –Statement of Anthony Perkins

File Number: ACT 2 of 2016

File Title: Application by Sea Swift Pty Ltd under s 95AU of the *Competition and Consumer Act 2010* (Cth) for an authorisation under s 95AT(1) to acquire shares in the capital of a body corporate or to acquire assets of another person

Registry: NEW SOUTH WALES – AUSTRALIAN COMPETITION TRIBUNAL

Dated: 04/04/2016 4:13 pm AEST



A handwritten signature in blue ink, consisting of a stylized 'A' followed by a '4'.

Deputy Registrar

Important Information

As required by the Interim Practice Direction dated 21 August 2015, this Notice has been inserted as the first page of the document which has been accepted for electronic filing. It is now taken to be part of that document for the purposes of the proceeding in the Tribunal and contains important information for all parties to that proceeding. It must be included in the document served on each of those parties.

The date and time of lodgment also shown above are the date and time that the document was received by the Tribunal. Under the Tribunal's Interim Practice Direction the date of filing of the document is the day it was lodged (if that is a business day for the Registry which accepts it and the document was received by 4:30 pm local time at that Registry) or otherwise the next working day for that Registry.



IN THE AUSTRALIAN COMPETITION TRIBUNAL

Statement

No. ACT of 2015

Sea Swift Pty Limited

Proposed acquisition of certain assets of Toll Marine Logistics Australia's marine freight operations in the Northern Territory and Far North Queensland

Statement of: **Antony Perkins**

Address: 7 Vincent St Balmain NSW 2041

Occupation: Director Project Development, Qube Ports and Bulk

Date: 17/09/2015

I, Antony Bruce Power Perkins, Director of Project Development, Qube Ports and Bulk, of Level 22, 44 Market St, Sydney, in the State of New South Wales, state that:

1. I am employed by Qube Ports & Bulk (**Qube**), a wholly owned subsidiary of Qube Holdings Limited. Qube provides wharf-side port logistics and port management services in the Australian region. Qube operations consist of on-wharf and port precinct facilities in all Australian capital city ports and both dry bulk materials and general cargo facilities in a further twenty-four regional port locations.
2. I am also a director of a number of other companies within the Qube Group.
3. Prior to Qube (where I have been since 2007), I have had roles at Pacific National, Patrick Corporation, TNT Australia and Perkins Shipping Pty Ltd.
4. Perkins Shipping Pty Ltd (**Perkins Shipping**) was a shipping company which was owned by members of my family. Perkins Shipping was part of the Perkins Group of companies (a transport and logistics group) and was based in Darwin.
5. My family were the major shareholders in Perkins Shipping until 2009 when the Perkins Group was acquired by Toll Holdings Ltd.

Perkins Shipping – my roles

6. From 1985 to 1993, I held the following roles within Perkins Shipping:



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- (a) Stevedore;
 - (b) Regional Manager – Nhulunbuy.
 - (c) Terminal Operations Manager; and
 - (d) Business Development Manager;
7. From 1993 to 2004, I was a director of Perkins Shipping.
8. For most of the time I was a director, the other directors were:
- (a) my father, Victor Bruce Perkins and after my father passed away, his wife Jocelyn Perkins;
 - (b) Richard Morris (a KPMG partner); and
 - (c) Bernie Kilgariff (a former NT politician).
9. Because of my background in the day-to-day commercial operations of the business, during my time as a director I was intimately involved in the detail of Perkins Shipping's freight delivery operations and financial performance.
10. My broad view of the way that the Board worked was that I paid the most attention to operational matters regarding the Perkins Shipping business, matters involving engagement with the Government were principally addressed by Mr Kilgariff and finance or accounting matters were principally addressed by Mr Morris.
11. While I was director, my usual practice was to spend approximately three days per month reviewing Perkins Shipping's Board papers and profit and loss statements prior to a Board meeting. This included operational decision-making such as decisions about the replacement of vessels to meet particular service requirements.
12. After I ceased being a director of Perkins Shipping, I remained a shareholder until approximately 2009, when all the shares in Perkins Shipping were purchased by a company in the Toll group of companies (**Toll**).

Overview of Perkins Shipping's Australian sea freight business

13. Prior to being acquired by Toll, Perkins Shipping provided a range of services including:
- (a) regular barge services to remote Aboriginal communities in the Northern Territory (**NT**), Far Northern Queensland (**FNQ**) and occasionally Western Australia (**WA**);
 - (b) regular fixed day shipping services to the resource industry townships of Gove, Groote Eylandt (**Groote**) and, following Perkins Shipping's acquisition of Gulf Freight Services Pty Ltd (**Gulf Freight**) in 2003, Weipa; and

- (c) regular scheduled liner services between Darwin and Singapore, Malaysia, East Timor and Indonesia.
14. Perkins Shipping serviced the whole of the NT coast from the eastern edge of northern WA to the western edge of Cape York Peninsula in FNQ, providing:
- (a) regular and scheduled sea-borne freight delivery to remote Aboriginal communities in the NT. I refer to this as the **Community Trade**; and
- (b) regular fixed day delivery of sea-borne freight to the resource industry townships of Gove and Groote in the NT, and (from 2003) Weipa in FNQ. I refer to this as the **Coastal Trade**.
15. Because of the remote nature of the locations serviced, Perkins Shipping's operation required multiple vessels and depots as well as mobile equipment and employees on each of its vessels and at a number of the locations to which it delivered.
16. Perkins Shipping generally provided marine freight services to the Community Trade with a fleet of four vessels, most of which were landing barges. The smaller landing barges were generally manned by four people, the minimum number required to operate the relevant delivery routes at that time.
17. The ports of Gove and Groote were serviced by a large landing craft, the *Frances Bay*. This was a vessel that was larger than a normal landing barge and which was ideally suited for heavy mining equipment. Weipa was serviced by a stern loading vessel, the *Warrender*.
18. From time to time, however, the volume of freight required to the mining companies on the Coastal Trade was greater than the *Frances Bay* could carry. When that happened, Perkins Shipping would use one of two large international vessels that it operated to ship cargo to Gove from Darwin. The international vessels primarily took freight from Singapore to Darwin and were light loaded north bound back to Singapore due to a lack of exports from the NT, so when cargo became too great for the *Frances Bay* the international vessel would divert to Gove on its way back to Singapore. This occurred mainly during large major refurbishment programs of the alumina plant at Gove.
19. Other vessels in Perkins Shipping's fleet included the *Coral Bay*, the *Caledon Bay*, the *Fourcroy*, the *Lady Jan*, the *Biquele Bay* and the *Warrender*. The *Warrender* was a line haul vessel, which Perkins Shipping had acquired from Gulf Freight and which was employed to service the route between Darwin and Weipa.

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Community Trade

20. During my time at Perkins Shipping, it provided freight delivery to remote island and coastal Aboriginal communities in the Northern Territory on a scheduled weekly, twice weekly or fortnightly basis.
21. That service was being provided by Perkins Shipping when I joined and continued to be provided up until Perkins Shipping was acquired by Toll in 2009.
22. The communities were (and remain) generally reliant on sea-borne freight due to their remote locations. Communities serviced included:
 - (a) Maningrida (twice weekly);
 - (b) Ramingining, Milingimbi, Galiwin'ku (Elcho Island) and Gapuwiyak (Lake Evella) (weekly);
 - (c) Minjilang (Croker Island), and Warruwi (South Goulbourn Island) (weekly);
 - (d) Umbakumba, Numbulwar, Milyakburra (Bickerton Island), Alyangula (Groote) and Wadeye (Port Keats) (fortnightly);
 - (e) Coral Bay (fortnightly);
 - (f) Bathurst Island, Pirlangimpi (Garden Point), Milikapiti (Snake Bay), Paru, Warankuwu and Cape Don (as required);
 - (g) Black Point, Port Bremmer and Raffles Bay (as required); and
 - (h) Troughton Island, West Bay, Kalumbaru and Roper River (Ngukun) (as required).
23. Some of these communities (e.g. Port Keats, Nhulunbuy and Gapuwiyak) were able to obtain some freight through trucking in the dry season. However, my recollection is that virtually all freight was taken in by sea in the wet seasons and most freight was taken in by sea during the dry season.
24. Perkins shipping generally delivered the vast majority of the freight from Darwin. The delivery service could be described as a 'liner' or 'bread and butter service' whereby vessels would stop at a range of destinations, depositing goods via a 'milk run'.
25. The freight provided to these communities comprised essential goods, including:
 - (a) food – dry, chilled (which require a temperature controlled environment) and frozen food products (which were typically stored in a 'reefer');
 - (b) fuel;
 - (c) vehicles;
 - (d) medical and pharmaceutical supplies;

- (e) building materials; and
 - (f) educational supplies.
26. As the goods delivered were largely essential goods (such as food and fuel), a change in freight charges did not lead to a significant change in demand for freight services.
 27. The communities required that goods be delivered on a weekly basis on a pre-determined day and at a time that was generally during daylight hours.
 28. To facilitate delivery to the communities, freight was consolidated and containerised at a large centralised depot in Darwin from where it was loaded onto vessels.
 29. Small freight was usually consolidated into containers, pallet and larger general cargo items where loaded in accordance with a plan whereby the first goods to be unloaded off the vessel would be loaded onto it last.
 30. As outlined above, the vessels used to make deliveries to the communities were, mostly, landing barges given their ability to dry out. Those barges were not overly expensive but they were sturdy and fit for purpose. The landing barges used were typically the smallest vessels that could be used which were still sufficient so as to withstand the tides and storms necessary to travel to the various community locations and matched the tonnage profile.
 31. Because many of the communities serviced did not have developed landing facilities, goods were typically discharged using the bow ramp of the barge onto a suitable stretch of beach or river bank. Community liaisons often assisted in facilitating the distribution of goods among the community customers. In some instances, a local Perkins Shipping employee would facilitate the unloading and distribution of freight.

Coastal Trade

32. Perkins Shipping's coastal trade originally comprised providing sea-borne freight to the resource development outports of Gove and Groote in the NT.
33. Following its acquisition of Gulf Freight in 2003, Perkins Shipping also provided a coastal freight service to Weipa from Karumba (or from Cairns during the wet season if the road to Karumba was closed).
34. Freight was delivered primarily to large resource-based customers in these locations. For example, freight delivered to Alcan and previously Nabalco, included mining equipment, construction materials, machinery, infrastructure materials and consumables.
35. Freight delivery was on a regular fixed day basis. In relation to Gove and Groote, *The Frances Bay* would typically:

- (a) depart Darwin on a Friday evening, having been loaded with freight that day (Thursday being the cut off for receiving freight in Darwin);
 - (b) deposit freight at Gove on Monday;
 - (c) deposit freight at Groote on Tuesday and collect any freight to be taken back to Darwin;
 - (d) return to Gove on Wednesday to collect any freight to be taken back to Darwin;
 - (e) return to Darwin on Thursday;
 - (f) the cycle would then recommence in the following week.
36. Another barge operator, Gulf Freight operated a service out of Darwin to Gove, as well as a service out of Karumba in the Gulf of Carpentaria to the Gove Peninsula and then back to Weipa, using a vessel named the *Gulf Sky* or *Gulf Glory* for the latter service. Perkins Shipping acquired Gulf Freight (as I have addressed below) in around 2003. After that time, the Gulf Freight vessel servicing the Karumba to Weipa route was renamed the *Warrender* and travelled between Karumba and Weipa on a weekly scheduled service.

Other operators

37. During my time at Perkins Shipping my observations were that:
- (a) each of the NT and FNQ markets have generally sustained one provider of scheduled and regular marine freight services; and
 - (b) from time to time other barge operators have attempted to offer their services and occasionally did so for a short period, until one of those barge operators decided to discontinue operations.
38. I describe my recollection of these matters below.
39. Several other shipping operators (particularly, barge operators) competed to provide contract cargo services. For example, if the Government had issued a grant for the development of houses on a particular island, different cargo operators would seek to carry out that work (which I refer to as "spot charter" work). That sort of work would typically require one or more full loads for a vessel, which made it economic for the smaller barge operators to compete for that work. In my experience, customers in respect of this type of work were very focused on price. Other operators often won that sort of work.
40. At other times, shipping operators who did not provide a scheduled service might also seek to win a contract from a large Perkins Shipping customer who required a scheduled

service. For example, Perkins Shipping held contracts with Woolworths (to deliver groceries and other goods to their supermarket) in Gove and Weipa, Arnhem Land Progress Association (**ALPA**) (an organisation which ran a number of grocery stores in various remote communities), Gemco (a mining company) in Groote and Nabalco (a mining/refining company) in Gove. I recall that from time to time I was told about other operators approaching those customers with a proposal to carry out that work and on other occasions they put the work out to tender.

41. Perkins Shipping usually won the contracts for this type of work. I consider that this is because customers in the area knew that Perkins Shipping provided a regular and reliable service and had a sufficient support network (including enough vessels) to maintain continuity of supply. I was told this by various customers, who I dealt with directly.

Other operators – Northern Territory

Barge Express

42. For a number of years leading up to the late 1980s Barge Express serviced some of the NT locations that Perkins Shipping did not service. Barge Express operated in respect of some locations and Perkins Shipping in respect of other locations. To the best of my recollection:
 - (a) Barge Express went to Minjilang (Croker Island), Maningrida, the Tiwi Islands and Ramingining;
 - (b) Perkins Shipping went to Gapuwiyak (Lake Evella), Nhulumbuy, Umbukumba, Numbulwar and Alyangula (Groote); and
 - (c) both companies went to Galiwin'ku (Elcho Island).
43. I recall that from time to time, customers in the ports serviced by Barge Express contacted me or other Perkins Shipping representatives and asked if we could start a service to those ports for both spot charter work or liner services.
44. In the early 1990s, Perkins Shipping expanded its scheduled service into the areas previously serviced only by Barge Express on a liner basis.
45. Following the Perkins Shipping entry into the further routes, Barge Express decided to exit and was acquired by Perkins Shipping in approximately 1994. I believe the reason for Barge Express' decision to exit was that it was heading towards suffering losses as a result of Perkins entering their ports and deteriorating volume would not financially support its continued operation. I recall that I came to find out about Barge Express'

deteriorating financial position when we looked at their financial documents as part of the acquisition.

46. During the time that both Barge Express and Perkins Shipping were servicing the same communities, Perkins Shipping was also incurring losses on some Barge Express ports. Perkins Shipping had other sources of income (for example, international and coastal trading) upon which it was able to rely despite the losses on those routes. After Perkins Shipping acquired Barge Express, my recollection is that the routes became profitable because Perkins Shipping was able to ship 100% of the volumes to those locations.

Shorebarge

47. In the late 1990s or early 2000s Shorebarge briefly entered the Community Trade but relatively quickly stopped providing sea freight liner services to the communities. I understand that this was because it decided to focus on oil and gas business and crane business, only shipping to the helicopter refuelling base at Troughton Island (Truscott air base) instead. I was not told this at the time – my understanding is based on the work that I observed Shorebarge carrying out after that time.

Tiwi Barge

48. During the time that I was at Perkins Shipping, a company called Tiwi Barge provided regular sea freight services to the Tiwi Islands (Bathurst Island and Melville Island). It continued to do so until it was acquired by Sea Swift. My recollection is that Tiwi Barge was part owned by the community of the Tiwi Islands.
49. On a few occasions while I was at Perkins Shipping, we (the Board) considered providing liner services to the Tiwi Islands. We ultimately decided not to expand Perkins Shipping's liner services to the Tiwi Islands because we did not consider there to be a sufficient volume of business for two operators. In addition, given the traditional owners where shareholders in Tiwi Barge, we thought that we did not have much prospect of success in this trade (although we did carry out spot work to the Tiwi Islands).

Gulf Freight

50. Gulf Freight commenced providing coastal shipping services to Weipa (out of Karumba during the dry season or Cairns during the wet season, if the road to Karumba was flooded). I do not know when Gulf Freight commenced operations – they operated for a long time.
51. In approximately 2002, Gulf Freight sought to expand their operations to provide scheduled deliveries to some of the remote Northern Territory communities out of Darwin, including Maningrida, Elcho Island, Gove and Ramingining. I understood that

this was because Gulf Freight had been able to obtain some contracted work for delivery to those communities, but I do not remember how I came to learn this.

52. When it started operating out of Darwin, Gulf Freight quoted low prices to customers, which I assumed was an attempt to gain business for deliveries to the NT communities.
53. I was told of the prices being quoted by Gulf Freight by customers of Perkins Shipping. I recall that I considered, at the time, that the prices quoted by Gulf Freight were too low to be sustainable, by which I mean that they were too low to cover the costs of operating the barges (including vessel costs, labour and fuel) and all the associated costs involved in providing a liner barge service.
54. In around 2003, Gulf Freight decided to exit and Perkins Shipping acquired Gulf Freight. That acquisition was considered by the ACCC and approved (with the provision of an undertaking for competitor vessel access at Gove).
55. As part of the ACCC's approval, Perkins Shipping obtained an economic expert report from Meyrick and Associates which is attached as Confidential Annexure "AP1". I was involved in commissioning that report, providing information and reviewing the report. I have recently reread the report and consider that it provides a fair description of the issues facing two operators trying to provide competing scheduled barge services.
56. Attached as Annexure "AP2" is the ACCC entry on its public register in relation to that acquisition.
57. As a result of the acquisition of Gulf Freight, Perkins Shipping commenced providing coastal shipping services to Weipa, from Karumba.

North Queensland – consideration of expansion

58. Prior to the acquisition of Gulf Freight, Perkins Shipping had (while I was a member of the Board) on a number of occasions considered expanding its operations into FNQ to operate in competition with Sea Swift in that area.
59. In approximately 1990 Perkins looked at acquiring a Cairns based Shipping company that was selling in administration. I do not remember the name of the company, but I remember that the vessel it ran was called the *MV Torres Trader*. I understood that the need for the sale was that the company was in financial distress and that at the time it was competing against Sea Swift. The Board of Perkins Shipping (including me) decided not to go ahead with that acquisition. My recollection is that this was because entry into the market would lead to a "dog fight" with Sea Swift (in the same way I describe below) and the quality of the assets that would be obtained was not sufficient to justify these expenses.

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60. In around 1996, I prepared a document setting out a strategic and financial business case considering entry by Perkins Shipping into FNQ.
61. In that document, I assumed that because Sea Swift is also a high fixed cost business, if Perkins Shipping entered, Sea Swift would drop their prices to maintain their customers, while restricting Perkins Shipping's access to volume. I considered that this would result in a sustained period of heavy losses for Perkins Shipping.
62. Despite having the support of a number of Sea Swift customers on Thursday Island to start up a regular barge service, the Board (including me) ultimately decided not to do so as we considered that:
- (a) in order to be viable in FNQ, Perkins Shipping would require a distribution hub, which we did not then have; and
 - (b) we did not consider there to be sufficient demand in FNQ to sufficiently sustain two operators.
63. I recall that another operator in FNQ was Jardines Shipping, which was later acquired by Brambles in approximately the 1980s or 1990s. I remember there were a large number of small barge operators in FNQ, particularly operators which took freight to the various tourist islands. I do not recall the names of the various other operators.

Costs of marine freight services

64. Based on my experience at Perkins Shipping, I consider that the delivery of regular scheduled marine freight services to remote areas and communities in the NT is an operation that incurs a number of fixed costs (i.e. costs that need to be incurred regardless of how much revenue generating cargo is being carried). I expect that this would be the same for the sea freight to remote areas in FNQ.
65. Fixed costs include the following:
- (a) **a fleet of vessels.** This primarily means landing barges. These are not expensive (perhaps \$3 million per vessel). These are the best type of vessel with the capacity to cover all the types of deliveries that are required for regular scheduled marine freight services. An operator is also required to pay maintenance costs and registration and insurance costs. Each of these costs is largely fixed and does not vary based on how much freight is carried;
 - (b) **landside infrastructure.** This includes depots for the central delivery point (Darwin, in the NT) and mobile equipment (e.g. forklifts at the delivery locations). This also includes the costs of leases and central employees (to receive and co-ordinate cargo). Again, these costs are largely fixed;

(c) **manning requirements (i.e. employees) on each vessel.** There is a minimum number of staff required to travel to the communities and operate the machinery for loading and unloading the vessel; and

(d) **fuel costs.** The fuel for a vessel which is not carrying very much cargo costs almost as much a full ship. Although a lighter vessel is not required to push through as much water (so uses slightly less fuel), the difference in fuel usage is not significant so the cost remains high.

66. I consider that an operator could commence providing regular scheduled services to the remote areas and communities without too much difficulty, provided that the operator could access the assets listed above.

67. In relation to landside infrastructure, to start a business, these costs do not need to be significant. However, over time, it is necessary for an operator to maintain a permanent presence in Darwin and in certain various communities. Although waterfront infrastructure is desirable, freight can be transported from a depot to the vessels (and vice versa) with ease. For example, Gulf Freight provided services to a number of the remote communities in East Arnhem without establishing any waterfront infrastructure. Instead, they used the public boat ramps.

68. My recollection is that when I was involved with Perkins Shipping, there were a range of land owners in Darwin with suitable land who were willing to lease their land to marine freight operators.

Availability of vessels

69. As outlined above, the vessels in Perkins Shipping's fleet were mostly landing barges and included the *Coral Bay* and the *Fourcroy*. The *Coral Bay* and the *Fourcroy* are each standard landing barges, without any special or unique features. To my knowledge, there are currently many landing barges of a similar size and functionality readily available for sale or lease. I consider landing barges such as the *Coral Bay* and the *Fourcroy* to be "a dime a dozen".

70. I am aware of a number of landing barges currently located in Dampier (WA) which are available to be purchased or chartered. More of these vessels have become available recently, due to the marked slowdown in oil and gas projects in recent years.

71. In my experience, acquiring a landing barge like the *Coral Bay* or the *Fourcroy* involves the simple process of contacting a vessel broker to request a vessel for charter or purchase. When I have done this in the past, brokers have been able to quickly identify a number of suitable vessels.

72. Once a vessel is chosen, the things that need to be done are:
- (a) a survey of the vessel needs to be done to ensure it is in a good state of repair and compliant with AMSA and other regulatory requirements;
 - (b) the paperwork (such as the sale/purchase contract) needs to be completed; and
 - (c) the vessel then needs to mobilise to the purchaser's destination.
73. The step in the above process that is the main determinant of the time it takes to obtain a vessel is the final step – the movement of the vessel. I would expect the survey and paperwork to take 1-2 weeks. The final step, the transport of the vessel, depends on where it is located. Using the example of the barges in Dampier that I referred to above, I expect that those vessels could be purchased and put to operation within 2-3 weeks.
74. During my time at Perkins Shipping, if available at suitable price, I typically preferred to acquire Australian vessels as they are generally compliant to AMSA and acceptable crewing standards and do not require quarantine inspections, unlike international vessels which are generally subject to those inspections, and have lower mobilisation costs.
75. Another vessel in Perkins Shipping's fleet was the *Warrender*. This was not a landing barge, but a relatively unique vessel which had a pointy nose (which landing craft do not have). Cargo is lifted on and off the side of the *Warrender*. It would be more difficult to find a vessel like the *Warrender* than it would be to find a landing craft. However, a landing craft could be put to the same use as the *Warrender* in providing sea freight services.

Land side access

76. An operator looking to establish marine freight services in the NT would need to access land in Darwin in order to load and unload freight. In my experience, accessing suitable land in Darwin is not difficult. I am aware of a number of areas of land at Hudson Creek and Bleasers Creek in Darwin that would be suitable.
77. Gaining access to various community locations in order to service them is relatively straightforward. Gove, however, is the exception where access to the main facility or access to other suitable land is required. During my time, the main facility at Gove was operated by Perkins Shipping and is currently operated by Toll. If operators wished to make arrangements to load and unload cargo at different places in Gove, this would be a matter of making arrangements with the relevant Aboriginal landowners to utilise other areas. There is also a wharf in Gove known as the Rio Tinto Cargo Wharf which may be able to be used. I do not have experience with these alternatives, as during my time at

Perkins Shipping, we used the main Gove facility but aware Gulf Freight Services used such facilities.

Demand for regular marine freight services

78. During my time at Perkins Shipping, the demand for the delivery of freight to the remote communities did not increase significantly.
79. I have observed, above, that in most instances (particularly for Community Trade), the volume of demand is not particularly responsive to changes in the price of marine freight.
80. In some years there were short term spikes in demand relating to government funded housing projects.
81. Since my time at Perkins Shipping, I am aware that the alumina refinery at Gove has closed down, and a large number of jobs have been lost, which I expect would have led to a significant decrease in demand for sea freight.
82. An operator with a single vessel may be successful in obtaining contract work in the way I described in paragraphs 39 – 40 above. However, a single vessel operator is unlikely to attract a more sophisticated customer with higher demand needs. This would include customers such as Woolworths (which operates stores at various locations), the Northern Territory Power and Water Authority (which requires regular deliveries of fuel to multiple locations) or the ALPA (which requires deliveries of groceries and other goods to various locations).

Observations about the marine freight market

83. I set out here some comments about marine freight services, based on what I observed in the NT marine freight market during my time at Perkins Shipping.
84. As I have observed above, most of the costs involved in providing marine freight services are fixed.
85. Given this and the limited demand for freight, two vessels servicing a port drives up the total cost of serving that port.
86. At any given time some shipping volume will be contracted to one shipping provider on contracts between 3-5 years long. Usually, these contracts do not finish at the same time. This means that even if a new entrant wins one major contract it is unlikely that entrant will be able to bid on the other contracts until they expire, which generally would be in a number of years' time. The result is that two companies would then be calling to the same port and neither of their vessels is full.

87. If there is a new entrant, it is likely that the new entrant will offer lower prices in order to gain business to fill the vessel. This leads to the incumbent operator lowering prices to seek to retain volume.
88. To my observation, this results in sustained losses by both parties until one party exits the trade, and then volumes and prices revert to a sustainable level.
89. That sequence is what I have observed over the NT coast:
- (a) Perkins dominated NT coastal freight services for 50 years being the predominant vessel liner operator other than the Tiwi Island service (which was owned by the Tiwi Island traditional owners);
 - (b) Barge Express provided a service for a period of time based on each company only serving certain ports;
 - (c) once Perkins decided to service the ports that Barge Express had previously served, there was a relatively short period of sustained competition between the operators; and
 - (d) Barge Express then exited and Perkins acquired the assets to grow its business and shore facilities.
90. During my time at Perkins Shipping, we ensured that prices were sufficient to provide a regular, reliable and safe operation but not sufficiently high to attract new entrants.
91. Similarly, Sea Swift has been the dominant player in FNQ. In the event Perkins had entered FNQ, I do not think that two operators would each be providing regular deliveries to the various communities.
92. When I considered Perkins Shipping entering FNQ, the result of my study was that Sea Swift had adopted a similar model in pricing. Sea Swift were profitable but a loss of volume to a new entrant would result in significant loss of profitability. For the reasons I described above, I did not consider that we could make the service in FNQ viable with out a sustained loss over many years that our board was not prepared to make.
93. For two vessel operators to be able to operate sustainably to one community, the prices would need to increase to cover the increased fixed costs of both vessels delivering to that community. I have not witnessed this occur.
94. For all these reasons, based on what I have seen through my experience with Perkins Shipping, I consider that in respect of the operation of a regular scheduled service to remote communities in NT and FNQ:

- (a) the relevant routes cannot sustainably support two operators of regular and scheduled services. One of the operators will exit the route – while both of them operate on the same route, neither can make money;
- (b) one operator can meet all the demand, provided that operator's assets are of sufficient capacity to cover all the operations; and
- (c) smaller operators may be able to win certain contracts or some types of work away from the operator which provides the regular service.

Annexures

95. Set out in Schedule "A" of my statement is a table of annexures that I refer to in my statement, and the confidentiality claims made in respect of each.

 17/09/2015

Signature of witness

Antony Perkins, Director Project Development, Qube Ports and Bulk

SCHEDULE A

TABLE OF ANNEXURES REFERRED TO IN MY STATEMENT

Annexure	Description	Confidentiality claim
AP-1	Meyrick and Associates Assessment of the Impact of Acquisition of GFS by Perkins Shipping on competition in the relevant market	Whole document
AP-2	Entry on ACCC register - Acquirer - Perkins Shipping Pty Ltd - Target - Gulf Freight Ltd	