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SAL 14050

06 June 2014

Dr Ron Ben-David
Chairman
Essential Services Commission
2 Lonsdale Street
Melbourne VIC 3000

SAL Submission to Essential Services Commission Review of Victorian Ports Regulation and Draft Report dated 20 May 2014

Shipping Australia Limited (SAL) is a peak shipowner association with 37 member Lines and shipping Agents and with 50 corporate associate members, which generally provide services to the maritime industry in Australia. Our member Lines are involved with over 80% of Australia's international trade and car trade as well as over 70% of our break bulk and bulk trade. A number of our members are also actively engaged in the provision of coastal cargo services to Australian consignors and consignees. A list of members is at Annex A.

A major focus of SAL is to promote efficient and effective maritime trade for Australia whilst advancing the interests of ship-owners and shipping agents. SAL also provides secretariat services to the many liner companies and agencies that are members of conferences, discussion agreements, consortia and joint services that have their agreements registered under Part X of the Australian Competition and Consumer Act 2012. These agreements specifically seek to facilitate and encourage growth of Australia's liner shipping trades.

SAL appreciates the opportunity to present our views and concerns at the public hearing on 2 June. This submission is consistent with the information expressed in that presentation.

Natural Monopoly

The Port of Melbourne (PoM) is a natural monopoly with respect to container and car cargoes due to the large separation distances from other container/car ports, the limited landside connections by road and rail and no regional competition in these services. In addition, the navigation channels controlled by PoM are the only access to both PoM and the Port of Geelong, and cannot be duplicated due to physical, environmental and cost constraints.

PoM is still the largest container port in Australia and it would not be economically feasible for international ships servicing Australia to omit a call to PoM.

It is essential that the prescribed monopoly services provided by the PoM remain subject to a regulatory price monitoring regime. SAL also notes that pilotage services are not controlled by the PoM but are another monopoly service impacting on shipping operations.

Port of Melbourne Consultation

SAL members acknowledge an excellent relationship with Port of Melbourne Corporation who are committed to consultation, have demonstrated a willingness to engage with stakeholders including holding stakeholder fora regarding port capacity development plans and user requirements, providing representation at SAL Victorian State Committee meetings and have appropriate points of contact at the port operations level.

SAL members have no complaints regarding the level of consultation however also note that they are not always satisfied with outcomes. Examples are the quantum of price increases up until 2013 and the underlying pricing policy, and the decision not to identify the Port Licence Fee component in user charges. In some other cases, members views have been taken into account, such as the decision to defer a CPI increase in the infrastructure levy in 2013.

Pricing Trends

Setting aside the impact of the Port Licence Fee, SAL notes that even with the existing price monitoring regime in force, over the years 2009 to 2014 the price increases at the PoM have exceeded those of other east coast capital city ports. SAL considers that the projected price growth of CPI + 1.5% contained in PoM 2010 Pricing Policy Schedule is excessive and out of step with economic reality.

SAL also notes with pleasure that PoM's recently announced Reference Tariff Schedule that will take effect from 1 July 2014 shows significant price restraint and is lower than other east coast capital city ports.

Members have some concern that the lower rises in the 2014 RTS may have been influenced by the current ESC process in order to avoid recommendation for a stronger form of monopoly oversight. Other reasons for the restraint could be PoM response to SAL/customer feedback or concern over the impact of recent price rises on trade volumes.

Impending Privatisation

SAL members are concerned that with both sides of politics committed to privatisation of the port there may be pressure on increasing PoM revenues to increase the sale value of the port. Therefore there should be extra vigilance on port pricing for the immediate future.

Whilst outside the scope of this review, SAL members seek assurance that the terms and rate of recover of the Infrastructure Levy (channel deepening) and the Port Licence Fee are clearly defined in port privatisation process to ensure that there is no confusion between State and owner as recently led to unexpected wharfage increases in the Port Botany following lease of the port.

Comments on the Draft Report

SAL considers that the Draft Report represents a comprehensive and fair assessment of the situation relating to Port of Melbourne and agrees the draft findings relating to market power in relation to the channels , specifically:

- Shipping Channels including shared shipping channels with the Port of Geelong,
- Berths, buoys and dolphins for the berthing of ships carrying container or motor vehicle cargoes, and

- Short term storage and marshalling facilities for container and motor vehicle cargoes at the port of Melbourne.

SAL agrees the draft recommendation that the current prescribed services continue to be subject to economic regulation and oversight, but would also like to see some regulatory levers in place to allow independent review and intervention if stakeholders are not satisfied that price increases exceeding CPI are sufficiently justified. SAL recognises that the proposed complaint notification system may go some way towards improving visibility of concerns but still lacks any actual control mechanism.

SAL agrees that a reduction in the routine regulatory reporting burden on PoM in relation to the price monitoring regime is appropriate and that it could be replaced by self-assessment reporting of selected key performance indicators. However, SAL cautions that some of the KPI identified in the draft report, such as 'vessels delayed' may need further clarification to ensure that the indicators measured are within the control of the port.

Conclusion

SAL recommends that a price monitoring regime for the current prescribed services should continue and such regime would preferably have more effective regulatory levers to prevent un-justified price increases that are out of step with CPI or prevailing economic conditions.

Yours faithfully,



Rod Nairn AM
Chief Executive Officer
Shipping Australia Limited

Annex A - SHIPPING AUSTRALIA LIMITED MEMBERS – June 2014



SHIPPING AUSTRALIA LIMITED MEMBERS – June 2014

APL Company Pty Ltd
A.P. Moller-Maersk A/S
Asiaworld Shipping Services Pty Ltd
Austral Asia Line Pte Ltd
BBC Chartering Australia Pty Ltd
CMA CGM & ANL Agencies (Australia & New Zealand)
Evergreen Marine Australia Pty Ltd
Five Star Shipping & Agency Co Pty Ltd
Gulf Agency Company (Australia) Pty Ltd
Hamburg Sud Australia Pty Ltd
Hapag-Lloyd (Australia) Pty Ltd
Hetherington Kingsbury Pty Ltd
Hyundai Merchant Marine (Aust) Pty Ltd
Inchcape Shipping Services Pty Limited
"K" Line (Australia) Pty Limited
Mediterranean Shipping Company (Aust) Pty Ltd
Mitsui OSK Lines (Australia) Pty Ltd
Monson Agencies Australia Pty Ltd
NYK Line (Australia) Pty Ltd
OOCL (Australia) Pty Ltd
Pacific Asia Express Pty Ltd
PB Towage (Australia) Pty Ltd
Royal Caribbean Lines Cruises Ltd
Seaway Agencies Pty Ltd
Ship Agency Services Pty Ltd
Svitzer Australia Pty Ltd
The China Navigation Company Pte Ltd
Wallenius Wilhelmsen Logistics A/S
Wilhelmsen Ships Service A/S

Contributing members

ANL Container Line Pty Ltd
China Shipping Container Liner Co. Ltd
Hanjin Shipping Co Ltd
Neptune Shipping Line Pty Ltd
Pacific Forum Line (NZ) Ltd
Sinotrans Container Lines Co Ltd
T.S. Lines Ltd
Yang Ming Marine Transport Corp