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Ports Price Review: Should Price Regulation Continue?
Discussion Paper - November 2002

The members of Shipping Australia Ltd appreciate the opportunity of commenting on the Ports Price Review: Discussion Paper No.1, which raises the question whether price regulation should continue. Shipping Australia is a peak shipowner body representing thirty-seven member shipping Lines and shipping Agents, as well as a similar number of associate corporate members.

In addition, Shipping Australia represents a number of shipping Lines that are parties to Agreements registered under Part X of the Australian Trade Practices Act. At Attachment A is a list of the current membership, including a list of the parties to Conferences and Discussion Agreements represented by SAL.

The question of whether there should be a continuation of price regulation is a difficult one, particularly from the perspective of what effect it can have upon the commendable objective outlined in the discussion paper, namely "to protect the interest of users of essential maritime services by ensuring that regulated prices are fair and reasonable, having regard to the level of competition in, and efficiency of, the regulated industry".

A major factor is the issue of competition, but initially SAL would question the very limited definition of essential maritime services as defined under Section 4 of the MSA Act as consisting of:

a) providing or allowing for access of vessels to a proclaimed port;
b) providing port facilities for loading or unloading vessels at a proclaimed port; or
c) providing berths for vessels at a proclaimed port.

The three charges regulated at the moment being:

i) Navigation Services Charge;
ii) Cargo Services Charge; and
iii) Harbour Services and Mooring Charge.

It is the view of SAL members that if price regulation is to continue, serious consideration should be given to increasing the range of maritime services to all those involved from the time a vessel picks up a pilot to enter a South Australian port until the pilot is dropped off after the vessel leaves that port. In particular, it is our members' view that pilotage and towage should form part of price regulation, if the Government so decides to maintain it. The recent increase in charges (December 2002) for using a pilot in Whyalla and Port Bonython were good examples, when Flinders Ports SA (FPSA) chose to centralise

many of their pilotage operations and as a result vessels now have to pay for additional travelling by the pilot.

In terms of potential competition it is true to say that in relation to container shipping there is indirect competition from other main ports, such as Fremantle and Melbourne, and container vessels can by-pass Adelaide, but this, in itself, imposes additional costs on Adelaide shippers. With the increasing size of container vessels, this competitive situation needs to be closely monitored, e.g. if Adelaide were to carry out the required dredging to provide for 4,100 teu container vessels and if Melbourne decided against it, then this would change the competitive situation, and there is also the potential impact of the Adelaide/Alice Springs/Darwin railway line which will be competing for cargo as the years go by. In addition, bulk shipments are generally captive to the State and it is necessary to closely monitor charges relating to non-liner shipping to ensure there is no cross-subsidisation with heavier burdens being placed upon that shipping which is considered captive to South Australia.

In terms of the actual charges, there is a need for a high level of transparency to determine the distinction between charges levied by FPSA and those levied by Transport SA (TSA)

FPSA operates six of the seven proclaimed ports and AusBulk Ltd operates the port at Ardrossan. This significant market power needs to be factored into assessments of competition as far as port services in South Australia are concerned.

In terms of existing charges, members are of a view that mooring charges should continue to be regulated but do not see the relevance of the question regarding storage if there are no specific charges levied in relation to storage. In addition, the Australian Wheat Board and the Australian Barley
Board are also seeking to establish and operate their own ports and the question arises whether it is proposed that they will also be subject to regulation, and member lines of Shipping Australia would support that proposal. In addition, the owners/operators of Whyalla (One-Steel), Port Bonython (SANTOS), Ardrossan (AusBulk) and Port Stanvac (Mobil) should also, in our members' view, be regulated.

Given that FPSA has only relatively recently acquired many of the ports in South Australia, and that many of the future developments that could impact on the competitive situation in South Australia will not be readily ascertainable before October 2004, then it might be worth extending the port pricing regulation, including broadening of scope, until say the end of 2007. During that period, an ongoing review could be undertaken to assess any changes to the competitive environment and its impact on pricing in the ports of South Australia in order to determine whether price regulation should continue past that date.

SAL members also believe that the better regulators are acquainted with and understand the industries that are the subject to regulation, either directly or indirectly, then the better will be the efficiency of implementation. In this respect, SAL offer short training courses which are delivered by AMC Search, and we would commend for the attention of relevant officers in ESCOSA and TSA, in particular, the three-day course on an introduction to the maritime industry. Details

can be obtained from Mr Doug Bourne-Jones, our South Australian State Secretary, on 08) 8333 1662 or seabj@statetech.com.au <mailto:seabj@statetech.com.au>.

We would be happy to elaborate on any of the points raised in this submission if so required.

Kind regards,
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