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ON THE DRY SIDE ASEAN SHIPPING John Hyde

That the Australian economy has Argentina-like tendencies is at last being recognised, but most of the many thousands of micro failures which make up this macro malaise are as yet blithely accepted. For a country of only fifteen million people, we trade a remarkably small portion of our gross domestic product. Most exporters now understand that barriers to imports are necessarily barriers to exports and many other people now realise that Australian trade barriers diminish their prosperity. The trade barriers which do most harm are without doubt the best known tariffs and import quotas but these are not the only serious ones. Excessive transport costs, waterside strikes and go-slows have much the same effect on trade as textile and automobile quotas and at least one pair of researchers (Sampson and Yeats 1977 & 1978) believe that ocean transport costs often inhibit trade between Australia and the UK even more than tariffs.

FD Gallagher (Office of the Co-ordinator General of Transport in WA) and SJ Meyrick (Department of Transport in Tasmania) have taken a hard look at liner shipping between Australia and the ASEAN nations. Most non-bulk shipping to and from Australian ports is controlled by cartels, euphemistically called Conferences. These Conferences are exempt from enquiry by the Trade Practices Commission. In spite of several attempts to explain the point to me I have not understood why this should be so. I think it has something to do with regularity of service - a benefit certainly, but one which net of attendant costs is questioned by Gallagher and Meyrick -, and with the quality of the lunches shipping companies offer ministers and shippers' representatives - a benefit they do not analyse. (In passing, I suggest that the exclusion of all of Australia's significant restrictive trade practices from the reach of the Trade Practices Act is a suitable subject for a thesis in politics.) The Conferences, unless their ships call at United States ports where the attitude to cartels is only slightly less accommodating, are 'closed' Conferences. That is they may refuse any new ship owner entry to their cartel.

Following earlier writers Gallagher and Meyrick describe Conferences this way: "Under the Conference agreements the owners act together to make common prices for the carriage of goods over defined routes. Under the same agreements they usually act in combination to admit or exclude applicants for Conference membership, to share trade in various ways among themselves, as well as make common policy on such matters as discounts and rebates, combating competition from non members, pooling and sharing earnings, and enforcing these and other agreements they have made with each other."

The key findings of the study are:

- \* There is now a considerable over supply of shipping capacity (over tonnage) which is costing shippers around \$12 per tonne.
- \* A saving of more than 10% of total shipping costs would be effected if Australian terminal or stevedoring charges were reduced to ASEAN levels.
- \* If shipping companies did not have excess ships to park somewhere, and if cargo handling rates and industrial disruption in Australia were reduced to Southeast Asian levels then the resource costs of carrying on the Southeast Asia-Australia liner shipping task would be \$A31 million less.
- \* Cargo is presently carried in a mix of vessels from modern container to old break-bulk ships but there are no significant savings to be made by changing this mix. This would be explained by a relatively free market in ships, even if not in shipping. The price of inefficient vessels would fall until the cost of shipping in these ships, capital costs included, equalled the cost of shipping in smarter ships.

The cost of overtonnage, delays and slow cargo handling in Australian ports costs some \$60 million (1981/82 dollars). This study discussed only the costs of supplying liner shipping. It did not look at pricing, and using ASEAN as a yardstick it did not estimate by how much the cartels had affected ASEAN manning, pay, shore costs and turn around times. It looked at only ASEAN-Australia liner trade which is smaller than the trade with Europe, Japan and North America, and free compared with Australia/New Zealand liner shipping.

Only three of the ships in the relevant Conferences were manned by Australian crews adding only about 1% to total costs but if every ship had an Australian crew the total additional cost would be \$27 to \$32 million or \$9 per tonne.

The sole purpose of a shipping industry is to be handmaiden to trade. The Crawford Committee, whose terms of reference were to look at ways of revitalising the Australian shipping industry, did not ask whether it was an asset or a burden. Armed with a list of budget cuts, and vaguely aware of the Australian National Line's problems, some "Drys" once offered Prime Minister Fraser the suggestion that he sell ANL's ships, pulling the plug on those he could not. I think he thought we were joking. Although the present minister and ANL management have published accounts which more fairly show ANL's position, and although they are trying manfully to reduce the line to its profitable elements, and although that is a very great improvement on past practice, it falls far short of providing trade with a handmaiden. To do that the ANL must break with the Conference, offering a price/service mix equal to the best available. In its present unprofitable state that is the last thing it wants to do.

Inevitably the whole industry's over-tonnage will burden somebody. Demand was overestimated and shake out is bound to be costly. The real question is whether it will be ship owners or shippers who pay for the mistake.

The \$60 million identified here is not such small beer and it is multiplied many times. Hand wringing alone will not help. The important question is as always: What is to be done?

ANL should be told to get out of all Conferences and the Trade Practices Act should be amended by removing the clause which exempts shipping conferences. That much is simple. The wharves present a tougher problem. However the breaking up of the Conferences will do something to break an unholy alliance between shipowners, stevedores and unions. The grossly over regulated waterfront should be deregulated and let us experiment by selling, or if necessary giving, some docks which will most obviously compete with other docks to private ownership.