

13th April 2012

Ms Julia Morris
Committee Secretary
Standing Committee on Infrastructure and Communications
PO Box 6021
Parliament house
Canberra, ACT 2600

Dear Ms Morris

Inquiry into the Shipping Reform Bills

Maersk Line would like to make the following submission regarding the legislation covering the:

- Coastal Trading (Revitalising Australian Shipping) Bill 2012
- Coastal Trading (Revitalising Australian Shipping) (Consequential Amendments and Transitional Provisions) Bill 2012

Maersk Line encourages the efforts to create a fairer and more transparent business environment, to provide a more competitive platform from which Australian flagged shipping can compete. The ambition of looking towards best in class globally in respect of inspiration for the legislative structure is certainly also a sound principle.

Our concerns with the above mentioned legislation are around the protectionist elements of the bill, specifically the intention to limit competition from foreign flagged carriers on the coastal trade. In principle we have not seen any evidence of a protected domestic market with limited competition ever being a successful incubator for companies with the ambitions of competing globally. More specifically we think that encouraging dedicated coastal shipping at the expense of using international shipping solutions already in place will negatively impact the overall productivity in Australia, lead to transportation with a higher CO2 footprint and potentially accelerating overseas sourcing at the expense of Australian production.



This is exemplified by the present coastal trade from the East Coast to the West Coast, today primarily served by international carriers creating synergies between international and domestic volumes, which in turn creates economies of scale and both cost and environmental efficiencies.

With very limited volumes moving from the West Coast to the East Coast the current use of international services allows an optimal structure where available space can be used moving East to West but rather than having to sail back empty, the space can be used for international cargo from South East Asia to the Australian East Coast. Our estimate is that a dedicated Australian coastal service would increase slot costs for coastal trade from the East to the West Coast by about 300 percent, simultaneously increasing the overall carbon footprint per tonne of cargo moved, rendering it very difficult to compete with rail services and/or migrating sourcing to West Australia from the East Coast to Asia.

It is our opinion that a highly efficient system based on integration of international volumes, delivering size advantage and round trip utilization advantage to reduce cost and environmental impact, would be preferable to a coastal service comprising a smaller vessel only having cargo contributing to the service on the East to West leg and a service only offering one weekly sailing while the international carriers offer several weekly sailings.

In summary we do fully agree with the ambition of creating a viable and dynamic shipping community in Australia, we are though concerned that part of the solution to get there will mean more expensive and lower quality transportation services for the Australian community at large. As such we would recommend that the shipping ambitions are balanced with the understanding of a need to address the productivity issues in Australia – creating optimal efficiency and reliability in the logistics chain.

Yours faithfully
for A.P Moller-Maersk A/S

Nicolaj Noes
Managing Director