

# Un-Australian, unnecessary, and unwanted maritime regulator

Shipping Australia examines the implications for Australia if a US-style Federal Maritime Commission were to be set up here

## WELL, WE'VE HEARD OF SOME

really terrible policy proposals, but the call to set up a Federal Maritime Commission (FMC) in Australia is probably one of worst of recent years. And that's saying something!

The FMC's mission is to ensure a competitive and reliable ocean supply chain that supports the US economy and protects the public from unfair and deceptive practices. Hmmm – sounds familiar. If we ignore the bit about “the ocean supply chain”, it's not a million miles away from what the Australian Competition and Consumer Commission already does.

Australia doesn't need an FMC because we've sort of already got one: it's the ACCC.

## PERCEPTIONS OF BIAS AND ONE-SIDEDNESS

The FMC's predecessors were born out of WWI. The demands on global shipping were enormous, there was a loss of shipping supply, and the US was a fast-growing nation. There were fears at the time that liner conferences might gain market power. So, a new watchdog was created to “protect American exporters and importers”, according to the FMC. The predecessors of the FMC were explicitly protectionist bodies.

## STILL A PROTECTIONIST BODY TODAY

The FMC is still a protectionist body today and it appears to be institutionally prejudiced against ocean carriers.

Consider this line: “[The FMC provides] a forum for exporters, importers, and other members of the shipping public to obtain relief from ocean shipping practices”. And this: “reviewing and monitoring agreements among ocean carriers and marine terminal operators ... to ensure that they do not cause substantial increases in transportation costs”.

It's hardly free-market stuff and it starts from a position of bias against ocean carriers. Readers will find other, similar, statements from the FMC.

## NOT EXACTLY A NEUTRALLY-BALANCED ADVISORY COMMITTEE

The main FMC advisory membership committee advises on policies relating to the fairness of the international ocean freight delivery system. What a marvellously unbiased body it must be, this “National Shipper Advisory Committee”.

That name gives you a bit of clue right there as to just how neutral it is. The FMC then helpfully goes on to discuss its advisory committee: “membership will be comprised of 12 representatives of entities who export cargo and 12 representatives of entities who import cargo”.

Ain't no room for ocean carriers on that committee.

It's hard to see how supporters of an FMC-style body set up to promote the interests of shippers, with an advisory

committee wholly comprising of shippers, could plausibly claim it would be fair. No matter what it said or decided, every act would be tainted by the perception of bias.

## WHO STAFFS THE REGULATOR?

The United States' FMC Commissioners basically come from backgrounds that are either bureaucratic, political or legal, or a mix of all three. So, if we follow the US FMC model, the Australian FMC would probably also be politicised, bureaucratic and legalistic too.

## A FAIR AND ACCURATE DESCRIPTION

So let's fairly and accurately describe these

calls to replicate an FMC-style body in Australia.

Shipper representatives want to replace Australia's existing, open, competitive, unbiased and free market system with a protectionist government body.

This proposed body would give shipper representatives, but no-one else, extra opportunities to influence government policy and to regulate behaviour of market participants. While it would generally be described with the neutral term of “regulator”, in reality it would be a government body set up for the specific purpose of regulating the market for the benefit of importers and exporters.

## LIKELY CONSEQUENCES

Adequate discussions of this proposal need more space than is available here.

The fundamental point is this: government control of markets doesn't work.

This was something the legendary Labour prime ministers Bob Hawke and Paul Keating knew. It's why they

dismantled the old protectionist system that served Australia so badly. Australia has enjoyed a good economy since then.

Every now and then we forget the lessons taught to us by Hawke and Keating. Case in point: the Road Safety Remuneration Tribunal. Hated by nearly all, independent reviewers and experts condemned it for its bureaucracy-spawning and economy-hurting effects. It's gone now, thankfully.

An FMC-style regulator in Australia would be unnecessary, biased and economy-damaging.

Frankly, it's a mad call.

Dismiss. ■