

Pictured: a tiny ship-based game piece on a Monopoly board; "an uncompetitive environment can lead to monopolistic behaviour," Dr Leigh writes. Photo credit: Stephan Harlan via Unsplash.

Competitive seas ahead

By the Hon Dr ANDREW LEIGH MP,
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The Albanese government recognises that the economic performance of Australia's maritime logistics is critical to sustaining the nation's trade and prosperity. As global trade continues to expand, competition in the container shipping industry has become a vital topic, and ensuring efficiency and affordability in this sector is high on the government's agenda. With the shipping industry handling approximately 99 percent of Australia's trade by volume, this sector is essential for both the national economy and consumers.

The COVID-19 pandemic exposed vulnerabilities in global supply chains, causing disruptions and highlighting the impact that container shipping has on daily life. As ports became congested, shipping prices soared, and product shortages became more apparent. These disruptions affected businesses and consumers alike, underlining the need for stronger competition, regulatory oversight, and modernising Australia's ports.

Global Supply Chain Challenges

In recent years, shipping costs have fluctuated dramatically. Drewry's World Container Index, which measures the average shipping price of a 40 foot

container, averaged US\$1400 in 2019, prior to the pandemic. The effects of the pandemic saw it peak at \$10,400 in September 2021.

But the past year has been volatile too. In November 2023, the index was at US\$1400, around its pre-pandemic level. It then quadrupled to peak at almost US\$6000 in July 2024. By October 2024, it had fallen to around US\$3300. Prices are rising in other industries too, but there are few sectors where prices are twice as high today as they were a year ago.

These recent fluctuations remind us that the pandemic isn't the only shock to affect shipping prices. Geopolitical conflicts such as Russia's illegal war in Ukraine have compounded existing structural issues within shipping, including limited competition, consolidated market power, and rising costs. A major challenge Australia faces is ensuring that shipping costs remain competitive while addressing logistical bottlenecks at ports and along supply chains.

The Albanese government views competition in container shipping as central to addressing these challenges. An uncompetitive environment can

lead to monopolistic behaviour, where service providers prioritise profit over the efficient movement of goods. A well-regulated and competitive market ensures that Australia's ports and shipping industry deliver maximum value to both businesses and consumers.

The Role of Government in Encouraging Competition

The Australian government's role is not merely one of oversight; we actively seek to encourage competition by setting the right conditions for private investment and ensuring that monopolistic practices do not take root. Historically, Australia's major container ports operated in a duopoly, with limited competition. This lack of competitive pressure hindered the development of efficient services, limited investment in port infrastructure, and resulted in higher costs for businesses that relied on the transportation of goods.

The Albanese government aims to promote competition through a regulatory framework that reduces the risks of monopolistic practices and encourages new entrants to participate in the market. This involves strengthening regulatory oversight, particularly around port privatisations. As ports are critical

infrastructure with natural monopolistic tendencies, the government must ensure that privatisation processes are carefully regulated to prevent excessive rent-seeking and to foster competition.

In 1999, the Australian Competition and Consumer Commission was given a stevedoring price monitoring direction: to reporting on the prices, costs and profits of container stevedores in the ports of Adelaide, Brisbane, Fremantle, Melbourne and Sydney. As ACCC chair Gina Cass-Gottlieb has noted, the quarter century since has seen that duopoly come to an end, with two new entrants into the market. The ACCC's role has evolved, taking a wider look across the supply chain to understand trends in stevedoring data.

Concentration in the Shipping Sector

Ports are not the only part of the supply chain that is concentrated. The global container shipping industry is dominated by three large global alliances that control vast shipping fleets. In recent years, this consolidation has limited competition, allowing these major shipping lines to exert significant bargaining power over smaller competitors and customers.

The Albanese government is particularly concerned about the effects of this consolidation. It has seen examples where large shipping companies use their size to engage in practices that can stifle competition. For instance, some shipping lines have been accused of favouring their own logistics services over independent providers, effectively locking out smaller players.

While consolidation can create economies of scale, the government is closely monitoring the situation to prevent anti-competitive behaviour that could drive up costs for Australian businesses.

Vertical Integration and Its Impacts

In recent years, vertical integration between shipping lines and landside logistics providers has become a trend. Some shipping companies have acquired or partnered with logistics firms, enabling them to offer end-to-end services, from transporting goods by sea to delivering them to their final destination. While this can improve efficiency, it also raises

concerns about whether smaller logistics firms are being pushed out of the market, resulting in reduced competition.

There is a need to scrutinise these developments to ensure that vertical integration does not hinder competition. Ensuring that businesses of all sizes have access to fair opportunities within the market is crucial for maintaining a dynamic and resilient economy. The Albanese government supports policies that encourage competition and innovation across the supply chain while not entrenching monopolies.

Prioritising Sustainable and Resilient Supply Chains

In the post-pandemic world, resilience has become a key focus in supply chain management. The Albanese government recognises that Australia's reliance on "just-in-time" supply chains has exposed vulnerabilities during periods of global disruption. Moving toward a "just-in-case" approach, where inventory buffers and storage capacities are increased, can help mitigate future shocks.

The government also supports the development of alternative supply chain routes and partnerships to ensure that Australia's economy is less vulnerable to disruptions in any one region or shipping lane. Strengthening trade relationships with neighbouring countries and diversifying sources of goods are strategies that the Albanese government is keen to explore.

Looking Ahead: Fostering a Competitive Maritime Sector

The Albanese government is committed to promoting a maritime sector that can adapt to global trends while meeting domestic needs. This includes:

- Modernising infrastructure: Investing in port infrastructure to reduce bottlenecks and improve efficiency.
- Sustainability: Encouraging green shipping practices, such as reducing emissions and adopting cleaner technologies.
- Digitalisation: Supporting technological upgrades to ports and logistics services that increase efficiency through automation, better data sharing, and real-time monitoring of goods.

Australia's maritime sector is critical to its global competitiveness, and the Albanese government is focused on ensuring that it remains resilient, competitive, and fair. By creating the conditions for increased competition and better regulation, the government seeks to make the sector more efficient, reduce costs, and improve the overall performance of Australia's supply chains.

As the country navigates the challenges of the twenty-first century, from climate change to geopolitical shifts, fostering competition in container shipping will remain central to Australia's economic success.

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