Vertical integration: a growing cause for CONCERN

Sal Milici considers the increasiing impact vertical integration will have on Australia's container logistics sector

The logistics landscape is undergoing a significant shift, with vertical integration emerging as a dominant force shaping the industry. This trend has sparked concerns among stakeholders, particularly in relation to competition and the potential impact on independent transport providers. Freight & Trade Alliance (FTA) and the Australian Peak Shippers Association (APSA), informed by extensive member feedback, have voiced strong concerns regarding DP World Australia's (DPWA) proposed acquisition of Silk Logistics Holdings (Silk).

The Australian Competition & Consumer Commission (ACCC) has highlighted concerns similar to those raised by FTA/APSA, issuing a Statement of Issues that raises serious questions about the implications of this acquisition.

ACCC'S CONCERNS: POTENTIAL IMPACTS ON COMPETITION

The ACCC's preliminary assessment identifies three key areas of concern that could significantly impact Australia's container logistics sector if the acquisition proceeds:

1. **Discrimination against rival transport providers**
   - DPWA, as a major stevedore, could leverage its control over terminal operations to increase charges or degrade service quality for independent transport providers at key ports, including Melbourne, Sydney (Port Botany), Brisbane, and Fremantle.
   - This could lead to higher prices and diminished service quality for importers and exporters, ultimately reducing competition and increasing supply chain costs.
2. **Exclusionary below-cost pricing strategies:**
   - DPWA may provide below-cost discounts to cargo owners and freight forwarders who opt for both DPWA terminals and Silk's transport services.
   - Such pricing strategies could drive independent transport providers out of the market, ultimately reducing competition and enabling DPWA to raise prices once dominance is established.
3. **Access to sensitive commercial data:**
   - The acquisition could grant DPWA access to commercially sensitive data from competing transport providers, raising concerns about potential misuse.
   - With insights into competitors' operational details, DPWA could gain an unfair advantage, reinforcing its market position at the expense of independent operators.

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Sal Milici, general manager – trade policy & operations, Freight & Trade Alliance

These concerns, highlighted in the ACCC's Statement of Issues, closely align with those raised by FTA/APSA on behalf of their members.

FTA/APSA'S ADVOCACY: MEMBER CONCERNS FRONT AND CENTRE

FTA/APSA has actively engaged with the ACCC, outlining significant risks associated with the acquisition. These concerns stem directly from industry feedback and highlight the broader implications of increasing vertical integration within Australia's logistics sector. The key issues raised include:

- **Preferential treatment in the Vehicle Booking System (VBS):** Members fear that DPWA could prioritise Silk's transport operations for critical booking slots, disadvantaging independent transport providers.
- **Bundling services and cross-subsidisation:** The ability to offer stevedoring and landside logistics as a package could distort competition, making it harder for independent providers to compete.
- **Leveraging sensitive data:** Access to terminal and logistics data could enable DPWA to undercut rivals and pressure shipping lines into exclusive service agreements.
- **Market concentration and control:** A reduction in competition could limit service options for shippers, leading to fewer choices and potentially higher costs.

The overarching concern is that such an acquisition could entrench DPWA's market position, making it increasingly difficult for independent operators to compete fairly. This has the potential to reshape Australia's logistics sector in ways that could be detrimental to efficiency, service quality, and overall supply chain resilience.

A BROADER INDUSTRY TREND

Beyond the specifics of this acquisition, vertical integration has become a defining characteristic of the global logistics sector.

Large multinational corporations are expanding their reach across the supply chain, acquiring businesses that complement their existing operations. While integration can deliver efficiencies, it also raises fundamental competition concerns, particularly when market power becomes concentrated in the hands of a few dominant players.

The risk, as highlighted by FTA/APSA members, is that increased vertical integration could limit market access for smaller and independent providers, reduce pricing transparency, and ultimately lead to reduced competition.

Such outcomes would be particularly concerning for an industry that relies on a diverse and competitive transport and logistics ecosystem.

WHAT HAPPENS NEXT?

FTA/APSA has submitted industry feedback to the ACCC, ensuring that the concerns of members are formally documented in the review process.

The outcome of this review will have significant implications for the future of Australia's logistics sector. With vertical integration continuing to reshape global supply chains, ensuring a fair and competitive market remains critical.

FTA/APSA remains committed to advocating for a transparent and balanced regulatory framework that supports both efficiency and fair competition, reinforcing the importance of industry participation in this vital discussion. ■