ANL (Conversion to Public Company) Bill 1988

Date Introduced: 31 August 1988
House: House of Representatives
Presented by: The Hon. Peter Morris, M.P., Minister for Transport and Communications

Digest of Bill

Purpose

The Bill aims to improve the efficiency of the Australian National Line (ANL) through the removal of day-to-day controls and the conversion of ANL into a public company.

Background

ANL is operated by the Australian Shipping Commission which was established by the Australian Shipping Commission Act 1956 (the Principal Act). ANL aims to provide an efficient shipping service between Australian ports and between Australia and overseas. To this end, ANL operates container and bulk shipping together with container terminals.

The 1980s has been a period of change for ANL largely due to pressures from international operators in an increasingly competitive market and the need to raise sufficient funds to maintain the service. The process of restructuring began in earnest in late 1983, following agreement between ANL and the Government and amendments to the Principal Act. The procedure involved increases in efficiency through the removal of certain controls and a decision to reduce the number of ships operated and persons employed. The results of this restructuring can be seen in improvements in performance in recent years, though the result in 1987 reversed the trend. The following table gives details of operating profits/losses, number of ships operated and the number of employees from 1983 to 1987.1

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating profit</th>
<th>Number of vessels</th>
<th>Number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>-$18.8 million</td>
<td>33</td>
<td>3802</td>
</tr>
<tr>
<td>1984</td>
<td>$3.3 million</td>
<td>33</td>
<td>3657</td>
</tr>
<tr>
<td>1985</td>
<td>$41.5 million</td>
<td>27</td>
<td>3320</td>
</tr>
<tr>
<td>1986</td>
<td>$38.2 million</td>
<td>23</td>
<td>3138</td>
</tr>
<tr>
<td>1987</td>
<td>$14.4 million</td>
<td>17</td>
<td>2738</td>
</tr>
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While this gives a brief view of the recent changes in ANL, two important factors are disguised. First, a large percentage (38.4%) of ANL's staff are engaged in terminal and stevedoring work (42.2% are seagoing personnel). Productivity improvements have been much harder to implement in the waterfront area, as the recent report by the Inter-State Commission on this area, which suggests methods for restructuring to improve efficiency, shows. In the Commissioner's review section of ANL's 1986/87 Annual Report, it is stated: "Capital works designed to replace obsolete facilities and improve efficiency at ANL's stevedoring terminals cannot be justified unless and until the Governments 'Waterfront Strategy' is successful in inducing the industry to restructure and reform the waterfront so as to produce an environment favourable to further investment, whether public or private. In the absence of any such restructure and reform it is unlikely that further substantial investment can be justified in terminals." Without such investment it is unlikely that there will be any substantial increase in productivity from ANL staff in this area.

The second main problem facing ANL is the age of its fleet. The average age of its ships is around 10 years and, besides the pressures that the need to replace a large number of ships within a relatively short period will place on finances, this substantially affects efficiency. Not only do the older ships require more repair and maintenance, which reduces the time during which they are actually earning income, but such ships are less efficient than their modern counterparts, not only in running costs but particularly in the number of crew required. As such, the age of the ships is having an adverse effect on ANL's ability to compete in a tightening international market.

The future direction of government transport and communication bodies was outlined on 25 May this year when a Ministerial Statement, titled Reshaping the Transport and Communications Government Business Enterprises, was tabled in the Senate. The Statement noted the increasing competition in international markets, the rate of technological change and the pressures these and other factors exert on such bodies. The Statement foresaw a greater reliance on results determining the success of an enterprise and the removal of day-to-day controls from such bodies, such as the need for Ministerial approval or to use government agencies for certain transactions. In regard to ANL, as with other agencies, a number of specific courses of action were outlined. First, it is proposed to convert ANL into a public company. The company is to be 100% government owned, though the introduction of private share capital would be possible should the government decide to sell all or part of ANL. It is predicted that the conversion will allow 'further change in the corporate culture appropriate for a fully commercial organisation'. Planning and accountability provisions are to be altered, with more emphasis on strategic plans and agreed financial targets (i.e. there will be a shift to looking at the results achieved rather than how they are achieved). The other main change proposed relates to the removal of day-to-day controls. The main changes in this area will be the removal of the requirement for prior approval for contracts and individual borrowings, the exemption from general administrative and personnel policies except where directed to comply and the removal of the need for approval to establish subsidiaries and joint ventures.
Main Provisions

A new Part III will be inserted into the Principal Act by clause 8. The share capital of ANL is to consist of $1 shares. ANL is to convert its capital into shares, and the shares are to be issued to the Commonwealth or to a nominee as directed by the Minister. The share issue will discharge ANL's debts to the Commonwealth (clause 39).

ANL will be taken to be registered under the Companies Act 1981 by virtue of clause 42.

Proposed section 49 deals with the intended effect of the proposed Part. After the commencement of proposed Part III, ANL will be taken to be a registered company, with limited share liability, and the name ANL Limited.

Other persons are not to use a protected name (i.e. ANL Limited, Maritime Agencies of Australia, Searoad or other prescribed names) or a name likely to be mistaken for it. The maximum penalty for such use will be a $1000 fine (clause 52). Clause 53 provides for exemptions to this offence where the offending name is registered as a trade mark or design or where it is already in use and was being used in good faith.

Staff will continue to be employed by the new body on the same terms and conditions (clause 56).

ANL will not be required to pay tax in connection with exempt matters (i.e. matters connected with the conversion to a public company) (clause 62).

References


For further information, if required, contact the Economics and Commerce Group.

27 September 1988

Bills Digest Service
Legislative Research Service
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