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Victorian Ports Strategy - Coastal Shipping Review
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Submission to Victorian Port and Coastal Shipping Industry Reform Enquiry

About Shipping Australia Limited

1. Shipping Australia Limited (SAL) is a peak shipowner and operator association with 36-member lines and shipping agents and 50 corporate associate members, which generally provide services to the maritime industry in Australia. Our member lines are involved with over 80 per cent of Australia's international container trade and car trade as well as over 70 per cent of our break-bulk and bulk trade. A small number of our members are also engaged in the provision of coastal cargo services to Australian consignors and consignees; this number has reduced since Commonwealth legislative changes in 2012.
2. The major focus of SAL is to promote efficient and effective maritime trade for Australia whilst advancing the interests of ship-owners and shipping agents. SAL also provides secretariat services to the liner companies and agencies that have their agreements registered under Part X of the Australian Competition and Consumer Act 2012.

Introduction - The Value of Coastal Shipping

3. Shipping is the most environmentally efficient method of long-haul freight movement, the longer the distance and the heavier the load, the greater the benefit when compared to other modes of transport. Shipping is 20 times more efficient than trucks and 4 times more efficient than rail in terms of tonnes/km CO2 emissions. Coastal shipping also has the potential to reduce demand for investment in infrastructure by literally taking the load off road and rail, effectively used it could reduce the rate of increase in truck traffic. Shipping is also the safest mode of transport and should reduce the number of unnecessary deaths associated with land transport.
4. Properly supported and regulatory enabled coastal shipping can also reduce domestic freight costs, enable Australian manufacturers and primary producers to market their goods to domestic markets and reduce import substitution. Over the past 8 years, since the introduction of the Commonwealth Coastal Trading Act (CTA 2012) and regulatory application of the Fair

Work Act to ships licenced under the CTA, there has been increasing substitution of Australian raw materials and manufactured products with imported international goods. This is mainly due to the high costs of moving domestic cargos compared with the low costs of transporting goods by highly competitive international shipping.

5. There are a number of other benefits of efficient coastal shipping. In summary it can:

Reduce:

- freight costs
- national fuel demand
- CO2 emissions
- congestion
- infrastructure construction and maintenance costs (taxes)
- Road deaths and injuries, and

Increase:

- competition in freight services
- port connectivity
- access to domestic markets for Australian manufacturers and primary producers
- transport safety and efficiency - separation of passenger and freight networks
- integration of the domestic and international supply chains
- support development of export markets
- enhance the domestic supply chain's resilience in natural disasters

6. The Victorian Government's has stated a belief that the decline in coastal shipping has resulted in a greater reliance on road and rail and a commensurate adverse impact on our land transport networks and the cost of goods. It could be argued that the reason for this decline is that coastal shipping has been ignored, while infrastructure planning and related funding in Australia has been focussed on road and rail infrastructure projects due to their greater political impact.

Review Process

7. This review would be more effective if it included a position paper explaining the current Victorian coastal shipping regime (if any) in comparison with other Australian States, as well the Commonwealth coastal regime which allows for vessels to apply to operate intrastate. Clearly the scope of Victorian coastal shipping is constrained by these other regulatory regimes. An assessment of all existing regulation would assist in identifying the existing gaps and identify those aspects that could potentially be filled by individual state based coastal regimes.

What the factors are that have led to a reduction in coastal shipping in Victoria

8. Coastal shipping has declined across Australia, not only in Victoria. One of the fundamental changes that is required, is removal of the cabotage barrier to accessing coastal shipping, thus allowing domestic shippers to integrate with the international supply chain and utilise latent capacity of international vessels travelling around Australia's coast.

9. Other contributory factors include;

- Political focus on road and rail infrastructure;
- Increasing port visit costs (including navigation services charge, wharfage, berth hire infrastructure levies, pilotage and towage);
- Costs associated with stevedoring (per lift) costs;
- Shipowners are reluctant to use highly unionised maritime workforce; and
- Cabotage rules that discourage international vessels from participating in freight routes from one Australian port to another. These rules increase costs and reduce competition effective requiring cargo shippers to pay higher rates than necessary.

Whether cross-jurisdictional differences are leading to a decline in the Victorian coastal shipping task

10. After more than 20 years, national consistency in maritime safety, has been achieved with AMSA as the single national regulator. One could only be hopeful that a similar result is achievable in coastal shipping and the creation of individual jurisdictional coastal shipping regimes is avoided.

11. In the coastal shipping context, the CTA 2012 and its related licensing regime is the fundamental impediment, to not just Victoria, but the entire Australian coastal shipping task. There is very little intrastate shipping in other states of Australia, however Queensland is currently attempting to address this.

12. The Bass Strait trade to Victoria has survived only because of Commonwealth subsidy. Without the TFES most, if not all Tasmanian trade would connect directly with international routes.

What opportunities exist for coastal shipping to provide a greater contribution to the Victorian freight task by reducing road and rail congestion and managing future freight demand

13. A business case should be developed to assess the utilization of barges for local transport within Port Phillip and River Yarra.

14. Use of coastal shipping as an alternative to road and rail for freight movement to other Australian capital cities.

Whether changes are required to Victorian legislation to remove regulatory impediments or reduce costs for coastal shipping

15. The inclusion in legislation where a fit-for-purpose transport mode hierarchy for optimising the freight task would assist in ensuring the most cost-effective mode is utilised. Australia cannot afford to continue to subsidise the land freight transport sector and continue to be denied access to such an abundant resource as coastal shipping. Not only does it commit taxpayers to the funding of tens of billions of dollars in infrastructure construction and maintenance annually, it denies cost savings to domestic businesses and removes the steppingstone required for them to become exporters and more prosperous.

16. Amendments to related Victorian maritime legislation exempting vessel from port charges eg. navigation services charge, pilotage etc. would promote vessels to call at multiple ports in Victoria and assist in reducing coastal shipping costs as well reducing road and rail congestion and managing future freight demand.

What other initiatives could be considered to support the expansion of the coastal shipping task

17. Consideration should be given in establishing dedicated coastal facilities for roll on – roll on vessels to assist in expanded the coastal shipping task. In addition, allowing foreign flagged vessels to carry more Australian goods around the Australian coastline, including between Victorian ports. This has proved successful in the cruise sector where the removal of cabotage restrictions has increased demand for coastal shipping. When the CTA 2012 commenced, cruise vessels above 5,000 GT were granted a specific exemption to the legislation on the basis that “Australia does not currently have any Australian registered vessels in this category”. Exemption to the CTA 2012 has allowed significant growth in the demand for coastal cruise shipping by Australians as shown by a 42% increase in domestic passenger numbers in 2015 to 269,915 from 189,796 in 2014.

18. The same principle could be applied to container ships on voyages between mainland cities which are not contested by any Australian registered vessels. By granting the same exemption to this vessel class, the objective of carrying more Australian goods around the Australian coastline would be readily achieved. Subsequent to growing and establishing a demand for coastal shipping, container ships are far better positioned to achieve the objectives of more Australians crewing more Australian flagged ships than cruise vessels which are far more labour intensive.

How greater support can be provided to Victorian seafaring labour

19. Let’s consider a simple ‘coastal levy’ per unit of domestic cargo that can be administered and collected in conjunction with the existing freight tax. The revenue from this levy can be used to support placement of cadet deck officers, engineers, and trainee pilots on foreign vessels, to get true blue-water seagoing experience. This is what is needed if we truly wish to maintain our maritime expertise.

20. Australian nationals seeking a career at sea should aspire to access foreign shipping to complete their sea time and the Australian Government should consider appropriate incentives to such foreign vessels. Overseas there are numerous examples of maritime academies working with various sponsoring shipping companies and training management companies which are not nationality affiliated. Anglo- Eastern and Viking Recruitment are such examples who are actively recruiting navigation, marine engineer and marine electro-technical officer cadets from the United Kingdom. If there is sufficient demand in the Australian seafaring workforce a similar approach should be investigated further in Australia.

21. With the onset of automation of ships, the real demand for seafaring jobs will be in tug operations and marine pilotage and not blue water seafaring. Development of new autonomous vessels and technology-based operational systems will require new skills from the maritime workforce, and traditional skills will become redundant. Recognising this fact, policies seeking to promote the training of Australian seafarers should direct those resources to creating universally recognised and marketable maritime skills.

How the Victorian Government can work with the Commonwealth to improve the national coastal shipping framework

22. As mentioned at the outset, one of the fundamental changes that is required, is removal of the barrier to accessing coastal shipping, thus allowing domestic shippers to integrate with the international supply chain. To enable an effective coastal shipping framework, it is vital

that both State and Commonwealth governments acknowledge that coastal shipping is vital part of their individual freight strategies.

23. Following are some the strategies the Victorian government could adopted in influencing and improving the national coastal shipping framework with the Commonwealth:

- Establish common ground with other states on coastal shipping, ensuring duplication is avoided;
- Coastal shipping be included as a separate agenda item at the Commonwealth's Standing Committee on Transport and Infrastructure as well as at COAG;
- The focus should be about making goods cheaper, not about propping up Australian-flagged vessels. What matters is that ships provide a cheap and efficient transportation system for producers of goods. The Victorian government should influence the Federal Opposition in acknowledging that the 2012 reforms failed to achieve the desired outcome and the idea that the 2012 laws would, in the long term, bolster the numbers of Australian-flagged vessels was flawed; and
- Advocating the Commonwealth government that future Infrastructure Investment Projects that support the business models of road and rail must include an assessment of a business case for coastal shipping as an alternative option;
- Promoting a strategic plan for Australia's supply chain which prioritises and consigns all modes within a fit-for-purpose hierarchy to optimise the freight task and provide Australians with the best economic, social and environmental outcomes.

Conclusion

24. The opportunity for the blue highway to compete with other modes continues to be impeded by the CTA 2012 which has had a detrimental effect on the movement of domestic cargo by ships, partly through its policy intent and partly through its unwieldy red tape. This regime has proven to be inefficient and burdensome on shippers and the shipping industry, restricting access to the Australian market and resulting in the limitation of access of local businesses to efficient and cost-effective shipping services.

25. Any future coastal regime cannot be achieved by the Victorian Government acting alone but requires the Commonwealth to amend the existing legislation and unleash the potential of shipping and the blue highway.

Authorised by:

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