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SAL Submission to Senate Inquiry into Shipping Legislation Amendment Bill 2015

Shipping Australia Limited (SAL) is a peak shipowner 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 trade and car trade as well as over 70 per cent of our break bulk and bulk trade. A number of our members are also actively engaged in the provision of coastal cargo services to Australian consignors and consignees.

A 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 many liner companies and agencies that are members of conferences, discussion agreements, consortia and joint services that have their agreements registered under Part X of the Australian Competition and Consumer Act 2012. These agreements specifically seek to facilitate and encourage growth of Australia's liner shipping trades

1. Introduction

- 1.1** Shipping Australia Limited is pleased to make a submission in response to the *Shipping Legislation Amendment Bill 2015 (SLAB)* which is to amend the *Coastal Trading (Revitalising Australian Shipping) Act 2012 (CTA)*
- 1.2** SAL applauds the Government for initiating these changes which will deliver a broad range of benefits for all Australians. By reducing the barriers to participation in Australia's domestic shipping market and reducing red tape and compliance costs, the SLAB will increase competition in this sector and make coastal shipping more available and affordable. This will increase options for shippers such as Australian primary producers and manufacturers and restore their competitiveness to market their products domestically, rather than be undercut by overseas suppliers who have access to cheaper international shipping. The changes should also encourage a modal shift from land to sea transport, the most

environmentally efficient means of long haul transport, four times more efficient than rail and 20 times more efficient than road in terms of green-house gas generation. There is already excess capacity for container handling in most of our capital city ports so the expected increase in domestic container movements by sea can be met without any new infrastructure investment.

2. Reasons for Change

- 2.1** When the CTA was introduced the policy intention was to revitalise a declining Australian shipping sector by giving priority to Australian registered ships to carry domestic cargo and applying strict regulatory requirements on foreign registered vessels participating in this trade. However, the outcome has seen a modal shift from sea to land transport, increasing import substitution, loss of jobs in Australian manufacturing and primary production areas and a continuing decline in the number of Australian flag vessels. Clearly the CTA has been a policy failure. If we are to ever achieve a sustainable and viable domestic shipping industry it must be built on strong customer demand for shipping. This can never be achieved by protectionism which pricing domestic shipping out of contention. Enabling Australia's productive and innovative industries to access cost competitive shipping services is the first step on the path towards revitalising the industry. Shipping is an international industry with a documented commercial history of five thousand years. Attempts to constrain this highly evolved industry demonstrate a refusal to appreciate the wider benefits it can provide. Policies to revitalise shipping require its benefits to be embraced and for Australian innovations to be tested and to succeed on a competitive playing field.
- 2.2** In its current form, the CTA places significant costs on the community which should be recognised as the foregone benefits of competitive coastal shipping. Taking the triple bottom line view of the proposed changes, SAL points to the potential economic, environmental and social benefits of coastal shipping reform, namely, the reduction in freight costs, the reduction in greenhouse gas emissions and the reduction in the congestion on the highways and railway lines.
- 2.3** Contrary to the claims made by some groups, more coastal shipping will provide more opportunities for Australians to work in the maritime sector both at sea and on the waterfront.
- 2.4** The current CTA licensing regime is inefficient and burdensome on shippers and the shipping industry, restricting access to the Australian market and resulting in local business unable to access efficient, flexible and cost-effective shipping services suitable to meet their business needs. SAL considers that the SLAB will resolve many of the shortfalls of the CTA.

3. Benefits of the Proposed Shipping Legislation Amendment Bill 2015

- 3.1** SAL considers the SLAB will have significant benefits across the economy and increase supply of domestic transport services. A fundamental principal of economics is the cost relationship between supply and demand. When demand is stable and supply increases the result is that costs decrease. As in this case, demand for transporting domestic cargo is relatively stable and with the increased supply of sea transport capacity enabled by the SLAB reforms, there should be reduced transport costs and a modal shift to sea from road/rail. This will have a favourable impact on all Australian consumers, reduce green-house gas production, increase the resilience of the economy to increasing energy prices and enable our road/rail infrastructure to meet future demand with less investment.
- 3.2** Flexibility is the strength of shipping as it is the most readily scalable mode of transport. The SLAB will enable this strength to be leverage making the benefits of increasing supply

sustainable resulting in continual downward pressure on freight cost in Australia. Considering the carry capacity of just an eighth (1/8) of a 5,000 TEU container ship is the equivalent to more than three 1,500 metre trains or more than 200 B-Double trucks.

- 3.3 Moving long-haul freight by sea is four times more environmentally efficient than rail, and twenty times more efficient than road, in terms of green-house gas emissions. Australia's future demand for domestic freight movement cannot be achieved by road and rail without billions of dollars of investment in infrastructure; and inland corridors are already congested. But there is excess capacity available on ships currently plying the Australian coast and in all our major ports and stevedores. It makes absolute economic, environmental and social sense to have policies in place that enable maximum use of these existing resources and capacity.
- 3.4 Like Australia, other countries such as India have identified the need to shift the movement of cargoes away from India's severely congested roads and railways and onto ships. The Indian Ministry of Shipping has recently issued an order relaxing cabotage laws for specialised vessels, such as ro-ro and ro-pax ships, pure car carriers (PCCs), pure car and truck carriers (PCTCs), LNG vessels and project cargo carriers to encourage this shift. The Ministry has recognised that the operational cost of Indian vessels is estimated to be higher than that of foreign vessels due to duties and taxes on bunker fuel, income tax on seafarer's income, and other taxes paid by Indian flag vessels.
- 3.5 In the Australian context, the provision of such a significant additional transport option for domestic shippers would also increase competition amongst existing providers, furthering the downward pressure on freight rates and assisting the viability of Australian manufacturers, primary producers and consumers of domestic goods.

As mentioned above, SAL acknowledges that the existing three tiered licensing system under the CTA has failed to revitalise Australian shipping, has hampered Australia's domestic trade and overall has been detrimental to Australia. SAL welcomes the SLAB which will replace it with an efficient single permit system.

4. Comments and Suggested Improvements to the SLAB

- 4.1 SAL members consider that the SLAB will significantly promote coastal shipping but that there are some areas where it can be improved; these are included in the following paragraphs.
- 4.2 **The international liner trade** (regular container services) has seen most lines withdraw from carrying domestic containers. The SLAB will enable these vessels to carry domestic containers incidental to their international cargoes with minimum administrative burden. For existing international services calling in Australia, the only limitation will be the challenge of remaining within available berthing slots and master schedules when varying quantities of additional coastal volumes have been included. Improving productivity levels in our ports provide the potential for higher container exchanges to be achieved within current slots.
- 4.3 **Ship Ownership - Time Charters Impacts.** The modern day shipping market comprises of internationally based ship-owners with varying fleet sizes and operators, who may not own vessels but nevertheless, control the commercial operations and day to day management of them. On the other side, charterers of varying sizes control different cargoes – large and small lots with ship-brokers as an intermediary between the owners and the charterers. Often agents of these vessels may be involved in the day to day management of these vessels, as well. With this complex structure, SAL believes that the regulatory framework for the

proposed coastal shipping permit (CSP) should be flexible enough to cater to changes that will occur in the various stakeholders involved with the vessel. Particularly:

- a. The ability to cancel a CSP and finalise the reporting for the vessel, or
- b. The ability to apply for a shorter term permit –30 days.
- c. Further clarity is required on the definition of “*day to day responsibility for the management of the vessel*” and suggests that classes of persons be included to enable them to apply for a CSP.

Note: In the above cases if a vessel were to return to the Australian coast it would be simple to track its previous operations on the Australian coast through its IMO Number which does not change.

- 4.4** It should be noted that a CSP holder could be based overseas, thus it is suggested that a provision be included to nominate a local representative (such as an agent) to be able to fulfil the reporting aspects, required by the SLAB.
- 4.5** SAL considers that the proposed 10-day (maximum) time frame for approval of CSP will not meet the needs of the spot market used when bidding/tendering for break-bulk and bulk cargoes. Even the current CTA provides a 4 day approval period and 2 days for urgent applications, SAL recommends that the standard approval period be reduced to 4 days and suggests that with the ability to obtain an expedited CSP within 2 days should be included.
- 4.6** SAL notes that the proposed amendments and the CSP system do not provide for emergencies and circumstances where shipping could be required and utilised at short notice in response to an emergency such as mitigating a landside network disruption. The expedited CSP period of 2 days recommended at paragraph 4.4 would also meet this requirement.
- 4.7** Australians in various professions successfully obtain overseas employment utilising their Australian qualifications. Similarly, Australians seafarers serving in senior crew ranks such as a Master, chief mate, chief engineer and first engineer hold internationally recognised certificates of competency that are portable, thereby enabling them to gain employment in the international market. SAL considers that the proposed section 38 relating to the retention and promotion of Australian maritime skills under the permit system will be better served by considering the inclusion of apprenticeships for both deck and engineer cadets. With limited Australian ships in blue water shipping, those seeking to pursue maritime careers are unable to do so and hence may have look to foreign shipping and management companies to commence their careers and obtain traineeships.

5. Conclusion

In conclusion, SAL reiterates that the Shipping Legislation Amendment Bill will be of great benefit to Australia and is strongly supported. It will promote the utilisation of an underutilised resource, namely, international cargo ships that make more than one port call in Australia. As an example in the 2012 financial year, approximately 4,900 ships came to Australia and made around 14,000 port calls. Allowing each of these ships to participate in the domestic shipping market will, as deduced by the Harper Competition Review, unlock economic growth and deliver clear benefits to Australian primary producers, manufacturers and consumers.

Authorised by:
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