



SAL 19216

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Emailed to: [Kerri.Bradford@infrastructure.gov.au](mailto:Kerri.Bradford@infrastructure.gov.au)

## **SAL 19216 - Shipping Australia's Submission to "Coastal Trading Reform – Where to from here?"**

### **About Shipping Australia Limited**

1. Shipping Australia Limited (SAL) is a peak shipowner association representing shipping lines, ships' agents and companies which 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 legislative changes in 2012.

2. 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 liner companies and agencies that are members of conferences, consortia and joint services that have their agreements registered under Part X of the Australian

### **Coastal Cargo Movement by Sea**

3. Shipping Australia has made numerous submissions to government reviews and parliamentary committee inquiries relating to coastal shipping. Put simply, we strongly believe that the greatest overall good to Australia and to Australians, in terms of environmental protection, safety of life, creation of jobs, reduction in demand for infrastructure spending and increasing economic wealth would be gained by removing cabotage restrictions and encouraging a modal shift to sea transport of domestic cargo. We also believe that the recent campaign to popularise the need for mariner skills, while well intended, is mis-directed. Technological developments in ships and ports are making low skilled mariner roles obsolete and traditional training concepts obsolescent. The mariner and maritime logistics skills that Australia needs for the future are much different from those of the past.

4. Both of these matters were addressed in Shipping Australia's submission to the Senate Rural and Regional Affairs and Transport References Committee's Inquiry into the policy, regulatory, taxation, administrative and funding priorities for Australian shipping in March this year. A copy of that submission is attached for your convenience.

### **Background – Where to from here?**

5. It has been widely acknowledged that whilst coastal shipping is an important part of the supply chain and an efficient way to move freight for the onshore industry, the current licensing system has become an unnecessary burden on the movement of freight.

6. Prioritising the objectives should be based on the potential to deliver a public benefit which can be determined by simply calculating the number of Australians who will benefit from coastal shipping and greater utilisation of the maritime supply chain.
7. The current Act viz. the Coastal Trading (Revitalising Australian Shipping) Act 2012 (CTA) is prescriptive with regard to processes related to the application and grant of temporary licences.
8. When issuing these licences, the Department's Shipping Business Unit is strictly governed by the restrictive administrative processes prescribed in the CTA (section 28 to 63). There is limited room for discretion and there have been examples where the issuance of these licences has been publicly scrutinised.
9. In addition, prescriptive conditions and variations to these temporary licences are included in the Act. Hence, no flexibility can be applied.
10. Currently, the only available mechanism to operate outside the parameters of the current licensing system is under an exemption covered in section 11 of the Act. Large cruise ship (passenger) vessels have been issued such an exemption since 2012 and this sector has grown massively since eclipsing the slow growth in other coastal shipping services.
11. It is noted (from the circulated Department's paper) that the Department is looking for *practical solutions to coastal trading reform within the parameters of the current system*, needing to retain protections for Australian shipping, and preserving the need for licences for coastal trading.
12. In light of the above and noting the prescriptive and restricted nature of the current licensing system possible practical solutions "within the parameters of the current system" are limited, unless provided under an exemption viz. Section 11 of the CTA.

### **Possible Solutions**

13. In reality, due to the comprehensive detail contained in the Act any substantive improvements to the efficiency of coastal shipping will require amendments to the Act.
14. As a minimum, the following provisions of the Act which restrict the ability of shipping to efficiently carry coastal cargo should be addressed:
  - a. The requirement to apply for a minimum of 5 licences,
  - b. Mandatory waiting periods within applications when there are no Australian flag vessels who could feasibly contest the right to carry the intended cargo.
  - c. Cargo volume limits
  - d. Changes to port of discharge due to operational reasons e.g. port congestion.
15. The following concepts fall within the scope of the discussion paper (i.e. avoiding the no-go areas of: opening the coast, a strategic fleet, or high cost subsidies).

### **Short term solutions**

16. **Better Regulation through Flexibility.** To enable flexibility to deal with real situations, amend the Act to remove the current prescriptive matters (including the 5-licences and volume restrictions) relating to the application, grant, and conditions for temporary licences. Whilst maintaining the requirement for a licence to operate, prescriptive matters can

be dealt with and undertaken by the Department in a form (instrument/order) approved by the Minister. This allows for the rules to be adapted appropriate to changes to the trading patterns relating to the movement of freight around the Australian coast and the presence or not of Australian flag vessels;

17. **Allow for Exemptions where no Australian Flag Exists.** Amend the Act to include an enabling power, so the Minister can make a determination that a certain sector is not contested by Australian Flag vessels for specified period. Where such determination applies, vessels can be exempted the restrictive waiting periods for licences and variation that would otherwise apply. Such a sector would still need to apply for a licence but would provide it with certainty. This power could be administered by Instrument or order and updated when circumstances change.

18. **Australian Flag Vessels to Declare Trade Interest.** It is apparent that the number of Australian registered ships is small, and those vessels can be easily accounted for. Thus, as an alternative to paragraph 17 (above) it may be simpler to require that any Australian Flag vessel with the capability and intent to compete for coastal cargo make a declaration of competition. That declaration would include the type of vessel (eg. Tanker, bulk, container, general cargo, roro etc.), size and routes that the vessel wished to operate. The Act would then contain a provision (similar to para.17 above) that unless a trade was declared contested, the waiting periods, volume limits and variations restrictions would be waived. This will enable applicants to instantly know if potential Australian vessels could contend for the advertised coastal cargo. For transparency and authenticity, an appropriate mechanism to ensure true contestability of Australian vessels may be required.

19. Under section 12 of the CTA, an application to the Minister for a declaration to engage in intrastate voyages is required from the “owner” of the vessel. As interpreted and administered, this has posed practical challenges for bareboat and time charterers who have been considered ineligible to apply, resulting in the application process becoming cumbersome and a time-consuming exercise.

Section 6 of the CTA prescribes that an “owner” includes a person who has assumed responsibility for the overall general control and management of the vessel, and this could include a bareboat charterer and a time charter. Further clarification is required with regard to the interpretation of section 12 and a relevant amendment made (if required) to enable charters to apply under section 12.

### **Long term solutions**

20. In terms of supporting an Australian maritime industry with skilled people for the future it is suggested that Australians seeking a career at sea should aspire to access foreign shipping to complete their sea time. The Australian Government should consider appropriate incentives to such foreign vessels within the parameters of the licensing regime. Overseas examples exist where maritime academies are 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. **Preferential Access to Coastal Trade for Vessels/Companies Carrying Australian trainees.** One such incentive to encourage foreign flag vessels to carry Australian deck and engineering officers such vessels/companies who employ Australian seafarers could be granted a preferential level of access to the coastal trade.

22. **Fast Track Pathway for Domestic Container Cargo.** A major deterrent against modal shift from trucks to shipping is the time difference between the modes. At present domestic container cargo generally has the same on-dock dwell times as international cargo. Requiring to be at the wharf 2-3 days before the ship loads and remaining on the wharf a similar period on discharge. For domestic cargo which is not subject to the same customs and biosecurity checks as international cargo it may be feasible to establish a “fast track” for domestic cargo to arrive within hours of loading and priority discharge.

### **Additional Supporting Study**

23. Many have acknowledged the public benefits in the efficient movement of freight and a modal shift of long-haul domestic cargo to ship. It is suggested that the Australian government undertake an economic analysis into the potential benefits of shipping in the movement of freight around the Australian coast. Such an analysis should include exploring the underutilised capacity of Australia’s coastal shipping lanes which are unhindered by the congestion, capacity limitations, construction and maintenance of other modes.

Submission authorised by:

**Rod Nairn, AM**  
Chief Executive Officer