



27th February 2019

Committee Secretary
Senate Standing Committees on Rural and Regional Affairs and Transport
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Sir / Madam,

Reference: *Inquiry into the policy, regulatory, taxation, administrative and funding priorities for Australian shipping (2019).*

Regional Development Australia (RDA) Tasmania and the Tasmanian Logistics Committee (TLC) are pleased to provide to you with our joint submission to the Inquiry into the policy, regulatory, taxation, administrative and funding priorities for Australian shipping.

This submission provides responses to all of the points raised in the Terms of Reference for this inquiry with the exception of Point D' - *maritime security, including fuel security and foreign ship and crew standards.*

RDA Tasmania

Regional Development Australia (RDA) is an Australian Government initiative established to encourage partnership between all levels of government to enhance the growth and development of Australia's regional communities.

RDA committees operate under a national RDA Charter and report to the Australian Government on key outcomes. A national network of 52 RDA committees has been established and RDA Tasmania represents the entire state of Tasmania.

The RDA Tasmania committee supports the development of Tasmanian businesses through engagement with key regional stakeholders. RDA Tasmania's continued participation in the freight and logistics sector is crucial to understanding the ongoing and emerging challenges and opportunities for Tasmania.

RDA Tasmania provides secretariat support to the Tasmanian Logistics Committee as part of its commitment to the Tasmanian freight and logistics sector as a vital component of the Tasmanian economy.

Tasmanian Logistics Committee

The Tasmanian Logistics Committee was formed in 2012 as a subcommittee of the Tasmanian Chamber of Commerce and Industry, in partnership with RDA Tasmania, as an independent voice to government.

The TLC does not receive funding but is supported by a number of key industry representatives who view the needs and integrity of Tasmania's freight and logistics task as a prime focus. Collectively, the TLC provides qualified advice based on local knowledge and industry experience to government on issues of significance, recent examples include:

- Coastal Shipping Reform
- Tasmanian Freight Equalisation (TFES) for domestic freight
- Tasmanian Freight Equalisation (TFES) extension for other markets (International) 2016
- Infrastructure Investment

Member organisations of the Tasmanian Logistics Committee include:

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| • Tasports | • Port of Melbourne |
| • SeaRoad | • Net Sea Freight |
| • Statewide Independent Wholesalers | • TasRail |
| • Fonterra | • Agility Logistics |
| • Australian Maritime College | • Tasmanian Transport Association |
| • Bell Bay Aluminium | • Norske Skog |
| • Tasmanian Chamber of Commerce | • Tasmanian Minerals and Energy Council |
| • Hobart Airport | • Launceston Airport |
| • RDA Tasmania | • OOCL |
| • Harvest Moon | • ANL |
| • Tasmanian Agricultural Productivity Group (TAPG) | • Department of State Growth |

The members of the RDA Tasmania Committee and the Tasmanian Logistics Committee hope our submission is viewed in a positive light and we look forward to working with you on these vital issues for Australian Shipping.

For further information regarding our submission, please call Mike Brindley

Yours faithfully

Craig Perkins
Chief Executive Officer &
Director of Regional Development
RDA Tasmania

Brett Charlton
Chairman
Tasmanian Logistics Committee

Submission to the Senate Standing Committees on Rural and Regional Affairs and Transport

Inquiry into the policy, regulatory, taxation, administrative and funding priorities for Australian shipping (2019).

(A.) New investment in Australian ships and building a maritime cluster in Australia

RDA Tasmania (RDA) and the Tasmanian Logistics Committee (TLC) support investment in new vessels that deliver a more cost effective delivery of freight to market.

In the Tasmanian context three operators exist – SeaRoad, Toll and TLine. SeaRoad and Toll are privately owned and operated whilst the T Line is a Tasmanian Government Business Enterprise.

Collaboration

These three shipping services operate independently of each other however they work interdependently assisting each other in times of peak demand (where perishable freight is at its highest level) and adverse climatic events that inhibit normal sailings. In 2016 significant Tasmanian floods impacted normal sailings due to loss of infrastructure. The three shippers worked collaboratively to minimise disruption and ensure freight lines remained open. A more recent example is the collaboration of the three lines to assist as much as possible during the wharf changes in Burnie during January 2019, to accommodate the impending delivery of new Toll vessels. Significant infrastructure upgrades were required which severely restricted port access over a very busy time of the year.

New Investment in Vessels

All three operators have been investing significantly in new vessels to support their respective Bass Strait services. Each are in the process of purchasing two purpose built vessels with a collective value exceeding \$1 billion. These investments have been demand driven as Tasmanian exports increase in volume to mainland Australian and overseas markets. This increasing demand is expected to continue in the next decade therefore the requirement for larger vessels to support Tasmanian exporters with improved capacity is essential. The growth in the freight task in 2018 was trending at around 6% as opposed to previous growth years of around 2%.

Industry working with Government and Educators

The Tasmanian economy requires a cost efficient and reliable shipping service to grow and maintain market share. As Australia's only island state, Tasmania does not have a choice but to source and support the shippers who provide these services. Government at State and Commonwealth level has a role to play to provide a stable legislative and regulative operating environment so that business confidence is maintained and consistent outcomes are achieved.

This is achieved through regular engagement between government and industry in line with ongoing review and enhancement of regulations as required.

Similarly the Australian Maritime College (AMC) at the University of Tasmania has a role to play in training and educating tomorrow's logistics specialists who will be responsible for delivering the next phase of innovation to freight movements and port development through improving technology and infrastructure design.

Recommendations:

- Investment in Australian ships and localised shipping services will occur when the demand for these services exists (business case) and there is incentive for Australian shippers to invest.
- Government has a role to play in providing a secure and stable regulatory environment for Australian shippers (not onerous and complex) that provides the opportunities for fair and equitable trade and competition.
- Educators need to develop tertiary education outcomes for tomorrow's workforce in order to maintain and enhance industry efficiencies and a competitive advantage with the rest of the world.

(B.) the establishment of an efficient and commercially-oriented coastal ship licensing system and foreign crew visa system

In a previous research paper (Annexure A) and advice document to the Deputy Prime Minister (Annexure B), we provide an industry collective viewpoint on Coastal Shipping considerations for Tasmania.

We refer the Senate Standing committee to these documents for further information and reference on this issue.

(C.) The interaction with other modes of freight transport, non-freight shipping and government shipping

Tasmania enjoys a multimodal freight service - road, rail and shipping work together out of necessity to move a diverse freight task daily. Tasmania exporters require a cost effective and reliable service from "door to door". These services comes at a cost, however government, through the "Tasmanian Freight Equalisation Scheme", provides a mechanism to help alleviate any cost disadvantage (when compared with mainland costs).

Road and Rail

Tasmanian roading infrastructure has been the recipient of significant investment in the last 4 years with improved passing lanes and access for larger B Double trucks and trailers.

The investment of \$400m in 2014 for the Midland Highway upgrade has provided improved access for all vehicles and reduced travel times and this has help reduce operator costs. Similar investments are expected to improve the Launceston to North West coast networks commencing in 2019.

Additionally, TasRail has received significant Commonwealth funding which has resulted in improved line access and new locomotives helping to move larger freight volumes quicker with less derailments and hindrance.

Port Infrastructure

TasPorts, a Tasmanian Government Business Enterprise, recently released its long term masterplan which included a vision to improving the port infrastructure of Tasmania's major ports. This plan, when realised, will improve port access for the existing fleet of Tasmania flagged vessels and those of overseas operators who provide ancillary services to international markets.

Additionally the burgeoning cruise ship market and resulting visitations to Tasmania will be accommodated more easily with improved access to berths without adding to congestion.

This investment will further improve freight movement efficiencies and provide a platform for the potential adoption of new technologies including autonomous vehicles and intermodal access into the future.

Tasmanian Shipping

The Tasmanian shipping service is provided by SeaRoad, Toll and TTLine. SeaRoad and Toll are privately owned and operated whilst the TT Line is a Tasmanian Government Business Enterprise.

The majority of the freight service is provided by SeaRoad and Toll who are privately owned with the TT Line providing passenger movement on their vessels "Spirit of Tasmania 1 & 2". These combined services work in a collaborative manner and each service offers support to the others in time of need including peak season constraints (where perishable freight is at its highest level) and adverse climatic events or infrastructure failing.

Recommendations:

- Freight supply chains will only be as efficient as the key stakeholders will allow through increased investment and willingness to adopt new methodologies and innovation.
- Any long term strategic planning should include the input of all key stakeholders including government and should also be flexible to incorporate new technologies, innovation and market driven change.
- Sharing long term objectives and acting in the best interests of the freight industry is the best way to foster collaboration.

(E.) Environmental sustainability

Low Sulphur Fuels

With a global move towards low sulphur fuel in the coming years, there is a renewed focus to ensuring freight movement occurs with minimal environmental consequence. This includes road transportation with newer trucking fleets providing more fuel efficiencies and fewer emissions.

In Tasmania the SeaRoad Mersey II is one of the first vessels in Australia to adopt the use of natural gas as an alternate to existing shipping fuel. This fuel has fewer emissions than the current available shipping fuels and is comparative in cost. This innovative approach to environmental sustainability is expected to be adopted by other shippers in the future.

Additionally it is anticipated the two new Toll vessels will have similar capabilities to convert to natural gas making the Tasmania shipping vessels amongst the most efficient in Australia.

Low sulphur fuels will be adopted by the global shipping fleet in the coming years and they will be more expensive with the cost expected to be passed onto the end user. Unfortunately the cost of exports and imported goods will be adversely affected by this cost escalation and in turn this will impact inflation and economic outcomes in the short to medium term for Australia and many trading partners.

Electric vehicles, hybrid technology and autonomous driving

Technological advances in the development of electric vehicles, hybrid technology and autonomous driving continue and it is likely combinations of these will become mainstream in the freight and logistics sector with the decade.

Whilst timeframes for specific adoption is uncertain, the rapid development of workable electric vehicles, hybrid vehicles and vehicles without any human element (driverless) appear close to hand and the efficiencies they will respectively deliver will be significant.

Recommendations:

- Cost of shipping will increase as low sulphur fuels are adopted so government and industry should consider appropriate contingency in anticipation
- Road freight transport companies can offset fuel costs through newer vehicle fleets and technology
- Government can expedite the move to electric vehicles, hybrid technology and autonomous driving through incentives and financial support programs
- Electric vehicles, hybrid technology and autonomous driving technology will help reduce fuel costs and deliver better pricing for exporters and should be adopted when pricing becomes realistic.

(F.) Workforce development and the seafarer training system

The Australian Maritime College in Launceston (AMC) has provided tertiary education offerings for under graduate and post graduate students for many years. The AMC provides a vital component of learning that supports not only the Tasmania freight and logistics sector but also mainland Australia and overseas.

In order for Australia to be able to compete globally, access to market is a necessity that needs to be secured and maintained. Without this access and due to Australia's location, any future trade opportunities would be severely inhibited to the point of unviability.

Training the future freight and logistics specialists for our industry is a responsibility that the AMC recognises therefore many AMC freight and logistic course offerings are designed to provide theoretical and practical application to ensure a "rounded" education outcome.

To this end, the TLC host an annual freight forum at the AMC which involves students participating in the information sessions provided by local and overseas industry experts.

Recommendations:

- Education provided by Australian Universities and Maritime colleges need to be accessible and relevant
- Government can assist by providing resource to Australian Universities and Maritime colleges to improve facilities as required.
- Industry must do its part to support student engagement and academic attainment through engagement and practical assistance

(G.) Port infrastructure, port services and port fees and charges

Port Infrastructure

With shipping vessels increasing in size (both domestically within Australia and internationally) there are renewed pressures on Australian ports to improve their port facilities including docks and intermodals. These improvements come at a cost and these costs have changed from the previous method of increases in port and terminal charges to the recovery of charges through external sources – IE: stevedores and terminal operators charging infrastructure surcharges.

Unfortunately there are limits on some Australian ports as to how much they expand into the future. In the case of the Port of Melbourne, the port itself will only be able to expand within the confines of available land within the Melbourne port precinct and eventually it will reach its maximum capacity, although it is acknowledged that there is significant planning and review focus in this area by Port of Melbourne.

Therefore long term strategic planning between government, shippers and the port authorities (within Australia) is crucial to anticipating these constraints and developing contingency to alleviate them in the long term.

Port Services

Tasports – the Government Business Enterprise operator of Tasmanian Ports continues to refine its service delivery to Tasmania and international shippers and port operators. At present Tasports provide port facilities for Tasmanian shippers, bulk international carriers, cruise ships, commercial fishing fleets and recreational boat users throughout the state.

Maintaining these services is a significant financial expense and Tasports are undertaking a continuous improvement model of port development (through its masterplan) to maintain and improve Tasmanian facilities- in line with need and demand from users.

Into the future, it is expected that Tasmanian port facilities will need to expand in line with the anticipated increase in exports “off island”. Any future investment in these facilities will be driven by public and private funding, on an evidence based measure, in line with long term market demand.

Port Fees and Charges

Tasmania is the only island state in Australia and is therefore heavily reliant on a cost effective shipping service to support its economy. It cannot be overstated that any impediment or disruption to these services has flow on detrimental “ripple” effects within Tasmania business.

Port charges and ancillary costs are a cost to Tasmania exporters to use freight services however any cost increases in this regard, left unabated without any regulation or scrutiny, can leave Tasmanian exporters with a significant cost disadvantage (when compared with mainland exporters) without any viable alternative.

Port of Melbourne charges have been capped for the foreseeable future (in line with the 15 year lease arrangements) however stevedore operators have chosen to impose their own “infrastructure fees” as a means of recovering costs.

These fees have increased considerably with DP World increasing its container fee to \$85.30 (January 2019). Additionally the other stevedores (Patricks and TICT) have also followed this course of action increasing their fees.

DP World - Melbourne

Date	Existing Fee	New Fee	Rate of increase
14 April 2017	\$3.60	\$32.50	900%
1 January 2018	\$32.50	\$49.20	51%
1 January 2019	\$49.20	\$85.30	73%

Source: <https://www.fullyloaded.com.au/industry-news/1809/dp-world-charge-increase-sparks-new-outrage> 27th September 2018

Left without any contractual or regulatory oversight, these charges have left Tasmania increasing susceptible to loss in market share and poorer economic outcomes due to an inability to remain competitive in overseas markets. In the greater context all exporters within Australia now face these increased costs which impact productivity and resulting profitability with flow on effects into ongoing industrial competitiveness and employment.

Ultimately unreasonable costs (and resulting increases) in any form are unacceptable and the responsibility of reigning in these practices falls to government to act. Without swift and direct action, Australian economic performance will suffer and this in turn could potentially lead to job losses in major industry sectors and loss of market share internationally.

Recommendations:

- Port infrastructure planning with all key stakeholders is crucial to ensuring that Australia's port facilities are maintained and improved in line with need and demand
- Legislative and regulatory action is required to protect against any unreasonable cost increases by port operators (domestic or international) that pose a long term liability to Australia's economic performance and competitiveness with its international trading partners.
- Tasmania should be considered in any national infrastructure planning as Australia's only island state and be protected accordingly

(H.) Any related matters. –

Coastal Shipping Reform – Considerations for Tasmania.

Attached is a report prepared in November 2016 to provide a balanced understanding of the issues surrounding this issue for Tasmania (**Annexure A**).

In addition to this report, attached is a briefing document for the Deputy Prime Minister provided in 2018 to further communicate collective industry understandings on this issue (**Annexure B**).

Tasmanian Freight Equalisation Scheme (TFES) – Case Studies Report

The continuation of the existing TFES and the expansion in 2016 to include other markets has provided significant support for Tasmanian exporters. The attached Case Studies report (March 2018) is attached to provide evidence of the positive impacts of the TFES for Tasmanian exporters and the Tasmanian economy (**Annexure C**).