

# Briefing Note (Formal Request for Consideration):

## Coastal Shipping Reform – Considerations for Tasmania

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This Formal Request for Consideration has been prepared by Regional Development Australia (RDA) – Tasmania Committee in consultation with the Tasmanian Logistics Committee (TLC).

### Key Points:

#### ***Current operating environment***

- Tasmania's has a total reliance on a cost effective, reliable and regular shipping service due to its coastal isolation from the mainland.
- Presently, domestic and international transshipment of freight between Tasmania and Melbourne is serviced by Australian shippers with Australian flagged vessels that are locally crewed. SeaRoad, Toll and TT Line provide the majority of these services. All Tasmanian shippers have committed to substantial investment in new fleet operations.
- The investment by the Tasmanian shippers to significantly expand their freight capacities will provide long term economies of scale savings for Tasmanian exporters and future proof Tasmania's expanding and diverse freight task.
- SeaRoad and Toll have their own "In House" logistics operations employing significant numbers of local Tasmanian truck drivers, stevedores and logistics specialists throughout the state.
- MSC (Bell Bay) and Swire (Hobart) provide a periodic international service provision to Tasmania as a stopover for a larger international service.
- Some bulk shipping of raw materials is undertaken to and from Tasmania with foreign flagged shippers providing the majority of these services.

#### ***Potential changes to Coastal Trading (Revitalising Australian Shipping) Act 2012***

- Potential relaxing of the cabotage rules to allow foreign flagged shippers to compete domestically may influence prices in the short term, however in the longer term this may prove detrimental to the local Tasmanian based shippers who cannot sustainably compete on price.
- Freight rates for the foreign flagged shippers will be determined on lower wages for crew and larger international fleet operations (economies of scale) which in the short term may deliver cost reductions to producers, may create unfair advantages in the marketplace when compared to the local shipping option.
- Potential exit of local shippers who cannot compete from the marketplace leaves Tasmania susceptible to the whims of the international shipping companies who have not previously viewed the needs of Tasmania as their prime concern or responsibility when considering their long-term business models.
- Additionally, foreign flagged shippers may target profitable or lucrative Tasmanian export contracts to maximise short term profits in lieu of longer-term market presence.

#### **Recommendations for Government**

Establish a legislative framework that:

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1. Allows both Tasmanian based shippers and foreign flagged shippers to compete on a “level playing field” so that competition is fair and based on price and to maintain the integrity of the market by retaining the current provisions of the Coastal Trading Act 2012.
2. Allowing bulk shipping relief where there is no local Tasmanian shipping provision, allow targeted cabotage relief for foreign flagged shippers so that freight rates are competitively priced to support Tasmanian exporters.

Regarding coastal shipping for Australian Mainland ports, where there is no investment in Australian owned coastal trading vessels, it is recognised that a relaxing of the cabotage rules can support the growth of Australian domestic trade. This will support a more competitive process for the carriage of goods between mainland ports of Australia and in turn, Tasmanian businesses would benefit by way of feeding into these services if established.

### Regional Development Australia- Tasmanian Committee

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. All committee members provide qualified advice based on local knowledge and industry experience to government on issues of significance including:

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

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By way of example, the TLC has provided advice to Tasports on its port masterplan strategy and is a current member of the Australian Government's Department of Infrastructure – National Freight and Supply Chain Strategy reference group to provide advice on Tasmania's current and future freight task.

Member organisations of the Tasmanian Logistics Committee include:

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

*-Attached      Annexures A      Coastal Shipping Reform - Considerations for Tasmania 2016*

*Annexure B      Tasmanian Trade Data – Port of Melbourne June 2018*