



Gypsum Resources Australia Pty. Limited

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20 August 2015

Rural and Regional Affairs and Transport Legislation Committee
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Senate Standing Committees on Rural and Regional Affairs and Transport
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Submission: Shipping Legislation Amendment Bill 2015 [Provisions]

1. Executive Summary

Gypsum Resources Australia Pty Limited (GRA) the 50/50 Joint Venture between leading Australian building material companies CSR and USG-BORAL is a significant user of Australian coastal ships and is Australia's largest supplier of industrial gypsum for use in plasterboard and cement.

The cost of shipping from the South Australian regional port of Thevenard to customers around Australia makes up the majority of GRA's cost base. Being competitive in shipping is fundamental to GRA's overall competitiveness. Whilst GRA pays Australian coastal shipping rates, our competitors use foreign flagged ships and where GRA does not win the business, it is often down to the cost disparity of Australian coastal shipping versus foreign flagged shipping.

GRA seeks a level playing field for the users of Australian coastal shipping versus each other and versus import substitution. The proposed Shipping Legislation Amendment Bill 2015 [Provisions] goes a long way towards achieving that objective and will improve GRA's competitiveness versus import substitution thereby keeping jobs in Australia. However, it is notable that the proposed "183 day" conditions penalise GRA versus other lower volume domestic shippers of gypsum by imposing higher cost conditions on GRA for being a higher volume user of dedicated vessels for its coastal shipping services.

2. GRA's Credentials

2.1. GRA Business

- GRA is a significant user of Coastal Dry Bulk Shipping. GRA is estimated to generate 10% by tonnage of the coastal dry bulk shipping market in Australia.
- GRA's business is mainly a logistics business involving a low value product (gypsum), which is mined in regional South Australia at the "front end" of the logistics chain.
- Approximately 100 people are employed in GRA's mining and distribution operations.
- Gypsum is a key input material for the manufacture of Plasterboard and Cement. The Plasterboard industry in Australia is principally supplied by USG BORAL, CSR, KNAUF and to a lesser extent BGC.

2.2. GRA's Competitive Predicament under the current Act

GRA's competitiveness in the Australian Gypsum Market is largely dependent on the competitiveness of its coastal shipping services. If GRA is competitive in sea freight then it is likely to win the business. There is no other factor in GRA's cost of doing business that is as significant as shipping and it regularly determines whether or not GRA will be competitive enough to win sales.

A vessel with a general licence (GL) under the Coastal Trading (Revitalising Australian Shipping) Act 2012 (the current Act), compared to a temporary licence (TL) vessel or a foreign vessel, is usually uncompetitive on rates and only becomes competitive when the temporary licence or foreign vessel has a significantly longer distance to travel.

As GRA is forced by the current Act to use a GL vessel it often loses the business when, as generally is the case, its competitors for gypsum business use, as they are free to do, a foreign vessel with imported gypsum or if they use a TL vessel, as they are free to do if current General Licence holders do not object in accordance with the current Act.

Whilst GRA's FOB (Free on Board) Gypsum cost and associated pricing is competitive with its competitors it has often been unable to compete in the Australian domestic gypsum market due to the uncompetitive GL shipping rates which it is required to use under the current Act.

In February 2014 GRA applied for, and was subsequently denied, a temporary licence (TL) to enable it to compete for gypsum sales in Brisbane. The dominant factor in the denial was an objection by a GL holder to the granting of a TL to GRA. The denial of the licence rendered GRA's tender for the work uncompetitive. These customers were lost to Thai and WA gypsum which were transported on international vessels. Neither GRA nor the GL holder benefited.

Thus GRA suffers three particular injustices in the system of shipping under the current Act:

- **Uncompetitive rates.** GRA is compelled to use GL vessels but which on a daily basis are usually four times the cost of TL or foreign vessels.
- **Preference for competitors** who can use TL vessels because GL holders do not object.
- **Preference for gypsum importers** who are at liberty to use cheaper foreign vessels.

3. GRA's Position on Shipping Legislation Amendment Bill 2015 [Provisions]

GRA broadly supports the Shipping Legislation Amendment Bill 2015 [Provisions] and considers it an important development in remaining competitive versus gypsum import substitution. It is important that the impact of these changes are not iterated away, particularly as the "183 day" conditions already lock in significant cost for dedicated coastal vessels (GRA understands this is approximately \$1-2 Million per vessel per year).

GRA supports the following attributes of the Shipping Legislation Amendment Bill 2015

- It creates the freedom to choose between shipping providers and eliminates artificial preference. In other words it moves toward competitive neutrality between Australian and international shipping providers. This will bring other vessel operators into coastal trading and thus encourage the development of a competitive, sustainable shipping service on the Australian coast.
- The Bill will facilitate innovative and diverse shipping operations and lower cost coastal shipping. The restoration of freedom to coastal shipping will, it is submitted, bring growth and prosperity to the Australian coastal sector and thus encourage development of an adequate, skilled and productive maritime workforce.
- Does not diminish current safety, environmental and security standards for coastal shipping.

I would welcome the opportunity to clarify or expand on this submission.

Yours sincerely

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