



**Cement Industry Federation Submission:
Response to Coastal Trading (Revitalising Australian
Shipping) Amendment Bill**

November 2017





Overview

The Cement Industry Federation (CIF) represents Australia's integrated cement manufacturers that are highly reliant on coastal shipping to move their inputs, intermediate and final cement products to market around Australia – namely, Adelaide Brighton Ltd, Cement Australia Pty Ltd and Boral Ltd. Rail and road are usually not an option due to volume of product that is required to be moved.

As an import competitive industry, if international competitors can produce clinker cement at a lower cost over time, domestic production will be replaced with imports, mainly from Asia. Since 2012 there have been integrated cement plant operations suspended in Western Australia, Victoria and New South Wales – one of the key reasons for reduced dry bulk coastal shipping demand in Australia and the number of coastal vessels required.

It is therefore critical that the proposed amendments to the ***Coastal Trading (Revitalising Australian Shipping) Act 2012*** are supported to address some of the unnecessary regulatory and administrative inefficiencies the Act has imposed.

Australia's cement manufacturing facilities are located in Tasmania, New South Wales, South Australia and Queensland with an annual turnover of over \$2 billion. The industry has over 1,000 highly skilled employees, with thousands of downstream jobs further associated with the cement industry.

As a critical building and construction material, Australia's cement manufacturing plants are often described as strategic assets, as they are critical in supporting the nation's core infrastructure requirements such as roads, bridges, buildings and family homes.

The Australian manufacturing sector emphasises three essential outcomes for shipping users from the regulation of coastal shipping:

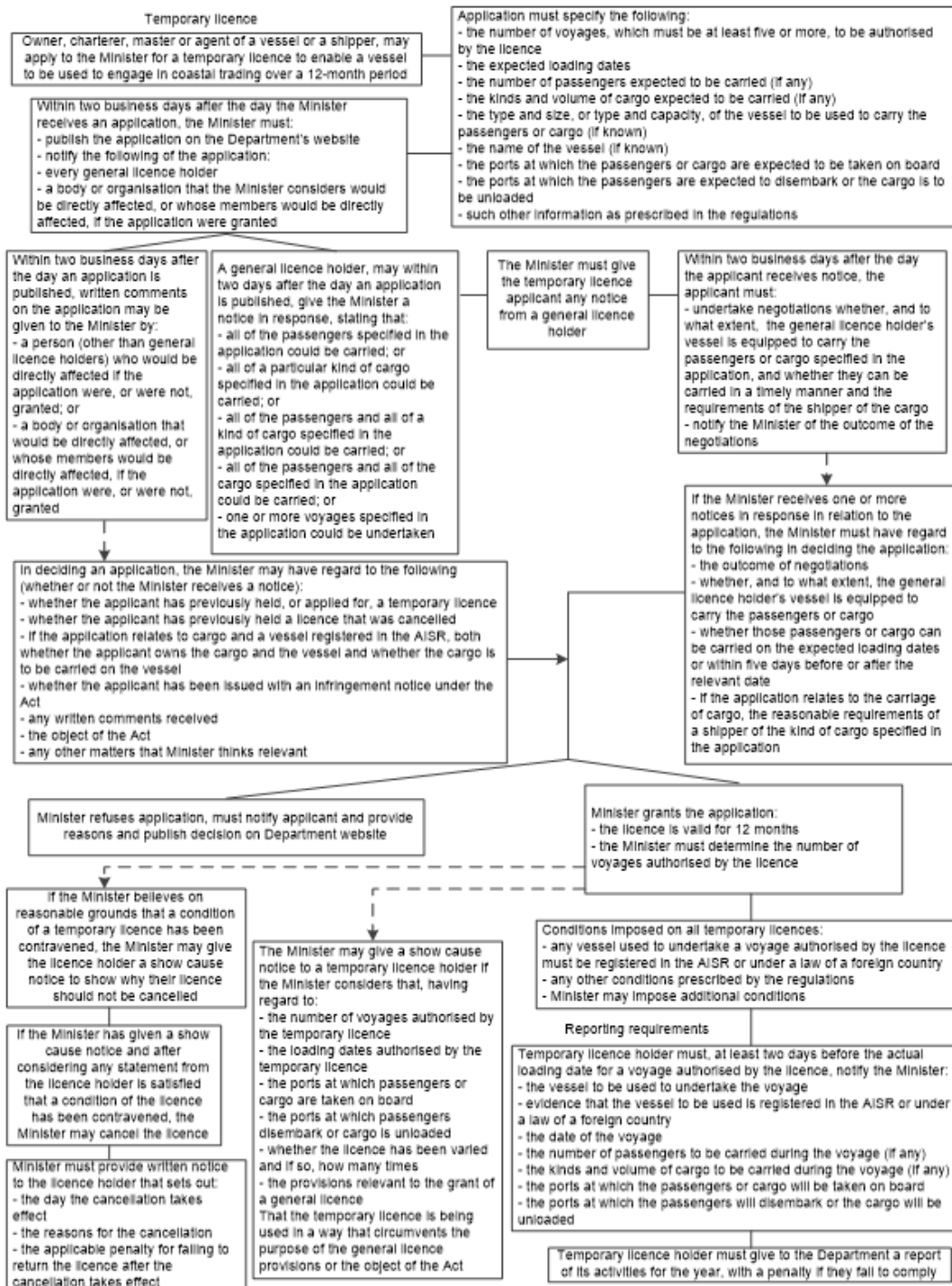
- The provision of coastal shipping services that are competitive with those available internationally. Cost is a critical component of the value proposition, however, it also includes timeliness, flexibility and availability amongst other factors;
- A regulatory regime that allows shipping to be managed within modern business constraints – this includes the ability to promptly and predictably alter shipping arrangements at short notice in response to operational, market and emergency factors; and
- Sufficient open competition in the shipping market for customers to be confident that the value proposition on offer can be maintained.

As a result, the Cement Industry Federation strongly requests the Committee support the *Coastal Trading (Revitalising Australian Shipping) Amendment Bill 2017*.

This Bill mainly relates to increasing flexibility in how freight is moved around Australia's coastline and reducing the administrative cost burden. These proposed changes are welcomed as the current coastal shipping cabotage arrangements are far from simple and transparent as seen in Figure 1.



**Figure 1: The temporary licensing process for eligible vessels to engage in coastal trading¹
- Under the *Coastal Trading (Revitalising Australian Shipping) Act 2012* (Cwlth)**



¹ Productivity Commission 2014, Tasmanian Shipping and Freight, Report No. 69, Inquiry Report, Appendix C, p.C.12, Canberra

- this Appendix provides an excellent overview of the burden associated with Australia's current cabotage arrangements for coastal shipping and it is highly recommended that the Committee refer to this analysis.



Detailed Comments

1. Remove the five-voyage requirement for a temporary licence (TL)

This proposed amendment is supported by the Cement Industry Federation to ensure both single and multiple voyages under a temporary licence can be applied for to meet business requirements. Under the current coastal shipping regulatory regime a TL cannot be obtained for a single voyage. This policy has led to:

- An unnecessary and costly administrative burden associated with revising paperwork to vary voyages within the initial licence multiple times to manage the commercial reality of moving freight that is not always predictable;
- Rules out the option to 'spot hire' at short notice – for example, one of our members recently had to apply for a five-voyage licence to move a single shipment of inputs to its manufacturing plant. By the time the administrative requirements were completed, the vessel was no longer available due to the time delays associated with the current licence requirements. The five-voyage requirement leads to unwarranted supply chain inefficiencies within the cement manufacturing sector.
- Rules out the efficient use of international vessels for single voyages at the end of an international voyage or 'one-off' shipments.

2. Streamline the licencing process where no General Licence (GL) vessels are available

It is pointless to make it compulsory to consult GL holders and other stakeholders if it can be demonstrated that there are no GL vessels capable of carrying the proposed product. The CIF strongly supports this amendment.

3. Licence variations

The current Act refers to two types of allowable licence variations:

- **'Authorised matters'** - a change to a loading date or volume on an existing planned voyage; and
- **'New matters'** – authorising an entirely new voyage on an existing TL.

The Cement Industry Federation strongly supports the proposed amendment to replace these two types of licence variations with a single TL variation provision and with a shorter consultation period.

This amendment would reduce any dispute that may arise of whether a change to a voyage is an 'authorised' or 'new' matter. One of our member companies was recently required to move some freight from one Australian port to another and a vessel was identified that had 'three spare days'. The opportunity was lost as the administrative arrangements surrounding the licencing arrangements could not be processed in time due to legislative requirements.

4. Amend the tolerance provisions

Loading Dates

Amending the limits for loading dates from 5 to 30 days before or after the authorised loading date on a temporary licence is a critical amendment as the current legislative requirements make it close to impossible to allow for late changes to be made.



The current loading provision disregards the needs of Australian cement manufacturers to ensure their inputs and products can be available as required to operate a business efficiently and effectively in Australia.

Amend volume tolerance limits

The proposed amendment to volume tolerance limits would allow our industry to make decisions based around best logistical and business arrangements. As noted in the Regulation Impact Statement (see page 11) relating to the Amendment Bill, the current 20 per cent tolerance limits linked to the current licence process have led to significant breaches of the legislation as they do not reflect industry's operating model. It is a 'common sense' amendment to change the restrictive volume tolerance limits currently linked to the temporary licence framework.

5. Two tier licence regime

There are currently three tiers of licences: General Licences (GL), Temporary Licences (TL) and Emergency Licences (ELs). Simplifying the coastal shipping framework to incorporate emergency provisions within the GL and TL tiers is a 'common sense' change when there have been no EL licences requests since the Coastal Trading Act 2012 was implemented nearly five years ago. It makes sense to allow GLs and TLs to be granted in certain emergency situations.

6. Dry-docking and other proposed amendments

The drydocking and other amendments are supported by the CIF as they clearly simplify the required administrative processes and reduce the current regulatory burden imposed under the current *Coastal Trading Act 2012*.

Further contact

Thank you for the opportunity to provide the above comments. Further details about the Cement Industry Federation can be found at www.cement.org.au.