

**INQUIRY INTO THE PROVISIONS OF THE COASTAL TRADING
(REVITALISING AUSTRALIAN SHIPPING) AMENDMENT BILL 2017
PORTS AUSTRALIA SUBMISSION**

Ports Australia is pleased to respond to an invitation by the *Inquiry into the Provisions of the Coastal Trading (Revitalising Australian Shipping) Amendment Bill 2017*, on the coastal shipping initiatives proposed by the Minister for Infrastructure and Regional Development. We have detailed below our modest support for the initiatives, as previously provided to the Minister.

Ports Australia is the peak industry body representing port authorities and corporations, both publicly and privately owned, at the national level. Ports Australia is governed by a Board of Directors comprising the CEOs of eleven Member port corporations.

Ports Australia works closely with the Government and its agencies on the development and implementation of policies and regulatory settings that will facilitate the safe and efficient operation of our ports and ensure that they have the ability to develop their capacity to meet Australia's freight task.

Ports Australia Position

The coastal shipping sector has been characterised by a dual policy failure that has seen firstly the stagnation of the coastal shipping task and secondly the decrease of Australian licensed ships in our coastal trades. Current policy has not "revitalised" Australian flagged shipping and has little prospect of doing so.

Data provided by the Bureau of Infrastructure, Transport and Regional Economics (BITRE) shows that between 2004/05 and 2013/14 both the weight of coastal cargo and the coastal freight task in tonne/kilometre terms remained static¹. The task has been essentially pared back to freights where there is no viable alternative namely iron ore out of the Pilbara, Bauxite out of Weipa, NW Shelf oil and Bass Strait freight. The most recent BITRE data shows that Australian ports handled 101.3 million tonnes of coastal freight during 2014–15, a 2.9 per cent decrease on 2013–14 and an average annual trend decline of 0.4 per cent over the five years to 2014–15².

The Coastal Trading Act has also failed to deliver some of its key goals including to "contribute to the broader Australian economy" and to "promote competition in coastal trading". The effect of current legislation is that the movement of coastal freight is uncompetitive with the movement of international freight. The high cost of coastal shipping has resulted in disadvantaging Australian producers and manufacturers attempting to sell domestically because many imports are cheaper than moving freight between domestic ports. As a result, the current coastal shipping policy settings have significantly contributed to the deleterious impact on some industries (e.g. automotive and manufacturing).

Where the alternative is that moving freight between domestic ports is cheaper than international freight movement, high shipping costs resulting from current policy settings has led to consumers and business paying significantly higher prices than they should have to.

¹ Australian Sea Freight 2013-14

² Australian Sea Freight 2014-15

Given the various issues highlighted above, the Government should in the near future look at further, more meaningful reforms to coastal shipping.

The Minister has invited industry to comment on what is essentially a tweaking of the existing arrangements while “retaining the basic structure of the current regulatory regime...”, to ensure that arrangements work better following input from industry users of the scheme.

We support the Government initiating an ongoing conversation with industry on a “sustainable approach” to coastal shipping regulation. We are of the view that the changes proposed are minor and will do little to increase the coastal shipping task. However, Ports Australia supports the measures in the *Discussion Paper* which are designed to introduce greater flexibility and efficiency into the existing policy setting.

Consistent with the Government’s small steps towards improving coastal shipping, Ports Australia considers that the Government could analyse the effectiveness of exempting uncontested segments of the shipping sector from current coast shipping policy , e.g. container vessels, pure car carriers, heavy lift and break-bulk. We understand that the number of commercial vessels over 110 meters in length on the Australian Shipping Register that could be used for coastal shipping is less than 20. The precedent already exists – the Minister uses his powers to exempt cruise ships greater than 5,000 GT from the current policy settings given the lack of domestic competition.

Proposed Amendments to the Act

Regulation, at least short to medium term, should be directed at ensuring the safety of vessels visiting our ports, the welfare of their crews, introducing efficiencies in the existing system, and not at further restricting access which is the effect of current policy. The proposed amendments to the Coastal Trading Act will potentially bring about efficiencies in the existing system and make it easier for ship operators to plan and undertake voyages around Australia.

These proposed changes are a good first step in reducing the regulatory burden on shippers intending to undertake voyage on the Australian coast. Improved reporting arrangements through proposals such as amending the tolerance provisions and amending the voyage notification requirements, will create greater flexibility in managing shipping operations. Other overdue proposals such as allowing for dry docking without being subject to the Customs Act, are pragmatic and will improve the coastal regulatory framework.

These proposed changes are supported by our Members as they are likely to generate improvements in the current policy setting, but will not necessarily increase the overall coastal shipping task and accordingly ports will not be planning alterations to the management of their operations. Similarly, our consultation with associations such as Maritime Industry Australia (MIAL) and Shipping Australia (SAL) suggest modest support for the proposed measures given that it is unlikely to increase the overall coastal shipping task.

Workforce Development & Funding

Ports Australia has been an active and supportive participant in initiatives directed at the development of Australian maritime skills and seafarers which is of strategic importance to the Australian port community as well as other stakeholders in the maritime industry. Our Members have a compelling interest in the formulation of strategies that promote further development of a well-trained and sustainable Australian maritime workforce. This includes opportunities to further develop their capabilities by securing employment opportunities on ships.

The proposals put forward by the Minister are aimed at increasing the size of the domestic maritime workforce and their skills. However, the proposals fail to address the sustainability of the workforce given the lack of employment opportunities after the implementation of upskilling schemes. Put simply, a levy (including rebadged as payments from ship owners equivalent to wages normally paid to foreign seafarers under Part B of the Seagoing Industry Award 2010), could potentially fund training support schemes and limited berths for the Australian maritime workforce, but will not be able to provide sufficient employment opportunities for trained mariners. This is only possible if there is an increase in vessels coming through our ports which, given the lack of Australian flagged vessels, means providing foreign flagged vessels with greater access to Australian ports.

Ports Australia is happy to engage in the proposed initiatives by the Government if there is sufficient foresight in building the long term capabilities of Australian mariners. Our Members are at the coal face in understanding the issues faced by Australian mariners and are cautious about revisiting short term initiatives that are likely to result in stagnant employment outcomes for the Australian maritime sector.

Ports Australia was previously an active participant in the Maritime Workforce Development Forum established in 2012, which made some very good progress on gaining an understanding of future workforce needs and on the matter of training berths. When the forum was abolished by the then Government this work languished and industry lost a unique opportunity to continue the development of industry policy on workforce development under its own steam.

We offer the following brief comment on the specific proposals regarding *Potential Seafarer Training Initiative Options*:

1. *Establish an Industry Maritime Workforce Skills and Training Reference Group*

The proposal is supported on the basis that an industry/government forum on maritime workforce development and requirements should, in our view, be given every chance of success. The proposed group should be inclusive with careful thought applied to governance arrangements. We would for example see the appointment of an independent chair as ideal. The previous forum was chaired by a former highly experienced civil servant who brought focus and impartiality to the table, and whose appointment was material to the effective operation of that body.

2. *Implement a government maritime training support scheme*

This proposal is supported. An innovative scheme such as established in the United Kingdom for the training of seafarers should be considered integral to future efforts to revitalise Australian flagged shipping. It is our view however that it should be accompanied by a meaningful review of the institutional structures and support now present in the maritime training space. Future training requirements should be tailored to an assessment of industry requirements and not to those of the institutions that provide the training.

3. *Develop a public-private partnership arrangement with industry*

We interpret this to mean that the maritime industry, however defined, would be asked to fund training berths and the Government would establish the framework to operationalise such a proposal. The Part B proposal originally put forward in the MIAL green paper should be fully explored. In that respect we note that SAL should be included in this discussion whereas regrettably they were excluded from the previous forum in a situation where they were prepared to bring a conversation about the provision of training berths to the table.

If it is determined that the Part B solution is not workable, and we believe it is potentially problematic, then some sort of industry levy is implied. Ports Australia would see great difficulty in re-introducing this

discussion (following an opportunity secured at the Australian Maritime Workforce Development Forum then lost). At the very least, to gain any sort of acceptance on the part of industry, it would need to be inclusive and accompanied by rigorous governance arrangements. We would not envisage the ports sector being part of any conversation on this matter if, for example, private pilotage companies and other “beneficiaries” were not committed to the arrangements.

4. Introduce a maritime workforce census

The proposal is supported. Such a census was instituted by the previous forum as a necessary pre-cursor to training initiatives and programs but the initiative languished after a promising start.

Ports Australia

13 November 2017