

13 November 2017

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



**AUSTRALIAN
ALUMINIUM
COUNCIL LTD**

PO Box 63, Dickson
ACT 2602

Ph: 6267 1800

info@aluminium.org.au

Email: rrat.sen@aph.gov.au

**SUBMISSION TO INQUIRY:
COASTAL TRADING (REVITALISING AUSTRALIAN SHIPPING)
AMENDMENT BILL 2017 [PROVISIONS]**

Thank you for the opportunity to make a submission to the inquiry into the Coastal Trading (Revitalising Australian Shipping) Amendment Bill 2017 [Provisions]. This submission is made on behalf of the bauxite mining, alumina refining, and aluminium smelting sectors.

As businesses reliant on coastal shipping, we note that the current regulation of coastal shipping creates a range of administrative issues, resulting in substantial regulatory burden.

Position

We welcome and support the proposed Amendment Bill particularly the components that:

1. Remove the five voyage minimum requirement for a temporary licence (TL).
2. Amend the tolerance provisions.
3. Streamline the consultation process where no General Licence (GL) vessels are available.
4. Amend voyage notification requirements.
5. Streamline the TL variation process.

These amendments will provide some reduction in the regulatory burden for shipping users and a resultant increase in the efficiency of the coastal shipping regime.

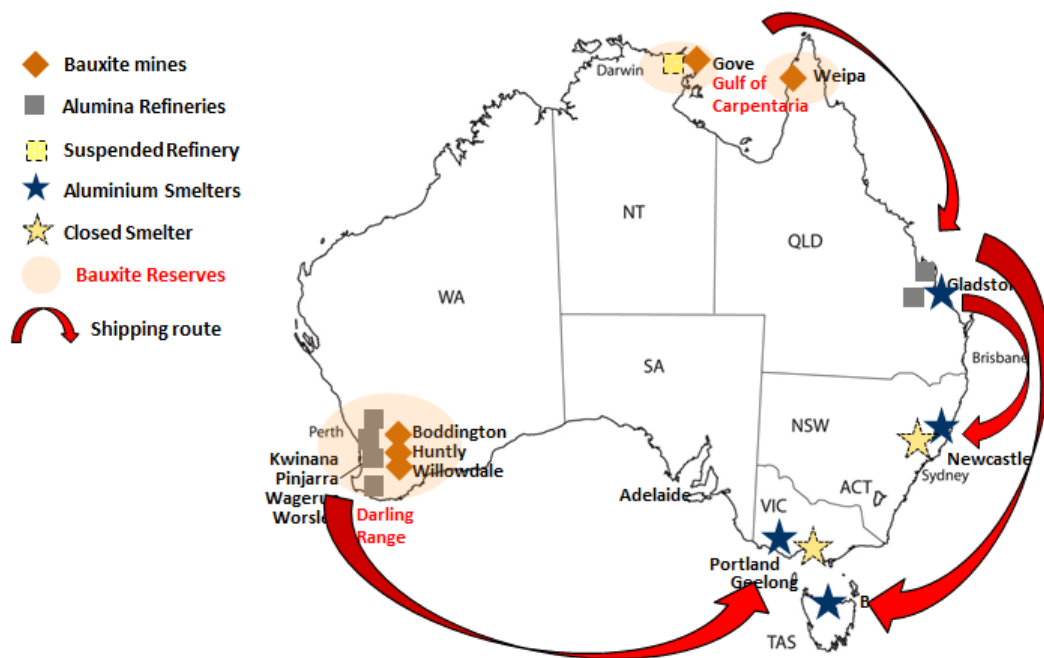
In addition to our support for the proposed amendments as outlined above, we also note the following points in relation to the regulation regime for coastal shipping, but do not view them as sufficient reason for delaying the amendments proposed in the Bill:

- The definition of an 'emergency' should be broadened to encompass any circumstance that risks the ongoing operation or viability of a facility dependent on inputs being delivered via coastal shipping.
- Where the Minister or the Department is required to make a decision or judgement – including issuing or adjusting Temporary Licences (TL) - there should be a requirement to consider commercial factors (including value for money to the party contracting the shipping).

- These proposed amendments should not be seen as the end of the process of reforming coastal shipping and consideration should be given to further reduction in red-tape and increased competition in the shipping market. Future reforms should consider the desirability of facilitating longer term contractual arrangements for shipping services with a mixture of Australian and foreign manning levels.

Background

The aluminium industry directly employs more than 14,000 people in skilled and well-paid jobs. The industry sustains the livelihoods of more than 50,000 households, most in regional Australia. We are responsible for more than \$9 billion of export earnings for the Australian economy and make up a substantial part of the economic activity in regions where we operate including Arnhem Land, Gladstone, south-west Western Australia, Hunter Valley, Cape York, Portland and northern Tasmania.



Source: AAC survey

The Position of the Aluminium Industry

The aluminium industry has a positive global outlook as manufacturing trends continue to move towards more efficient and lightweight transport systems, construction systems and food production chains.

The bauxite-alumina-aluminium supply chain in Australia could have a positive and expansive future driven by rapidly rising global demand for aluminium and Australia's particular strengths; including major high-quality bauxite reserves, energy resources, and a stable investment environment.

However, this positive outlook for the industry is tempered by challenging market conditions in the short term in Australia. A current oversupply and a significant stockpile have led to low aluminium prices for a number of years.

Impact of Current Regulations on the Industry

The Australian bauxite, alumina and aluminium industry relies on shipping as an essential mode of transport in the production supply chain. Vessels are used to transport both bauxite and alumina to refineries and smelters respectively, as well as to carry other inputs that are essential to the operation of the facilities. Interstate shipping may also be the mode of transport used to move the finished product from aluminium smelters. Timeliness of delivery is of great importance to operations, and costs of freight are substantial for the companies involved.

Current regulations on coastal shipping have been ineffective, inflexible and costly to industries that rely on shipping services.

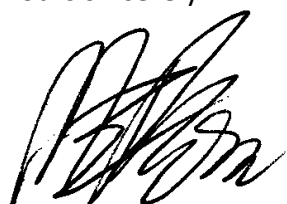
Council members experienced an increase in shipping costs of as much as 100% at the time of the last change to the regulatory regime. The impact of this on our industry was considerable – we have annual interstate coastal shipping requirements of approximately 3.5 million tonnes, with this figure expected to rise significantly in coming years.

Under current regulations, the requirement to apply for a minimum of five voyages under a Temporary Licence and to lock-in loading dates and ports in advance has unfortunately led to situations where alumina supply at smelters reached critically low levels. This would normally be addressed through adjustment of the dates and shipping voyage routes through normal commercial negotiations, but this is unworkable under the current regime.

Changes to regulations would significantly improve the cost-effectiveness and flexibility of shipping for the Australian aluminium industry.

Thank you for your consideration of these matters. If you have any questions regarding this submission, please contact me.

Yours sincerely



MILES PROSSER

EXECUTIVE DIRECTOR

AUSTRALIAN ALUMINIUM COUNCIL

T 02 6267 1800

M 0429 923 605

miles.prosser@aluminium.org.au