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

17 August 2015

Dear Sir or Madam

Re: Shipping Legislation Amendment Bill 2015 [Provisions]

We refer to the Shipping Legislation Amendment Bill 2015 (the **Bill**), which was introduced to the House of Representatives on 25 June 2015 and referred to the Senate Rural and Regional Affairs and Transport Legislation Committee for inquiry and report.

Rio Tinto Bauxite & Alumina is very pleased to be part of the consultation process for this important piece of legislation that is critical for managing the efficiency of the coastal shipping trade for years to come.

Reliable and efficient shipping arrangements are central to Rio Tinto Bauxite & Alumina's supply chain, and shipping represents a large proportion of the costs borne by our integrated business of bauxite mines and alumina refineries. While the majority of Rio Tinto Bauxite & Alumina's shipping activity is intrastate (Weipa to Gladstone along the Queensland coast), and therefore not directly subject to the *Coastal Trading Act 2012* (Cth) (**Act**), the overall regulatory environment for domestic shipping has the potential to significantly impact our business. We have discussed this further below.

Rio Tinto Bauxite & Alumina welcomes the Government's commitment to removing unnecessary regulatory burdens from the Australian shipping industry. Rio Tinto Bauxite & Alumina strongly supports any regulatory measures that promote an efficient, cost-effective and safe Australian shipping environment. This market needs to be made up of many buyers and sellers of shipping services, who are able to negotiate contracts delivering a fair return to both parties, with sufficient flexibility to all parties to manage complex supply chain logistics in a quick, sustainable and cost-effective way.

About Rio Tinto Bauxite & Alumina

The Bauxite & Alumina business unit is headquartered in Brisbane, Queensland. The business's Australian operations include the Weipa bauxite mine on Western Cape York Peninsula, the Yarwun alumina refinery in Gladstone and the Gove bauxite mine in the Northern Territory. Rio Tinto also has an 80 per cent interest in the Queensland Alumina Ltd (QAL) refinery in Gladstone.

The Queensland operations alone employ about 3000 people and are the mainstays of important regional communities. Each year, the operations contribute hundreds of millions of dollars in salaries and wages, in the order of \$70 million in royalties and \$6.5 million in community investments.

Bauxite is mined at Weipa and Gove and is shipped to the QAL and Yarwun plants for refining into alumina. Alumina is transported by conveyor from QAL to Boyne Smelters for

the smelting stage of the aluminium production process. Bauxite and alumina is also shipped to Australasian and international customers.

Rio Tinto Bauxite & Alumina Shipping Operations

Rio Tinto has successfully utilised both owned and chartered large bulk vessels for domestic coastal trade for 50 years. Rio Tinto Bauxite & Alumina's coastal shipping comprises three main activities:

1. Bulk exports and shipments of alumina from the port of Gladstone.
2. Bulk bauxite exports from the ports of Weipa and Gove to Asian customers.
3. Bauxite shipments from the ports of Weipa and Gove to the Port of Gladstone to supply the Rio Tinto Yarwun and QAL alumina refineries.

The first two of these operations mirror those of other large commodity exports from the Australian coast. In respect to the third point above, we note that only shipments from Gove to Gladstone are subject to the Act.

The Rio Tinto Bauxite & Alumina business presently uses both foreign and Australian-crewed vessels as part of its operations. By way of example, in support of the Australian shipping industry, Rio Tinto Bauxite & Alumina utilises four ships with Australian crews, which are owned by Rio Tinto. These ships are dedicated to the Weipa-Gladstone trade, and ensure a stable supply chain as part of the integrated production system discussed above. We note that it is significantly more expensive to operate the Rio Tinto owned Australian crewed vessels, than it is foreign crewed, owned or market vessels.

All vessels operated or chartered by our business are *RightShip* vetted to ensure that they meet the high standards of vessel condition and crew competence that Rio Tinto requires, and to ensure that they conform with requisite Australian and international shipping standards.

The importance of efficient, cost-effective shipping to Rio Tinto Bauxite & Alumina

Shipping is central to Rio Tinto's aluminium supply chain, and as such, represents a large proportion of the costs borne by the integrated business.

The Weipa-Gladstone and Gove-Gladstone routes are a vital part of our integrated production system, where inventory levels are optimised to manage costs and production and shipping variability.

Further, the safe and efficient operation and development of the Ports of Weipa and Gladstone (including the new port to be constructed south of Weipa in conjunction with the South of Embley Project) are also essential to these operations (and in turn, their ongoing contribution to both regional communities and to the national economy). The ability to readily source safe and efficient shipping services within these ports is of equal importance and should be considered as a key element of the business' resource supply chain.

Therefore, any increased charges and/or changes in regulations in relation to shipping are material to our business.

Assessment of the Bill

We note that the system that regulated interstate coastal trade prior to the Act, while similar in form, had a greater degree of flexibility and was substantially less bureaucratic in its operation. In particular, it allowed for the dynamic changes that characterise any supply chain, and catered for genuine emergencies.

Rio Tinto

The current system of Temporary Licences required for interstate transit does neither. It is both administratively cumbersome and lacks a genuine emergency process, which could potentially threaten the production processes in Gladstone. This hypothetical, but plausible, example involves a General Licence holder defaulting just at the time the shipment is needed, leaving the shipper with no recourse to apply for a Temporary Licence, and which is also susceptible to challenge, leading to further delays.

The Rio Tinto Bauxite & Alumina business intends to maintain its current level of company owned and Australian crewed fleet. This approach provides the flexibility required by our business and delivers significant value to our operations.

Accordingly, we strongly support the Bill's proposal to clarify the permitting processes for both Australian and foreign registered vessels, and to remove of the 'notice in response' process from the Act.

While a little short on detail, the proposed permit system appears to represent a simplified permit application process and a sensible method of reducing bureaucracy and enhancing access to competitive international shipping services. This would increase certainty for those using coastal shipping services, but ensure maritime safety and environmental standards are continued to be met. The flexibility suggested by the proposed legislation promises to increase efficiencies, without compromising safety compliance or environmental protections.

Rio Tinto Bauxite & Alumina would seek clarification on how intrastate shipping will be impacted by the proposed legislation, so as to avoid any unintended consequences. There is sufficient ambiguity in the current legislation regarding Customs and Immigration issues to warrant a clear determination of the application that the proposed legislation will have to vessels engaged in intra-state trading.

We have had the opportunity to review and contribute to a submission to be made by the Australian Aluminium Council regarding the Bill, and confirm that we are broadly supportive of the content of that submission.

If you have any queries, please do not hesitate to contact Julia Wilkins

Yours sincerely

Phillip Strachan
President and CEO – Bauxite & Alumina
Aluminium

