



## Toll Group

Submission: Inquiry into the policy, regulatory, taxation, administrative and funding priorities for Australian shipping





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

Dear Committee Secretary

Toll Group welcomes the opportunity to provide a submission to the Rural and Regional Affairs and Transport References Committee's (the Committee) inquiry into Australian shipping.

Australia relies on coastal trading to move 99 percent of its imports and exports, therefore it is in Australia's economic interests to maintain a vibrant maritime industry. We look forward to working with the Committee to develop a suite of policy measures that will help to secure the future of Australian shipping.

Toll Group understands that the Committee's Terms of Reference include:

- a) new investment in Australian ships and building a maritime cluster in Australia;
- b) the establishment of an efficient and commercially-oriented coastal ship licensing system and foreign crew visa system;
- c) the interaction with other modes of freight transport, non-freight shipping and government shipping;
- d) maritime security, including fuel security and foreign ship and crew standards;
- e) environmental sustainability;
- f) workforce development and the seafarer training system;
- g) port infrastructure, port services and port fees and charges; and
- h) any related matters.

The inquiry is an important opportunity to increase awareness among policymakers and build bipartisan support for Australia's coastal trading sector. While this submission provides a general perspective on the issues raised in your terms of reference, we would also welcome the opportunity to discuss our priorities with you directly.

Yours faithfully,

Sophie Finemore  
Senior Manager, Government Relations

**Toll Group**



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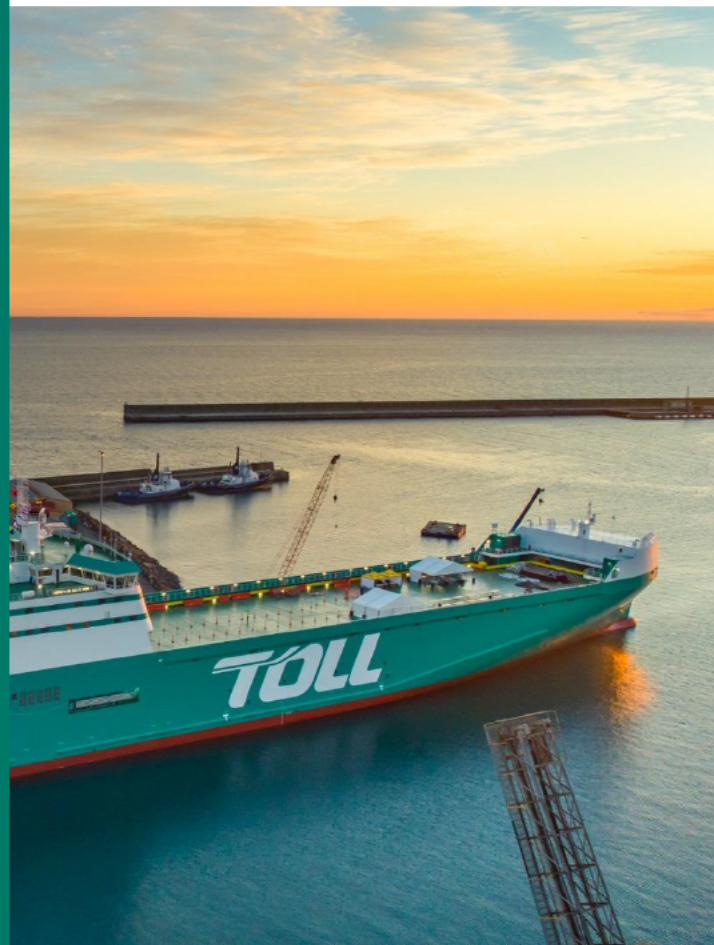
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“..biggest  
private  
investment  
in an  
Australian  
coastal  
trading  
fleet in a  
quarter of  
a century ”



The Hon Scott Morrison, Prime  
Minister of Australia

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# 1. Executive Summary

Australia is a country that relies heavily on sea transport for overseas and coastal trade. A vibrant domestic shipping industry relies on the development and retention of maritime skills, which are critical to our economy.

**We need a regulatory system that promotes, supports and protects investment in the industry. Incentives that 'level the playing field' between coastal shippers and internationally registered vessels will provide certainty so as to underpin the major investment decision behind the procurement of new Australian based vessels.**

Toll Group was active in lobbying the Federal Government and senate crossbench when the Coalition's 2015 Bill was before parliament. Toll Group stressed that we would need to be assured that the benefit from any regulatory changes would outweigh the loss of tax concessions. Toll Group also raised the following issues:

- the importance of a guaranteed supply chain between the Australian mainland and Tasmania;
- certainty of policy going forward to support Toll Group's investment in new ships and infrastructure;
- impact on service delivery and landside infrastructure provision if short-term entrants are allowed to come into the market; and
- the impact on customers and the cost of freight if the government were to remove tax concessions.

Toll Group strongly supported the former Federal Government's 2012 reforms implemented through the *Coastal Trading Act* that boosted training and tax concessions for the Australian maritime sector. The aim of the regime included:

- allowing Australian flagged vessels unrestricted access to the coast, giving them the opportunity to contest voyages applied for by foreign ships; and
- permitting the use of foreign ships where suitable Australian ships are not available to carry cargo or passengers.

**Toll Group requests that the committee consider the following measures to further support Australian coastal trading:**

1. The Australian Government should continue to fund the Tasmanian Freight Equalisation Scheme (TFES) which recognises the freight cost disadvantage of Tasmanian businesses.
2. The Australian Government should review the TFES in relation to:
  - a. its application to customers of international callers that operate under foreign flags with foreign crew;
  - b. the schemes possible coverage of all Tasmanian-produced goods transported across the Bass Strait and designated inputs from the mainland; and
  - c. the programs expansion to cover other islands off the coast of Australia.
3. Toll Group supports the current operation of the coastal ship licensing system, however supports changes that improve its effectiveness and efficiency.
4. The Australian Government should commit to a dedicated maritime infrastructure fund and should commence reporting in the Budget Papers provision of infrastructure for rail, road and sea. The maritime infrastructure fund would incentivise new Australian flagged ships as well as fund major port infrastructure for domestic use as identified in Port Master Plans (i.e. TasPorts Master Plan).
5. The Australian Government should empower the ACCC to regulate access prices at Australia's ports.

6. The Australian Government must providing competitive corporate taxation treatment to successfully encouraging growth in the ownership of Australian shipping assets. Tax exemptions in respect of dividends should be introduced to make vessel operation more internationally competitive.
7. The Australian Government must reinstate and better resource the Maritime Workforce Development Forum. The Forum will develop a system for the training of Australians in the maritime industry.



## Australia's leading port and marine logistics provider

With over 125 years' experience, Toll Group, proudly part of Japan Post, operates an extensive global logistics network across 1,200 locations in more than 50 countries. Our 43,000 employees provide a diverse range of transport and logistics solutions covering road, air, sea and rail to help our customers' meet their global supply chain needs.

At Toll Group we have a comprehensive suite of port and maritime logistics services that provides customers with total management of a range of marine and shipping operations. From provisioning and waste management to land transportation and port services, we provide consistent vessel husbandry and port services to customers across our global network.

As experts in marine logistics across the Asia Pacific region, we own and operate our own fleet of vessels. Our vessels provide a range of services to customers; from point-to-point load and discharge to transshipment of cargo via a mix of vessel types. Our fleet includes the following vessel types:

- cargo Ro-Ro vessels that service the Bass Strait
- conventional tugs and barges with shallow drafts that allow manoeuvring in shallow depths
- self-discharging barges
- self-propelled barges
- highly manoeuvrable landing craft that allow loading and unloading without a wharf
- floating cranes

Toll Group provides logistics and project management solutions to oil and gas customers and supports on-shore and off-shore energy operations in Australia. We offer vessel charter, marine crewing, vessel management, and marine engineering. We serve in the areas of renewable energy, recycling, mining and resources, steel, and government industries.

Toll Group's Tasmanian shipping operations provides the largest and most comprehensive shipping service between Tasmania and mainland Australia. Its twin purpose-built roll-on/roll-off (RORO) vessels sail six days a week. Our dedicated terminals at Melbourne's Webb Dock and McGaw Wharf in Burnie utilise RORO cargo handling technology to efficiently handle all cargo types.

# Case Study: Toll Group Dampier Supply Base



Toll Group provides end to end logistic services to oil and gas customers across Australia and most notably on the Northwest Shelf with our Toll Group Dampier Supply Base (TDSB), supporting the Platform Supply Vessel (PSV) and Offtake Support Vessel (OSV), which operates on a shared vessel model that provides a milk-run service to offshore installations and platforms.

In addition to the shared vessel model we have reinvigorated the strategically positioned Toll Group Dampier Slipway to provide a customer focused ship repair and maintenance service. The slipway has the capacity to lift vessels of up to 3,500 tonnes for routine or emergency dockings.



## 2. Toll Group and Australian Shipping

Toll Group's recent \$311 investment in two new ships is the **largest private investment in the Australian coastal trading fleet in close to 25 years**. The last significant investment from a private company was the \$110 million investment from Searoad to purchase the Searoad Mersey II in 2016-17. Prior to this, the Tasmanian Government purchased the Spirit of Tasmania vessels in 2002.

The two Toll Group vessels (*Tasmania Achiever II* and *Victorian Reliance II*) will make up a significant proportion of Australia's major coastal trading fleet. The Bureau of Infrastructure, Regional Development and Cities (BITRE) defines the 'Australian trading fleet' as vessels above 150 GT which are used to transport cargo either domestically or internationally and which are owned or operated by Australian entities. The fleet includes vessels that carry cargo and passengers but does not include vessels that carry passengers only.

Over the past 30 years, the number of Australian-flagged vessels operating domestically and internationally has fallen significantly from approximately 100 to only 12. BITRE released a report in May 2018 *Australian Sea Freight 2015-16*

that found that the number of major (deadweight tonnage greater than 2000 tonnes) Australian registered ships with a general licence dropped by one to 14 in 2015-16 with the removal of Alcoa's *Portland*. The removal of the *CSL Thevenard* and the *CSL Whyalla*; the retirement of the *Iron Chieftain* following a fire in June 2018 and the addition of the *Donnacona* has meant that the current number of Australian major trading vessels is at 12 (see Table 1).

Toll Group also owns and operates a number of other vessels that contribute to Australia's minor coastal trading fleet. BITRE classifies vessels as part of the 'minor trading fleet' where they have a deadweight tonnage of less than 2,000 tonnes. In 2015-16 BITRE found that there were 32 Australian flagged vessels in the Australian minor trading fleet. Toll Group owns 9 Australian flagged vessels and an additional vessel is on a long term charter operated and managed by Toll Group in Perth. This means that **Toll Group operates around a third of Australia's vessels in the minor coastal trading fleet** (see Table 2).

Table 1: Major Australian registered vessels with a general trading licence

	Vessel	Type	Year	Flag
	IRON CHIEFTAIN ( <i>to be retired</i> )	Dry Bulk Cargo Ship	1993	Australia
	CSL WHYALLA ( <i>not active</i> )	Cargo Vessel	1987	Australia
1	GOLIATH	Bulk Carrier	1993	Australia
2	DONNACONA	Bulk Carrier	2001	Australia
3	TASMANIAN ACHIEVER II ( <i>Tasmanian Achiever has been removed</i> )	Cargo	2018	Australia
4	VICTORIAN RELIANCE II ( <i>Victorian Reliance has been removed</i> )	Cargo	2018	Australia
5	SEAROAD TAMAR	Ro-Ro Container Cargo	1991	Australia
6	SEAROAD MERSEY II	Ro-ro/General Cargo	2016	Australia
7	ACCOLADE II	Bulk Carrier	1981	Australia

8	SPIRIT OF TASMANIA I	Ro-Ro Ferry	1998	Australia
9	SPIRIT OF TASMANIA II	Ro-Ro Ferry	1998	Australia
10	AURORA AUSTRALIS	Supply	1989	Australia
11	TRINITY BAY	Cargo	1996	Australia
12	NEWCASTLE BAY	Container	1991	Australia

*Table 2: Toll Group – Australian flagged vessels in the minor trading fleet*

	Vessel	Type	Owner	Flag
1	Toll Astrolabe	Landing Craft Tank	Toll Marine	Australia
2	Toll Osbourne	Oceangoing Tug	Toll Marine	Australia
3	Toll Hobart	Barge	Toll Marine	Australia
4	Toll Firefly	Landing Craft Tank	Toll Marine	Australia
5	Toll Sandfly	Landing Craft Tank	Toll Marine	Australia
6	Toll Osprey	Landing Craft Tank	Toll Marine	Australia
7	Investigator II	Landing Craft Tank	Toll Marine	Australia
8	Cygnets I	Landing Craft Tank	Toll Marine	Australia
9	Warrender	Bulk Carrier	Toll Marine	Australia
10	Toll Provider	Offshore Support Vessel	ASL	Australia

**“a vibrant  
Australian  
shipping  
industry  
serves the  
nation’s  
economic,  
environmental  
and national  
security  
interests.”**

**The Hon Bill Shorten,  
Federal Opposition  
Leader**



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## 3. Investment in Australian shipping

Toll Group is the gateway between Tasmania and mainland Australia. We are proud to support the Tasmanian economy by helping businesses reach interstate and international markets. Toll Group employs around 900 people across our Tasmanian Shipping operations, of which over 600 reside in Tasmania, with hundreds more employed through our sub-contractor network.

Toll Group's \$311 million investment in two new state of the art ships means that our carrying capacity will increase by 40 per cent across the Bass Strait, allowing us to better support growth in Tasmanian exports driven by demand from Australia and Asia. For a full comparison between the new and old ships please see **fact sheet at Attachment A**.

To accommodate for the increased capacity of our two new ships, we are planning on expanding our operations. We are seeking the Tasmanian Government's support to address a number of critical areas to support our expansion plans. We will shortly open a dialogue with the Tasmanian Government to discuss:

- Business expansion in Tasmania to support current operations and future growth.
- Burnie terminal infrastructure remediation and upgrades.
- Burnie terminal - future expansion.
- Policy and regulatory certainty to support future investment decisions.

## 4. Environmental sustainability

The international Maritime Organisation (IMO) has brought in a range of requirements to limit both pollutants, specifically sulphur dioxide, and carbon dioxide emissions. Toll Group's ships are designed to meet these requirements.

The IMO has mandated a 0.5% sulphur fuel limit which will come into force on 1 January 2020. Toll Group's new ships are designed to meet the 2020 sulphur dioxide requirements through the use of magnesium oxide scrubbers which effectively clean the exhaust emissions before they leave the ship, removing the sulphur dioxide.

In regards to carbon dioxide emissions, the ships have been designed to meet the latest IMO CO<sup>2</sup> standards. This means that when carrying their maximum capacity (in weight and volume) we will be able to run them at the required speed to give us 12 hours a day at berth without breaching emissions caps. The ships are highly efficient so we produce significantly less emissions than our older ships. The new ships will give us an extra two hours longer at berth enabling us to fully load and unload the 40 per cent additional capacity offered by the new ships.

Lastly, a new wharf management system will allow us to manage cargo in a way that reduces congestion, reduces unnecessary movement around the terminal and enhances safety for all who work on the site and improves the amenity and the environment for the local community.

In relation to the other vessels in Toll's fleet, in 2015 Toll designed and constructed state of the art landing craft tank vessels that are now operating between Barrow Island and Dampier to support the Chevron- operated Gorgon project. Not only are these vessels the safest and most efficient of their kind in the industry, they've also been designed to be environmentally friendly. This is particularly important given Barrow Island is a Class A nature reserve.

## 5. Port Infrastructure

Toll Group's terminals at Webb Dock and Burnie are transforming, initially with upgrades to the wharves to accommodate the two larger ships, then followed by property works to optimise terminal efficiency. **The investment at Burnie totals \$35 million. Construction work has involved around 50 local workers so far and will continue through 2019.**

In addition to the \$311 million for two new ships, wharf and terminal upgrades, Toll Group has invested \$25 million in the redevelopment of the Toll Group facility at Launceston and \$24.6 million in a fleet replacement program.

Significant work has taken place to prepare the wharf and berthing infrastructure for Toll Group's two new, larger ships. This includes replacement of shore-side ramps, upgrades to the existing mooring system, upgraded fenders to strengthen the wharf to accommodate the larger vessels and construction of concrete dolphins to facilitate longer mooring lines.

At Burnie, the work has involved more than 45,000 hours of construction work, 100 hours of drilling and the excavation and removal of 1500 cubic metres of soil. In addition, 400 cubic metres of concrete, 50 tonnes of steel and 18 piles were used in construction. The Burnie ramp is so big it had to be shipped to Tasmania in four pieces – a combined 27 metres wide by 24 metres long. It has a total weight of almost 180 tonne.

At Webb Dock, the work has involved 72,000 construction hours, the removal of 270 tonnes of concrete and 6,750 cubic metres of soil. In addition, 200 precast piles, 90 sheet piles and 13 steel tube piles have been used in construction. A 350 tonne crane was used to install the 100 tonne shore ramp.

Considering Toll Group's significant investment in port infrastructure, it is vital that port authorities plan for the future and invest in critical port assets. Toll Group's capacity is significantly constrained in Burnie as we face land constraints, limiting our ability to service future growth in trade. Government investment in port infrastructure would be greatly supported if Tasports could implement its masterplan by accessing a maritime infrastructure fund.

## 6. Port services and port fees and charges

DP World increased infrastructure access charges at the Port of Melbourne in September 2018, claiming that the increase should not impact transport operators as they can be passed through the supply chain.

Through a direction from the federal Treasurer the ACCC monitors the prices, costs and profits of container terminal operators at ports at Adelaide, Brisbane, Burnie, Fremantle, Melbourne and Sydney. Toll Group's position, as expressed by others in the industry, is that the government should empower the ACCC to regulate such charges.

## 7. Maritime security, including fuel security and foreign ship and crew standards

Toll Group supports cost-effective options to improve our fuel security and welcomes a review by the Federal Opposition into the establishment of a 'strategic fleet'. However we would only support such measures if the benefits outweighed the costs. Toll Group would not support measures that would result in the industry paying higher costs for fuel for little benefit in return.

Toll Group continues to investigate alternative fuel sources to lower costs, reduce emissions and improve fuel security through its trials of electric vehicles across its fleet and has implemented a number of measures to improve fuel efficiency.

## 8. Workforce development and the seafarer training system

Toll Group invests significantly in the future of the Australian maritime workforce. In the last 12 months Toll Group has supported 16 maritime trainees across our Tasmanian Shipping operations. Toll Group supports trainees by contributing to their education and accommodation costs and provides for a career pathway for many of our trainees. Toll Group selects trainees from a diverse set of professional backgrounds, age groups and genders.

In addition to the retention of the current tax incentives for trainees, Toll Group would welcome the re-establishment of the Maritime Workforce Development Forum. The Forum would help develop a system for the training of Australians in the maritime industry.

### Case study – Toll Group Trainee Monica

Monica commenced her seagoing career in 2015 and undertook a *Certificate III in Maritime Operations (Integrated Rating)* as a mature age student. In 2016 Monica was employed by Toll Group and completed her 9 months sea training, graduating with an integrated rating (IR) certificate of proficiency and started working on the vessels with Toll Shipping.

Graduating with an IR proficiency (meaning that she can work in the engine room and on deck) required Monica to complete her required sea time, tasks and guided studies. Since working on the vessels Monica has taken a greater interest in the vessel engineering side of operations and has recently changed over and commenced a Trainee Engineer position with Toll Shipping. She is currently at the Australian Maritime College undertaking her first year of studies in Engineering.

## 9. Taxation arrangements for Australian shipping operators

Toll Group welcomed the 2012 corporate taxation treatment reforms whereby Australian shipping companies are exempt from paying tax on profits earned from the operations of Australian flagged vessels.

Toll Group supports the position held by the MIAL and others in the industry that calls for a tax exemption on the dividends paid. This would ensure Australia is competitive to other maritime nations around the world and contribute to a vibrant maritime sector.



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