

**SENATE ECONOMIC LEGISLATION COMMITTEE INQUIRY INTO THE COASTAL TRADING BILL
PORTS AUSTRALIA - SUBMISSION**

Ports Australia welcomes the opportunity to make a submission to the Senate Economics Legislation Committee Inquiry into the Coastal Trading Bill.

Ports Australia - Representation

Ports Australia is the peak industry body representing all port authorities and corporations, both publicly and privately owned, at the national level. Ports Australia is a constituted company limited by guarantee with a Board of Directors, comprising the CEOs of ten member ports. Our website is at www.portsaustralia.com.au.

Ports Australia has, since 2007, worked closely with the Government and its lead agency, Infrastructure Australia, on the development and implementation of a National Ports Strategy, whose core purpose is to improve the policy and regulatory settings applying to ports to better position them to meet the substantial projected growth in trade in both our container and bulk commodity markets.

General Position

Ports Australia has made previous submissions to the Government that the provisions of the Coastal Trading Bill be administered in a way that ensures the sustainability and continued development of the coastal shipping task. We support the Government's program but strongly believe that the provisions of the Coastal Trading Bill, and those pertaining to temporary licences in particular, should be administered in a way that meet this key and important policy goal. There are risks that unless this is the case the current coastal shipping task will diminish with significant implications for landside infrastructure and logistics.

Specific Issues of Interest

There are two elements of the Government's Shipping reform Program of particular interest to Ports Australia and its members:

- A That the development of Australia's flag fleet, including in the coastal shipping task, is key to the development of an Australia maritime workforce, which is a strategically important goal for the Australian ports community, given its reliance on maritime skills and experience;
- B That the role of coastal shipping *per se* in our domestic freight task should be increased, given the environmental and other national benefits that shipping offers (in certain circumstances) over other modes, and over time as a more critical adjunct to other modes in our domestic supply chains. There are two distinct and separate goals in this particular regard that are often confused. The first is to encourage the development of coastal shipping as a viable modal choice; the second is to encourage a stronger Australian flag presence in that task.

Maritime Skills

1. *Ports Australia supports the goal of the reform package to provide more training opportunities for Australian seafarers*

The collective strategic policy interest of our members lies in the formulation of strategies that promotes further development of a well-trained and sustainable Australian maritime workforce.

Port corporations are now highly complex businesses encompassing not just the safe management of vessels within their jurisdictions but also the management of landside logistics, strategic planning, environmental and security management. Ports are highly reliant on trained mariners to fill key positions in port operations. These include harbour masters, marine pilots, shipping operations managers, VTS operators, tug and pilot cutter crews and a number of others.

Currently, and particularly as it relates to harbour masters and pilots, our members report that they are having little trouble attracting recruits, particularly from overseas, not least because Australia is viewed as a desirable place to work, it is undergoing a period of sustained growth in trades, and it has a well-managed and regulated marine environment. The question can be reasonably asked however as to whether this situation is sustainable long term, and whether it is, in general terms, in the country's strategic interest, to become increasingly reliant on overseas sources for skilled people to fill positions in our ports and indeed in other areas such as training facilities, regulatory agencies and other organisations which require maritime qualifications, skills and experience.

Many Australian seafarers see it as a natural transition in their careers to come ashore to port related jobs which require their maritime skills and experience. They may make this transition for family or other reasons.

Many ports are currently sourcing their skill requirements from overseas and with the resources sector again ramping up the labour market is increasingly tightening. More importantly, however, there are good reasons to retain the means to train seafarers within our own industries and to ensure that we can rely on maintaining the number of trained Australian seafarers at least at some sort of minimum level. It can be reasonably argued that there are important national interests involved in doing so and that we should not be progressing towards a point where we are totally reliant on overseas labour for most of our skilled mariners.

Ports Australia is a member of the Maritime Skills Development Forum established by the Minister for Infrastructure and Transport, the Hon Anthony Albanese MP, and we strongly support the program being undertaken by this body, which is very focussed on the training requirement element of the Shipping Reform Program, as well as an empirical assessment of future skills and training needs. While it is an important and essential element of the Government's overall program we are also of the view that this body is undertaking work, and that there are conversations taking place within it, that are long overdue, and which of themselves will generate value for the maritime community.

The Coastal Shipping Task

- 2. Ports Australia believes that the provisions of the Coastal Shipping Bill should be administered in a way that promotes the dual policy goals of promoting a strengthened role of coastal shipping in our domestic freight task while, over time, facilitating the Government's objective of promoting an increased Australia flagged presence in these trades. To that end it recommends that the Department of Infrastructure and Transport be requested to develop a paper that sets out with clarity the principles and culture that will support the regulation of the coastal trades under the new legislation, which will assist to realize these dual objectives.*

A significant percentage of Australia's domestic transport task is currently performed by coastal shipping. In freight task, or tonne-kilometre terms, coastal shipping has historically performed about 25 percent of the total domestic freight task (BITRE). In 2009/10 the total freight task was 114.8 billion tonne-kilometres, an increase of 6.8 percent over 2008/09. Notwithstanding this annual increase the coastal freight task has remained very stable over the last 10 years – in 2000/01 it was much the same as it was in 2009/10. However any falling away of this performance could be expected to significantly impact on landside infrastructure, logistics and operations and come at a considerable cost to the economy. This can also be viewed in the

context that as our international trade in both containers and bulk commodities grow, and our economy diversifies, these trends may present more coastal trading opportunities.

In purely tonnage terms, or in terms of freight embarked and disembarked at Australian ports which is the indicator of significance to port operations, domestic freight constitutes between 5 and 10 percent of total port movements. In 2009/10, 104.8 million tonnes of domestic cargo was handled through Australian ports, an increase of 1.6 percent over 2008/09.

The Bureau of Infrastructure, Transport and Regional Development (BITRE) further reports that in 2009/10 the coastal freight task performed by vessels under permit was 43.2 billion tonne-kilometres, or about 37.6 percent of the total coastal freight task.

Some of these coastal trades are of particular significance to individual ports and as a consequence to their respective regions. For example nearly 70,000 containers (roughly 10 percent of total container movements) were moved on the coast under permit in 2009/10. Of this total nearly 25,000 TEUs were transported under permit from east coast and South Australian ports to Fremantle, a task that would not necessarily be readily taken up by other modes. Likewise the critical nature of coastal shipping to the Tasmanian economy has become all the more critical with the cessation of direct international calls to northern Tasmanian ports, although much of the task is performed by licensed vessels whose viability nevertheless has not always been assured.

The BITRE data also highlights the critical role of permit vessels in certain coastal bulk trades. About 30 percent of dry bulk cargoes and nearly 40 percent of bulk liquid cargoes, on a tonnage basis, are currently reliant on permit vessels. Most of this freight is transported between regional ports notably Port Hedland to Port Kembla, and Gladstone to Newcastle. There is also a significant trade between Groote Island in the Northern Territory and Bell Bay, Tasmania.

The objective of strengthening the role of coastal shipping is sometimes perceived as the same as strengthening the role of dedicated national flag shipping in the coastal task. They are distinctly separate issues.

In our original submissions we argued that measures that will unnecessarily restrict the presence of other flags in our coastal trades run the risk of deterring interest from foreign flagged operators shipping freight on the coast where they currently address a significant proportion of the total domestic freight task, while at the same time stimulating little or no Australian flagged presence. What it is imperative to avoid, in our view, is a net effect where the role of coastal shipping in the total domestic freight task diminishes and Australia is left with what amounts to a double policy failure of considerable significance and impact.

We would have accordingly expected that the Government's legislation will, in the administration of compliance, square up to a dual purpose - to foster Australian flagged coastal shipping and to stimulate an increase in the total amount of cargo uplifted on the coast – and not to provide a formula that runs the risk of it declining.

We believe therefore that a first tier issue is the effectiveness of the temporary licence system and that its success or otherwise will lie very much in the timeliness and responsiveness the regime demonstrates. At first glance the complexity and perhaps the draconian nature of the reporting requirements inherent in the coastal licensing permit system is an issue. Our engagement with the shipping industry on this matter has drawn a mixed response but generally it is fair to say that the response to us has been that shipping companies involved in the container trades may be able to adjust to these requirements over time but that shipping lines and shippers involved in the bulk trades will find it more difficult to predict precisely their cargoes in advance given spot market and seasonal conditions. While we see it as appropriate to leave it to the more expert opinion of representatives of the shipping industry to suggest how the legislation might be tweaked to make it more workable it is imperative in our view that if the

regime is to respond appropriately to the commercial realities of the coastal trades including the container trades (particularly east/west) then it is important to have fast turnaround times and to avoid the risk of the regulators being bogged down in subjective argument about national interest and what, at this juncture, constitutes the long term interests of Australian national shipping.

The domestic freight task is estimated to grow by 50 or 60 percent over the next decade. This suggests an imperative that Australian shippers should have access to efficient and competitive coastal shipping services, to access the environmental benefits made available from shipping and to alleviate pressures on land transport infrastructure. Incidents such as the crisis in East Timor and the recent disastrous flooding that affected much of Australia also provide a salutary lesson that we may need to increasingly depend on the rapid mobilization of shipping services. Speediness and simplicity are essential to these outcomes. This is why we believe that it would be immensely helpful for a paper to be produced that spells out a regulatory approach or culture that will remove impediments to the speedy administration of temporary licences.

Our view is that there is a strong national interest in the promotion of coastal seaborne freight and there is a strong risk of failure if this goal were to be subsumed to the prospect that at best may bring one or two Australian ships onto the coast. If dedicated coastal shipping were not to be successful, international lines should not be discouraged or prevented from carrying coastal cargo. In this regard we have suggested more consideration of transitional arrangements.

The members of Ports Australia have strong empathy with the idea of a stronger role for Australian vessels and seafarers in the coastal trades but see the answer lying in the delivery of a competitive Australian shipping industry to which there is an enduring commitment, rather than draconian and cumbersome measures applying to the coast that might stifle that trade.

Thank you for the opportunity to comment on this important legislation.

Ports Australia
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