



## Australian Shipowners Association

### House of Representatives Standing Committee on Transport and Regional Services

#### Inquiry into interaction of regional road and rail networks and their connectivity to ports

#### Submission of Australian Shipowners Association

### 1. The Australian transport network.

The market shares of the road, rail and sea sectors in Australia's transport network have altered appreciably since the mid 1980s. Table 1 shows that road transport has increased its market share from 22.37% to 32.50% of Australia's non-urban freight task measured in tonne-kilometres, rail has increased its share from 33.53% to 39.30% while sea transport has reduced from 44.02% to 28.15%.

In other words, road has moved from third place to second place, rail has moved from second place to first place and sea has moved from first to third place.

The role of air transport is negligible in this analysis.

**Table 1: Market Shares in the Movement of Australia's non-urban Domestic Freight (Billion tonne-kilometres)**

Year/Mode	Domestic Mode								Total b TKM
	Road		Rail		Sea		Air		
	b TKM	% share	b TKM	% share	b TKM	% share	b TKM	% share	
1984/85	49.43	22.37%	74.07	33.53%	97.26	44.02%	0.16	0.07%	220.92
1987/88	61.69	25.70%	81.57	33.98%	96.64	40.26%	0.16	0.07%	240.06
1990/91	74.46	28.35%	91.53	34.85%	96.48	36.74%	0.14	0.05%	262.61
1994/95	87.79	28.71%	105.79	34.60%	111.97	36.62%	0.21	0.07%	305.76
1997/98	94.59	27.81%	124.33	36.56%	120.91	35.55%	0.25	0.07%	340.08
2000/01	113.55	31.67%	139.57	38.93%	105.16	29.33%	0.25	0.07%	358.53
2001/02	124.22	32.14%	150.28	38.89%	111.73	28.91%	0.24	0.06%	386.47
2002/03	132.67	32.50%	160.45	39.30%	114.94	28.15%	0.21	0.05%	408.27

Source: Australian Maritime Transport 2004 ASA April 2005– Apelbaum Consulting Group

This contraction of the domestic transport task undertaken by sea is surprising when it is considered that:

- Sea transport requires no permanent way/highway infrastructure
- Sea transport is the most fuel efficient of the three transport modes
- Sea transport generates the least green-house gas emissions of the three modes
- Sea transport creates the least social impact of the three modes
- Port infrastructure required for sea transport is more than fully funded by the shipping industry.

This submission proposes that existing infrastructure in Australia’s transport network could be used with greater efficiency if policies and measures encouraged rather than discouraged the use of sea transport.

## 2. Patterns of Australia’s domestic sea transport

Table 2 below shows the ranking and volumes of the top 10 domestic sea freight loading ports by tonnes and pack type.

**Table 2: Coastal Freight Loaded by Port and Pack Type, 2002 – 2003 (kilotonnes)**

Port	Dry Bulk	Liquid Bulk	Container	Other	Total	Rank
Rest of Qld	13,688	439	125	90	14,342	1
Rest of WA	5,255	4,330	10	9	9,604	2
Rest of Tas	2,931	0	1,771	763	5,465	3
Rest of SA	4,943	482	0	0	5,425	4
Rest of Vic	72	4,064	0	22	4,158	5
Rest of NSW	1,420	311	80	1,291	3,103	6
Fremantle	800	1,809	304	6	2,919	7
Melbourne	14	393	1,464	556	2,427	8
Brisbane	58	1,962	69	19	2,108	9
Adelaide	863	559	23	5	1,450	10

Source: Extracted from “Australian sea freight 2002-2003” BTRE Information Paper 53 table 3.4 p26

In most instances, freight moved by sea is incapable of effectively being moved by road or rail. That is either because of the absence of infrastructure between remote locations, because the volume of freight is sufficient to render sea transport the only practical means available or because geographical barriers such as in the case of freight moved out of Tasmania for mainland markets or for transshipment to overseas markets.

Table 3 shows the principal destination ports for the top ten domestic freight loading ports shown in table 2 above. The destinations are broken down by the top three discharge ports for freight loaded in each of the top ten loading ports.

**Table 3: Main Destinations for Main Domestic Freight Loading Ports by percentage of tonnes loaded and discharged 2002 - 2003**

Load Port	Destination		Destination		Destination	
	First rank	%	Second rank	%	Third rank	%
<b>Rest of Qld</b>	Rest of Qld	72%	Rest of NSW	9%	Brisbane	6%
<b>Rest of WA</b>	Rest of NSW	45%	Fremantle	24%	Brisbane	11%
<b>Rest of Tas</b>	Melbourne	52%	Rest of NSW	28%	Sydney	8%
<b>Rest of SA</b>	Adelaide	33%	Rest of NSW	29%	Sydney	10%
<b>Rest of Vic</b>	Sydney	60%	Brisbane	16%	Rest of Tas	6%
<b>Rest of NSW</b>	Rest of SA	37%	Rest of Vic	35%	Rest of Qld	11%
<b>Fremantle</b>	Rest of WA	25%	Rest of Vic	23%	Adelaide	16%
<b>Melbourne</b>	Rest of Tas	64%	Fremantle	15%	Brisbane	6%
<b>Brisbane</b>	Rest of Qld	77%	Sydney	16%	Rest of Vic	2%
<b>Adelaide</b>	Melbourne	42%	Brisbane	19%	Rest of WA	16%

*Source: Extracted from "Australian sea freight 2002-2003" BTRE Information Paper 53 table 3.3 p24*

The above analysis shows that for four of the top ten loading ports for domestic freight, their principal destination port is in the same state. That is four of the top domestic freight volumes are intrastate movements. In the case of another of the top ten loading ports, the second biggest destination is intrastate. In the case of the 'Rest of Queensland', two of the top three destinations are intrastate.

In the case of another four of the top ten domestic freight loading ports, their principal discharge port is in an adjacent state.

This analysis confirms that Australia's domestic sea transport capability is concentrated in dedicated trades which are frequently intrastate trades, particularly in Queensland, Western Australia and to a lesser extent South Australia. This is not surprising as Queensland and Western Australia are the largest states each with significant resources being won and processed within the state but at widely separated localities.

The analysis also highlights the importance of sea transport to Tasmania with freight moving into and out of Tasmania for domestic and export trades in a variety of commodities.

The analysis emphasises that sea transport has become highly specialised and the predominant mode where infrastructure creation for other modes is impracticable if not impossible.

That in turn emphasises the necessity to ensure that sea transport is subject to a regime of policies and measures that optimise the efficiency of sea transport services.

The general cargo freight corridors show an interesting picture which highlights the regulatory confusion that exists in Australia's sea transport sector.

Table 3 shows the main domestic container flows by sea in 2002 – 2003. The point to note is that, except for container traffic between Tasmania and the mainland, and between Fremantle and the rest of WA where most freight moves in Australian ships,

the rest is carried mostly, if not universally in foreign-owned, foreign controlled and foreign manned vessels. These vessels are not subject to the legislative regime applicable to Australian interests who might otherwise enter these trades.

**Table 4: Coastal Containerised Freight by Port of Origin and Port of Discharge, 2002 – 2003 (Kilotonnes)**

Port of Origin	K/T loaded	K/T Discharged
Sydney	285	35
Rest of NSW	80	23
Melbourne	1,464	1,397
Rest of Vic	0	0
Brisbane	69	89
Rest of Qld	125	36
Adelaide	23	58
Rest of SA	0	0
Fremantle	304	777
Rest of WA	10	33
Hobart	6	0
Rest of Tas	1,771	1,814
Darwin	2	14
Rest of NT	0	0
<b>Total</b>	<b>4,139</b>	<b>4,275</b>

Source: Extracted from "Australian sea freight 2002-2003" BTRE Information Paper 53 tables 3.4 p26 and 3.5 p 27

The Australian Shipowners Association maintains a database which tracks Continuing Voyage Permits made available to non-licenced vessels pursuant to Part VI of the *Navigation Act 1912*. The containerised traffic tabulated above is, except for the exceptions in the Tasmanian and Western Australian trades above, carried in the non-licenced vessels which are granted permits by the Minister for Transport under guidelines administered by the Department of Transport and Communications.

Table 5 summarises the ASA database from December 2002 when the data began to be collected, to 27 August 2004 (the earliest date from which our summaries are available)

**Table 5: Continuing Voyage Permits (CVPs) – summary of permits issued and periods of currency – December 2002 to August 2004<sup>1</sup>.**

<b>Total CVPs in database</b>		213
<b>Foreign ships permitted to carry domestic cargo in period</b>		72
<b>CVPs current at August 2004</b>		40
<b>Number of vessels for which successive permits had been sought and granted</b>		34

<sup>1</sup> Note that this analysis does not include Single Voyage Permits issued by The Department of Transport

<b>Number of current permits which are successive permits</b>		15
<b>Longest successive permit periods</b>	Longest	17 months
	Second longest	16 months
	Third longest	15 months
	Fourth longest	11 months
<b>CVPs issued – ship types</b>	Container ships	57
	General cargo ships	9
	Self-discharging bulk carriers	2
<b>Current CVPs – ship types</b>	Container ships	33
	General cargo ships	4
	Self-discharging bulk carriers	2
<b>Main ports: permits issued</b>	Melbourne	148
	Sydney	144
	Brisbane	137
	Fremantle	76
	Adelaide	66
	Gladstone	48
	Townsville	42
	Newcastle	39
	Bell Bay	34
<b>Separate ports for which permits valid</b>		26

Source: ASA CVP Database

The reference to ‘successive permits’ means instances in which three month permits are sought and granted contiguously – either without a break in time or with a break of 14 days or less. The administration of the permits and the visa availability for the foreign crews of the vessels concerned are aligned in such a way that vessels with permits can operate in Australia’s domestic sea freight industry continuously provided only that they leave Australia and travel to a port outside Australia at least once in any three month period.

This criterion is readily and conveniently met by foreign vessels engaged in overseas container trades in which Australia forms part of their trading loop. It also means that Australian operators, subject as they would be to Australian legislative requirements not applicable to their foreign counterparts operating in Australia, are hindered from entering coastal general cargo trades.

Foreign ships are thus effectively protected from Australian competition in the market for the carriage of containerised freight in Australia’s domestic sea transport industry.

The question of the competitive advantage enjoyed by foreigner operators using foreign labour in foreign vessels in Australia’s transport logistics industry, and the

associated question of the appropriateness of the competitive disadvantage imposed by Australian law on Australians seeking to participate in that industry are complex.

They are raised in this submission to draw attention to an anachronism of regulation that exists within Australia's transport regulatory environment. Be the disparate regulatory environment of foreign shipping in Australia and Australian shipping in Australia as it may, the attractions of the use, where practicable, of sea transport over road and/or rail transport are numerous.

### **3. Advantages of sea transport.**

#### **3.1 Infrastructure**

Sea transport does not require infrastructure investment in the construction and installation of arterial roads, highways, freeways, bridges, overpasses, permanent way, signalling, real estate acquisition etc.

Sea transport does not require maintenance of these infrastructure investment items.

There has been a continuing debate over the extent to which road infrastructure and maintenance costs are recovered from the road transport sector.

If the Australasian Railway Association is correct, the road transport sector does not pay its way:

“...Governments need to charge the heavier and longer travelling trucks the true costs of damage they cause to roads. It is widely acknowledged that smaller, shorter distance trucks cross subsidise the heavier and longer travelling trucks, such as B-doubles. What is also clear is that trucks as a whole are significantly cross-subsidised by cars in terms of the user charges they pay.”<sup>2</sup>

That said, the road and rail transport industries are – or if they are not yet then they will be – the recipients of substantial government funding for infrastructure projects:

“The Australian Government will spend \$11.4 billion on land transport over the next five years. This consists of almost \$11 billion in road and rail funding and a one-off \$450 million investment for new rail infrastructure projects in 2003-04.”<sup>3</sup>

The sea transport industry by contrast uses infrastructure which is fully funded – over-funded in fact, by the shipping industry.

Regulation of the sea transport industry is undertaken by the Australian Maritime Safety Authority which is funded (other than in respect of its search and rescue responsibilities) by levies paid by shipping. Installation and maintenance of navigation aids and lights are funded by levies paid by shipping.

Use of port facilities are subject to charges levied by port authorities whose pricing structures are designed to allow the port authority to remit to their state government

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<sup>2</sup> “The Future for Freight 2005” Australasian Railways Association Inc 2005 p3

<sup>3</sup> Australian Government Budget 2004 -2005 Regional Budget Highlights

owners a surplus, a dividend or a return on capital. In this way shipping over-funds the infrastructure the shipping industry uses.

The cost of making good any damage to the environment that might be caused by shipping is funded by a levy paid by the shipping industry and which is payable whether environmental damage occurs or not. Mandatory insurance is carried by ship operators to ensure governments are indemnified against any additional costs that may arise in the event of a pollution incident.

We emphasise that the shipping industry does not complain about this charging regime but there is a stark contrast between the public spending on road and rail industries and subsequent disputes over cost-recovery levels in those industries and the fully-cost-recovered shipping industry.

### **3.2 Fuel efficiency and greenhouse gas emissions**

Shipping is the most fuel efficient and greenhouse gas efficient of the three transport modes.

Shipping supports 28 percent of the domestic freight task (Table 1), consumes 9.6 percent of the total energy used in freight transportation<sup>4</sup> but contributes to just 2 percent of the total emissions from the transport sector.

A paper attached to this submission “Sea Transport Efficiency and Greenhouse Gas Emissions” expands and demonstrates the theme that shipping is more environmentally friendly than rail transport and significantly more so than road transport.

### **3.3 Social Aspects**

According to Australian Transport Safety Bureau statistics, 904 persons lost their lives in road accidents in which articulated vehicles have been involved<sup>5</sup> in Australia between 1 January 2000 and 31 December 2004<sup>6</sup>. We are not aware of any accidental deaths in or occasioned by ships operating in Australia’s domestic shipping trade in that period.

The relative levels of tragedy, trauma and cost associated with accidents associated with sea and road freight transport are self-evident.

## **4. Policies and measures to assist in achieving greater efficiency in the Australian transport network.**

The domestic transport task undertaken by shipping has declined notwithstanding that shipping is the most fuel efficient, safest, least greenhouse-gas emitting, most cost-recovered, least publicly funded and at times only transport mode available.

It should be noted that the cost-effectiveness of the shipping industry in which Australian labour is employed can be inhibited by industrial issues. Resolving such issues is a long and difficult process in a capital intensive industry in which many

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<sup>4</sup> ‘Australian Maritime Transport 2003’, Apelbaum Consulting Group, 2004.

<sup>5</sup> We note that we do not suggest that fatal accidents are necessarily caused by articulated vehicles.

<sup>6</sup> [http://tssu.atbs.gov.au/table\\_query2.cfm#Save](http://tssu.atbs.gov.au/table_query2.cfm#Save)

operators have customers, both internal and external, in even more capital intensive industrial activities in which shipping is a relatively small intermediate cost input.

Nonetheless these issues are being addressed and some issues currently before government for legislative review are the subject of industrial considerations between shipping employers and maritime unions.

It is the submission of the Australian shipping industry represented by this Association that policies and measures should be aimed at ensuring that:

- A commercially sensible, stable and predictable legislative regime is applied to all shipping servicing Australia's domestic freight task, taking into account immigration, customs, workplace relations, navigation, taxation, workers' compensation and occupational health and safety aspects of ship operations and labour employment.
- Legislation applicable to shipping operations and seagoing employment is consistent with measures applicable to road transport investment taxation treatment of capital.
- Allocation of freight to transport mode is determined by service, cost-efficiency and environmental considerations and should not be influenced by a reluctance to invest in what might otherwise be a more efficient transport mode because of regulatory uncertainty.
- All transport modes should form a total transport package for Australia and should be the subject of a consolidated transport policy framework – not a framework that is applicable only to road and rail transport.

## **5. Note on steps being taken in the shipping industry**

This submission wishes to note that certain issues<sup>7</sup> are being progressed with government that would address at least some of the issues addressed above.

Those issues are the subject of continuing discussion with government.

We would be happy to expand on these issues if required during the course of the Committee's deliberations.

Prepared by ASA Secretariat, Melbourne May 2005

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<sup>7</sup> These issues include but are not limited to the application of Section 23AG of the Income Tax Assessment Act, Section 12 of the Shipping Registration Act and the review of the Seafarers' Rehabilitation and Compensation Act.