



**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON
INFRASTRUCTURE, TRANSPORT, REGIONAL DEVELOPMENT
AND LOCAL GOVERNMENT**

INQUIRY INTO COASTAL SHIPPING POLICY AND REGULATION

The Port of Brisbane Corporation makes the following submission to the Inquiry into Coastal Shipping Policy and Regulation.

Whilst the inquiry into coastal shipping policy is to be applauded the examination also needs to scrutinize the national vision for the entirety of the transport chain. In this regard we support the work undertaken by the Standing Committee on Transport and Regional Services in its report 'The Great Freight Task' and in particular the information collated in Chapter 7, 'Coastal Shipping'.

The Port of Brisbane is an important international freight link that services the rapid growing trade with our Asian neighbours. It has also been identified in a report prepared for the Australian Maritime Group ¹, on international and domestic shipping, as one of the urban areas that will be impacted by growth in the inter-state movement of domestic cargoes. The Corporation has a vested interest in this inquiry.

1. Outline the nature and characteristics of the Australian shipping industry and the international and coasting trades

Port of Brisbane is dominated by international trade. In the last five years capital expenditure has exceeded \$625 million and continued investment in infrastructure has seen total assets reach \$2.276 Billion. Coastal trades represent a small proportion of port throughput with bulk movements operating in niche markets while international shipping lines carry most of the coastal non-bulk shipments.

The experience in Brisbane is as follows:

1.1. Bulk Coastal Cargo

The movement of domestic bulk cargoes is a regular aspect of freight movement at the port and makes economic and logistical sense. These markets have their own dedicated ships and access to specific facilities. Port facilities are able to be modified in line with throughput demand based on each business case for infrastructure expansion or modification.

¹ International and Domestic Shipping and Port Study – Meyrick May 2007 Pg 102

Bulk coastal cargoes include the shipping of refined petroleum products, gas, cement, cement raw products, bulk chemical and fertiliser products, grain, gypsum and limestone. There are also other sporadic but important coastal bulk movements that are serviced by non dedicated vessels. The nature of their employment is based on the specific needs of each voyage or voyage cycle. This is typically represented by the relocation of crude oil, relocation of some agriculture inputs and products and is driven by differing demand and supply around the country i.e. grain, fertiliser etc.

Coastal bulk cargoes ('000 tonnes) - Port of Brisbane (financial year)

	2002/03	2003/04	2004/05	2005/06	2006/07
Refined Oil	2,352	2,465	2,317	1,924	2,363
Crude Oil	1,332	873	899	1,473	1,603
Cement	1,046	1,090	1,154	1,224	1,258
Gypsum/Limestone	276	287	308	365	431
Cereals	268	48	5	28	37
Fertiliser	59	75	58	95	60
Chemicals - Rural	140	61	68	31	37
Gas	68	49	41	38	33
Tallow	22	45	24	17	8
Other	95	138	127	76	141
Total:	5,658	5,129	4,999	5,272	5,971

We believe the bulk movement of coastal cargoes is well established with regular access to port facilities. For new business to be cost effective this generally requires shared facilities and shared berth access. For port facilities suitable for bulk to be made available, a genuine business case based on significant reliable tonnage is required. The port is investing in common user facilities that can satisfy this type of demand.

1.2. Non-bulk Coastal Cargo

The main focus of the Corporation's submission relates to the policy and regulation of coastal shipping as it impacts on non-bulk coastal cargo and in particular containerised shipments.

In recent years domestic movement of the non-bulk trade by sea has been extremely limited. Essentially the existing shipping services, their transit times and pricing, do not attract regular coastal business. The majority of international ship movements to Brisbane travel north from Melbourne and Sydney. Only limited services are available southbound and space can therefore be limited. The volume has been steady over the past five years. The Meyrick report ² provides an excellent breakdown of modal transit times in this important freight corridor.

² International and Domestic Shipping and Port Study – Meyrick May 2007 Pg 104

Coastal non-bulk cargoes (teu) per Financial year Port of Brisbane.

Freight Corridor	2002/03	2003/04	2004/05	2005/06	2006/07
Brisbane - Fremantle	1,632	2,916	2,062	3,339	4,091
Brisbane - Melbourne	4,913	11,664	14,194	8,284	6,975
Brisbane - Sydney	1,738	3,503	2,862	2,560	10,528
Brisbane - Other	2,053	2,006	3,230	3,211	2,346
Total	10,336	20,089	22,348	17,394	23,940
% of total Brisbane Throughput	1.8%	3.1%	3.1%	2.3%	2.7%

The drivers of coastal shipping through the Port of Brisbane are:

- transshipment of cargo to / from international shipping trade routes
- domestic cargo particularly on long-haul coastal routes ie Brisbane-Perth

The transshipment of international cargo (containers) is determined by international shipping operators and depends on their scheduling options. The carriage of domestic cargo is more opportunistic. It can be influenced by:

- Fluctuating international cargoes that limit space available to coastal business
- schedule timeliness where the international trade takes priority
- The strategic approach taken by each international operator toward coastal opportunities.

The transport mode selected by industry for domestic cargo determines that road is suited to small volume over a short to medium distance whereas rail is more suited to medium to high volume over medium to longer distance. Shipping is suited to very high volumes over long distance and the challenge of coastal shipping is to gain sufficient volume of time certain but not time critical cargo to justify the shipping service.

We believe coastal shipping will occur at a time when there is sufficient suitable freight volume to make this mode more attractive. The factors that may influence this include road congestion, particular in the urban areas of each city, increased fuel prices, the timeliness of rail corridor development, and access to truck-driver resources and skills. The benefit of sea transport from a sustainability perspective is yet to be appreciated by industry but a key will be efficient and effective transport links to each port.

2. Review the policy and regulatory arrangements in place for the coastal shipping sector

Regarding the carriage of non-bulk coastal cargoes, we believe the recent experience of the PAN Shipping service ³ demonstrates that a dedicated coastal service could be established under existing protocols. International shipping can participate and supplement a domestic coastal trade using the existing single and continuous voyage permits but it should not be able to disrupt the commercial viability of that domestic service.

³ "International and Domestic Shipping and Ports Study" May 2007 Meyrick and Associates
Pg 146

The success of a domestic coastal service will depend on the support of industry based in the main urban areas within the hinterland of a port. The Meyrick report "Twice the Tasks"⁴ reviewed freight task forecasts and considered the opportunities for modal shift. It concluded these would be based on the longer freight corridors and coastal shipping in the eastern states.

We believe the following prerequisites for a domestic coastal service are of greater significance to industry than the existing regulatory regime:

- Regular, frequent and reliable service⁵
- Timely access via regional road networks to port facilities
- Coastal pricing that only reflects slightly extended transit times
- Pricing that is competitive with rail.

A business pricing model that incorporated carbon credits used in a supply chain would enhance the opportunity for sea freight to be considered as a transport solution. Moving freight by water reduces the amount of carbon put into the air by 80%.⁶

When considering the value of a regulatory regime that encourages the development of a specific domestic coastal service, it is useful to observe a national shipping service environment that is free of regulatory coastal requirements.

New Zealand -

In 1994 the New Zealand government allowed foreign ships to participate in the domestic coastal trade alongside existing domestic services. In their recent strategy paper⁷ they accept that coastal shipping has been neglected. They conclude that it makes sense for coastal shipping to be a vigorous strand of an integrated, resilient and sustainable transport system and that there is a need for a leadership role in its revival.

International shipping lines offer domestic business a pricing regime based on operational costs and a slot contribution for coastal cargoes. The domestic shipping service, with its operating costs based on local taxes, local manning and domestic supply including fuel, is restricted to niche markets. During the peak international shipping season, international vessels are unable or not prepared to accommodate domestic cargo. Coastal services are unable to accommodate a spike in demand and congestion occurs in the domestic freight market.

Only a dedicated domestic coastal service based on an efficient commercial model is able to contribute effectively to the annual domestic freighting needs of a country.

⁴ "Twice the Task" A review of Australia's freight transport tasks Pg 2

⁵ International shipping lines generally offer a fixed weekly service but space is not always available

⁶ "The case for water" Sea and Water UK Pg 14

⁷ "Sea Change" Transforming coastal shipping in New Zealand Nov 2007

The challenge of a regulatory regime that covers the movement of domestic cargo on the Australian coast is to:

- Ensure domestically-owned ships are able to operate under a similar regime to that of international vessels. (should not be required to achieve higher standards than those adopted internationally issues) ⁸
- satisfy all safety and environmental issues
- continually improve the protocols of the Licensing and Permit regime ⁹ to ensure ongoing efficient administration

In summary a coastal service has the potential to achieve beneficial outcomes for Australia such as reduced carbon emissions and an improved carbon footprint, reduced pressure on other transport modes and minimise social impacts around road and rail freight corridors. The existing arrangements for the carriage of domestic non-bulk coastal cargoes are appropriate.

For coastal shipping to capture market share and potentially reduce the congestion on road and rail modes, we believe a domestically operated service needs to be encouraged and protected from international carriers on the critical routes. That way coastal shipping will be positioned to assist with the expected growth in the inter capital east coast routes.

3. Assess strategies for developing an adequate skilled maritime workforce in order to facilitate growth of the Australian coastal shipping sector.

Shipping is an international maritime workforce operating under International regulations. It is not feasible to separate international and coastal shipping as both utilise similar transferable skill sets. Certification is based on international standards and significant time is required to achieve qualification.

The decrease in the maritime workforce has been well documented throughout the world. In Australia a report in 2002 ¹⁰ not only highlighted a significant reduction in maritime skills but also the impact on allied services that are associated with maritime experience. For ports this includes the manning of tugs, pilotage and management of port control. The Port of Brisbane Corporation is particularly aware of this issue through its ownership of the dredge 'Brisbane' and the seagoing skills necessary for it to operate throughout the state of Queensland.

There is a requirement for policies to be developed to encourage people into the supply chain and in particular pursuing seafaring as a profession in Australia. A white paper produced by the UK government in 1998 outlined their shipping policy ¹¹ It clearly identified their dependence on sea transport and the sustainable benefits it offered to the supply of maritime skills to many sectors of the economy. It also identified benefits to national security.

⁸ Discussion paper on the Navigation and Shipping Registration Acts – Department of Infrastructure, Transport, Regional Development and Local Government

⁹ Coasting Trade Licenses and Permits www.infrastructure.gov.au/maritime/freight/index.aspx

¹⁰ Maritime Skills Availability Study Thompson Clarke Shipping Nov 2002

¹¹ British Shipping: Charting a new course Dec 1998

Australia similarly needs a national focus on the availability of maritime skills and how they integrate into allied services. Coastal shipping would provide a catalyst to improve the availability of maritime skills to the Australian maritime industry:

- A recent Maritime Skills Industry Forum ¹² identified many of the issues impacting on the availability of maritime skills in Australia
- The success of the Australian Marine Pilots Association following the formation of their working group in 2003 ¹³ is a good example of initiatives that focus on needs in the maritime sector. Their formation of the Australian / Australasian Marine Pilots Institute (AMPI) will assist in provide suitable maritime skills and their training pathways may benefit from a vibrant coast shipping environment.

Initiative may include:

- an increase in human resources by promoting the image of shipping. It does not have the best image and does not necessarily attract the best candidates
- ensuring the quality of maritime education, training and research is available to the industry at affordable costs
- immigration regime to attract the specific skill set to Australia
- high profile people required to support the professional image of a maritime career

A domestic coastal service would:

- enhance job security in Australia through work opportunities rather than working overseas to acquire sea-time
- provide training opportunities
- create an interface with allied services to improve maritime skills ie ports, pilotage and towage
- promote a career path ashore for persons with ship-borne management skills
- encourage reduced manning but provide a more multi-skilled experience on more technological advanced vessels.

In the United Kingdom the Maritime Skills Alliance (MSA) was formally established in January 2004, and brings together the Ports, Shipping, Fishing and Marine Leisure industries in a strategic alliance to focus on the skill needs of the maritime sector.

Tertiary institutions such as the Australian Maritime College undertake a dual role, in providing services to both Australian and international shipowners and seafarers, and operating as an exporter of services. There are numerous opportunities to further exploit this institution of knowledge through engineering, policy development and other marine related support services. This may also have military applications.

¹² Maritime Skills Industry Forum 10-11 July 2007 National Maritime Safety Committee

¹³ AMPA Training Working Group (APTWG)

4. Consider the effect of coastal shipping policy on the development of an efficient and productive freight transport system, taking into account issues such as environmental and safety impacts and competitive neutrality between coastal shipping and other modes of transport

The potential for non-bulk coastal shipping to ease the ever increasing task of other transport modes is being realised in many other industrialised countries.¹⁴ Each region has different scenarios but fundamentally the benefits of coastal shipping are clear. These include a more efficient use of finite resources, reduced emissions, reduced congestion and the social benefits. These cannot be ignored.

A domestic customer considering the coastal shipping option will frequently choose an alternative transport mode due to irregular schedules, longer transit time and insufficient price advantage. The unpredictable nature of space being offered by international shipping services under the permit regime impacts on the selection of a transport mode. When strategic decisions are being made on a supply chain option, the irregular nature of sea carriage favours other modes.

A dedicated coastal shipping service based on a containerised operation has the best opportunity for success initially. The PAN shipping experience¹⁵ demonstrated its operational feasibility. It was the reliability of the vessel that impacted on customer confidence and the service failed.

At the Port of Brisbane a domestic non-bulk coastal shipping service, which integrates with other services, can be accommodated in current port facilities. However there are some key factors that need to be considered including:

- Incremental growth would be accommodated in overall port throughput but significant annual increases in international trade has put pressure on the expansion of existing infrastructure. Approval processes must allow for timely port development.
- Port access is critical. Any improvement in port operational efficiency must be matched by effective road access. For coastal shipping to be able to relieve congestion on other modes the main arterial route to and from a port must be planned and constructed in a timely manner for the benefits of sea transport to be realised.
- The cost of handling domestic business is similar to other containerised cargoes. Its inclusion with other trades will minimise the overall exposure to the cost of infrastructure. For costs to be managed the volumes of coastal business will need to be more predicible over the longer term. Port development needs to in line with forecasted growth.
- In our view dedicated port facilities are not justified in the short to medium term for the coastal trade. We believe that coastal shipping should rely on operational efficiencies rather than monetary subsidy.

The size of domestically-owned ships is smaller than international vessels and we believe they may be more suited to common-user facilities. In essence, a domestic-coastal service could be efficiently handled within the Corporations existing port

¹⁴ EU – Motorways of the Sea concept UK – the case for water US – Short Sea Shipping review NZ Sea Change

¹⁵ PAN Shipping operated a coastal container service for a short period in 2006

developments. Our strategic planning of port facilities will offer a number of options in future years.

Frequently the need for dedicated port facilities is considered a pre-requisite for coastal business. It is the Corporation's responsibility to consider the overall best use of available port land and the development of any dedicated or specialised coastal facility would be an expensive option. A considerable volume of coastal business would be needed to encourage a move to dedicated coastal port facilities.

We believe the use of containerised coastal services that integrate into the existing Australian port facilities to be more practical in the short to medium term. The future may consider the integration of short sea shipping (coastal) with road transport using coastal Roll-on Roll-off¹⁶ vessels, similar to those used in Bass Strait, North Sea, and New Zealand. They offer operational advantages but would only be considered for a mature coastal trade.

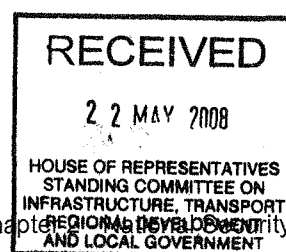
It is interesting to note that in the UK white paper, "Charting a new course"¹⁷ it was the Roll-on Roll-off vessel that was considered important as strategic vessels. A value was placed by the Ministry of Defence on this type of vessel being available for ready deployment in the case of a national defence emergency.

5. Summary

Domestic coastal shipping should be encouraged to be a viable option to assist Australia address its increasing freight task. Under an appropriate regime, where the true costs of alternative modes are determined, domestic sea transport should become an acceptable option to industry, particularly on those congested east coast freight corridors. The viability of an enhanced domestic coastal service may incorporate short sea international legs but the importance of a regular Australian schedule must be maintained to achieve customer satisfaction and thereby service viability.

The logic to use sea transport will become increasingly apparent from a national perspective. There is sufficient environmental evidence, carbon emissions data and overseas experience to ensure that government policy acknowledge the value of coastal sea transportation. The issue that may prevent a viable coastal service into the medium to long term may be the growing lack of suitable maritime skills to man the vessels. Unfortunately it is these maritime skills upon which the international shipping into Australia depends in areas such as port services, towage, pilotage and the maritime regulatory regime. Policy affecting coastal shipping also has greater ramifications for the future of the Australian maritime industry in general.

For further information, please contact Mr Peter Keyte, General Manager Port Operations for the Port of Brisbane Corporation.



¹⁶ Roll-on Roll-off vessels with a stern ramp

¹⁷ British Shipping: Charting a new course Dec 1998 Chapter 10