



PORT KEMBLA
PORT CORPORATION

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Port Kembla Port Corporation Submission on the Inquiry into Coastal Shipping Policy and Regulation

Background

Currently it is fair to say that there is a considerable void in the capacity of Australian flagged vessels to compete or have the capacity to provide a coastal shipping service. The most recent attempt to provide such a service in 2006 (Boomerang Service) failed for a variety of reasons. In our view there are two main reasons for the failure of coastal shipping's ability and capacity to service Australia's internal freight needs. These are as follows:

1. The ease with which single voyage permits (SVP) are available to international shipping, and
2. The reluctance by Federal Government to encourage and, where necessary, to protect cargo movement within Australia to Australian flagged vessels.

Based on 2004/05 estimates, cargo handled by domestic freight transport totalled approximately 2.7 billion tonnes - an increase of 54.5% or 1 billion tonnes relative to 1994/95. ¹

Road and rail transport increased their share of the domestic freight task to 37.5% and 35.9% respectively at the expense of domestic shipping whose market share declined to 22.1%. ²

For the major freight modes, growth in economic activity is projected to increase the annual freight task as follows:

1. Road freight task tonne-kilometres by 56.2% to 303.1 billion tonne-kilometres by 2014/15;
2. Rail freight task by 98.2 billion tonne-kilometres, or 52.9%, to 283.8 billion tonne-kilometres by 2014/15, and
3. Domestic shipping task by 24.3 billion tonne-kilometres, or 21.3% ,to 138.3 billion tonne-kilometres by 2014/15 ³.

The Australian shipping industry includes not only the shipping activity of Australian flagged vessels, of which there are a decreasing number, but also marine related transport and associated services. These related services create jobs, economic activity and a viable marine industry.

¹ Australian Logistics Council – Dispelling the Myths 2007 (page 2)

² Et al

³ Australian Logistics Council – Dispelling the Myths 2007 (page 3)

It has been estimated that Australia represents approximately 10% of sea borne trade throughout the world and, as such, shipping is critical to the strategic future and protection of Australia.

Shipping is critical not only for its ability to carry a diversity of loads but also to alleviate congestion on the land based logistic activity. The increase and demand/use conflict of capital city rail and road infrastructure by the community and freight transport places increasing pressure on the capacity of state and national infrastructure to meet the growing demand of Australia's freight task.

We see in many capital cities the conflict between freight and community road use and rail passenger and freight movements. It is inevitable that without adequate planning for the future that the conflict will not only increase but result in an economic and social cost not only to industry but to all sectors of the Australian economy. Coastal shipping has an important and strategic function in developing the future growth of Australia and in working to alleviate these conflicts.

Current International and Coastal Shipping Policy

While there is some implied protection for Australian coastal shipping it is a policy which has been circumvented on many occasions. It is our understanding that currently movement of cargo within Australia is, where possible, directed to Australian coastal shipping unless such shipping is not available at the time the cargo is required to be moved and/or received.

This policy by its nature can be easily avoided in that cargo receipt and delivery times can be in many instances scheduled to coincide when no such Australian shipping is available.

In this instance the preferred shipping company, which may be an international shipping line, can seek a Single Voyage Permit (SVP) so that the cargo can be moved/received on a particular date which is not able to be serviced by a Coastal shipping service.

Anecdotal evidence is that it has been practice that such strategies are employed on a regular basis.

A further issue relates to the taxation treatment and differential for taxation purposes of seafarers' remuneration in relation to the 91 day rule required by Section 23AG of the Income Tax Act (ITA). International shipping has an advantage in that it can establish in a low tax environment hence giving the international shipping community greater flexibility to manage its taxation arrangements and increase its competitiveness over its Australian competitors.

PKPC is of the view that there should be a level playing field and as the Australian Government does not currently receive any benefits from Coastal Shipping (other than the North West service in WA) that consideration should be given to reviewing the 91 day rule for seafarers' wages.

Coastal Shipping Policy and Regulatory Arrangements

- Section 23AG of ITA

PKPC is of the view that there is a strong need for a policy on the movement of freight within Australia to encourage the development of a Coastal Shipping Industry.

It is simultaneously recognised that it is important that such a policy provides for competitive outcomes, does not provide for feather bedding, over manning and inefficiencies. In this respect it is argued that Section 23AG of the Income Tax Assessment Act needs to be reviewed to ensure that the 91 days Foreign Service requirement is consistent with international shipping so that an Australian Coastal Shipping Industry will not be disadvantaged (tax wise) compared to its international competitors.

- SVP

In addition to the review of Section 23.AG it is proposed that the existing SVP policy is strengthened to protect cargo to be moved within Australia through Australian coastal shipping. The policy needs to be more rigorous in its application before a single voyage permit is issued. Such an arrangement would require that an organisation seeking an SVP would have to provide written confirmation from the consignee and the consignor certifying that the freight movement must take place at a time that does not correlate with coastal shipping.

To give effect to this policy it needs to be supported by penalties if there is a breach and random audits will be necessary.

- Skills Training

It is also necessary that the basis of determining maritime qualifications is reviewed, as a world wide survey in late 1990s noted that a shortage of maritime related personnel is a real risk.

It is our view that the TAFE colleges are well able to meet the training needs to ensure an even graduation of maritime related personnel. Such training could be undertaken at dedicated training colleges on the east and west coast.

Strategies for Developing an Adequate Skilled Maritime Workforce

Australia currently has adequate skilled personnel involved in the commercial fishing and off-shore industries. Many of these people may be prepared to upgrade their maritime skills if there were the opportunities available through an adequately resourced coastal shipping service. As previously noted, at this stage the only coastal service that is available is in Western Australia where it services Fremantle through to Darwin. There are also a variety of other smaller shipping services that service particular Island markets or ports such as Perkins Shipping in Darwin.

The opportunities for these small companies arise only due to the fact that the international shipping that services these ports, particularly in the north west of

Western Australia, is large bulk carriers which are not suitable for the movement of break bulk and containerised trade. There is very little other coastal shipping that takes place.

Maritime Skills

In developing skills for maritime personnel it is suggested that three colleges are established and supported to train maritime personnel which can be done at different levels. These are

- Launceston (already provides marine degree qualifications);
- New South Wales, and
- Challenge TAFE, Fremantle WA (already provides marine trades qualifications).

While other TAFEs may be interested in establishing training facilities, it is necessary that the process is managed so that the skills are transferable between states and provide for career development.

A further area for consideration is the time taken to gain the various marine qualifications which are heavily reliant on sea time. An analogy is that it is possible to gain qualifications as a doctor or become captain of an aeroplane carrying passengers in a shorter time than that required to obtain sea going qualifications. Maritime qualifications are heavily reliant on time at sea rather than competency.

PKPC strongly argues that the time related seafarer qualifications are an anachronism and that a competency based training program should be established. It is our view that time does not make a good seafarer but that competency does. Different individuals have different capacity to absorb, learn and apply skills and it is our view that competency is the more relevant factor for qualifications rather than time at sea.

Time has historically been used as a method of protecting an archaic and antiquated system. It is necessary that this is changed given the current technology employed in shipping; whether it be blue water or within a protected port environment, the technology and skills necessary today are significantly different to those of yesteryear and equally require different individual attributes.

PKPC strongly urges that a competency based TAFE qualification should be considered in training and qualification of maritime personnel. To reiterate, we argue this point on the following basis:

1. The technology employed in shipping today is significantly different to that of yesteryear;
2. Time does not make a good seafarer but competency does;
3. Different people learn, absorb and apply skills at different levels which is unrelated to time but ability, and
4. Time related training is an anachronism and not relevant in today's technological environment.

Competency based qualifications should form the norm for sea-going personnel.

Coastal Shipping Policy and Efficiency in the Freight Task

As has been alluded to at the start of this submission, there is an increasing freight task for Australia. Without a Coastal Shipping Policy most of the freight task may fall on land based transport such as road and rail. The increasing competition for access to infrastructure, particularly in capital cities, such as the competing demands on road and rail infrastructure, will in the future provide greater strain and conflict between the needs of the commuting public and the movement of freight.

Across Australia there is a current policy that passenger trains have priority over freight trains. It will be inevitable that as the population of Australia grows, and with continuation of the current shipping policy, there will be greater strain and cost on the movement of freight. Coastal shipping has the opportunity to mitigate some of these impacts.

PKPC is of the view that while there are currently congestion issues at all capital city ports within Australia that a Coastal Shipping Policy should be considered in favour of regional ports such as Port Kembla to ease this congestion. Congestion will be eased by diverting transport from heavily used areas to those with capacity such as Port Kembla which is close to Sydney, has good road and rail access and is close to the growing south-west Sydney market and, importantly, has capacity both on sea and land side activities.

Many regional ports are under utilised and it is necessary that we consider how decentralisation can provide economic benefits to the regional community.

Such a policy will not only generate activity in a regional port but will also generate economic benefit, assist to alleviate congestion and improve community and freight access to transport links. It is important that in developing a Coastal Policy that it is not a case of more of the same but a case of where there are social and economic benefits to the community.

By the use of regional ports (Port Kembla) for coastal shipping the benefits we see will be significant. These include

- Assist in the alleviation of congestion due to land based freight movements;
- Shipping is an efficient method of moving large volumes of freight;
- Coastal Shipping will assist in alleviating and managing competing demands for road and rail infrastructure;
- Port Kembla has the capacity and infrastructure to service the needs of coastal shipping. No significant capital expenditure is required;
- Shipping has a high safety record, and
- Coastal shipping does not require any Government subsidy.

It is important to recognise that both road and rail have received considerable funding for the provision of infrastructure which has been paid for by the Australian community. With coastal shipping the only infrastructure cost relates to the berth facilities at the various ports where, in most cases, they already exist. These costs are generally recovered from port users and as such coastal shipping, when looked at on a

community cost basis, is more than competitive with the other modes of transport as no public funding is required.

While land based modes of transport are important, the competition is not only road and rail, as freight will be diverted to coastal shipping if sufficiently competitive, but international shipping where currently a significant amount of Australian freight is moved under the SVP system. It is in this area that competitive neutrality must be considered.

Benefits of a Coastal Shipping Policy

PKPC is of the view that a Coastal Shipping Policy will benefit many areas of economic and social activities that include Defence, environmental sustainability, tourism, public use of infrastructure, allocative efficiency of capital, etc. PKPC does not see any negatives from a Coastal Shipping Policy with many advantages to be had by all.

A robust Coastal Shipping Policy will provide many environmental benefits to the community such as minimising road and rail congestion, provide and create job opportunities for Australia, provide capacity to meet Australia's maritime defence in times of need, provide a ready shipping service which can be harnessed by Government in times of conflict.

As noted, we do not see any disadvantages of such a policy and we strongly encourage the House of Representatives Standing Committee on Infrastructure, Transport, Regional Development and Local Government to seriously consider the establishment of Coastal Shipping to service Australia. We also argue that Coastal Shipping should not be through capital city ports as these are well and adequately serviced at the moment, but through regional ports to create economic activity, much needed jobs and, importantly, diversification and decentralisation of industrial activity.

To use capital city ports for Coastal Shipping is akin to using International Airports for domestic air travel.

Through such a policy congestion in many capital cities will be minimised while simultaneously providing a competitive outcome for Australia as a whole.