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Chair of Committee on Infrastructure, Transport, Regional Development and Local Government.

TCS Submission to the House of Representatives Standing Committee on Infrastructure, Transport, Regional Development and Local Government on Coastal Shipping (due 11/4/08)

Thompson Clarke Shipping Pty Ltd was formed in 1981 to provide independent consultancy services to the shipping and port industries and associated organisations, whose interests lie in maritime transportation. The company specialises in providing operational and commercial advice for all aspects of shipping; our commercial clients include ship operators, port authorities and cargo interests, which places Thompson Clarke in an excellent position to submit objective comment to the Standing Committee on the subject of Coastal Shipping.

Preamble:

Coastal shipping has two major reasons to be taken seriously as the third transport mode (in addition to road and rail) of any national domestic surface transport strategy -

- a) its prime long distance infrastructure (open sea and port channels) requires little or no incremental capital investment over and above that already provided for international ship traffic - in stark contrast with the capital cost of overloaded and inadequate road and rail infrastructure
- b) its carbon footprint is (according to EU statistics – in grammes of CO2 per tonne km) superior to rail and some 5 times better than road.

Issues:

Before coastal shipping can be a seriously viable third plank of such a national transport strategy there are a number of key issues that require resolution:

1. There is a critical qualified seafarer manpower shortage (particularly in Australia), which will undermine any serious attempt to man coastal shipping services exclusively with Australian nationals – some estimates put this shortfall at about 30% of required manpower numbers.
2. There is no justification for applying current Australian deep sea seafarer employment terms and conditions to coastal services, where voyage length, range of port calls and relative hardship is substantially different from deep sea services (where the crew to berth ratios prevailing in Australian employment terms generate crew costs that are substantially more expensive than competitive international costs).
3. Australian ports and terminal operators cannot expect to apply the same tariffs to frequent calling domestic coastal services as borne by much larger international vessels (this is already recognized in some state and port tariffs in respect of frequent calling intra state services).
4. A number of Australia's key general cargo ports (Brisbane, Sydney, and Fremantle in particular) are only geared to handle such coastal cargo when shipped in full container vessels. In such cases international cargo terminals are used, which is comparable to asking Virgin Blue, Jetstar and Qantas to operate all their domestic air services via international air terminals in Sydney, Melbourne and Brisbane.
5. Competitiveness of freight movement by sea, from the customer's cost and service standpoint, is in many cases critically dependent on an efficient interface with land transport, which in turn is dependent on the development of effective land transport corridors particularly in metropolitan areas. Most general (as opposed to bulk) cargo does not originate from and is not destined to locations adjacent to port terminals. Such cargo moving by rail has the same intermodal dependence on local truck transport, since most cargo generators similarly do not have direct on site access to rail sidings.

6. The interpretation in recent years of Commonwealth regulations on coastal shipping (SVPs, CVPs, and licensing of foreign flag vessels to carry coastal cargo) is confusing and in some cases has been manipulated, as was demonstrated by the circumstances under which domestic cargo was moved on the Pan coastal service in 2006. Much clearer, more pragmatic and equitable regulations need to be established and consistently applied to clarify the respective roles of Australian and foreign flag vessels in the coastal trade.
7. Any initiatives to stimulate investment in dedicated coastal shipping need to consider the relevance to Australia of the range of investment and tax incentives that jurisdictions such as UK, Singapore and HK have used to attract operators to make such investments under the relevant flag of registration and to establish management of such operations in those jurisdictions.

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