

Additional Comments from Senator the Hon. Eric Abetz

1.1 The modest amendments in the Coastal Trading (Revitalising Australian Shipping) Amendment Bill 2017 are welcome but do not go far enough.

1.2 Of all the states, Tasmania has the most to gain from our Free Trade Agreements. But importing nations and mainland states are price sensitive. Every extra dollar per container will count against us as we compete with other states on both the Australian and world markets.

1.3 The Labor/Green changes to placate the extreme Maritime Union of Australia in the Coastal Trading (Revitalising Australian Shipping) Act 2012 have had a devastating and foreseeable impact. Rather than encourage and promote Australian shipping, these changes have stymied growth in the number of ships servicing Australian waters, whether foreign or Australian. The number of major trading vessels on our coast has continued to decline. Further impacts include:

- (a) Between 2000 and 2012, shipping's share of Australian freight fell from 27% to just under 17%, while the volume of freight across Australia actually grew by 57%;
- (b) Over 2010-30, Australia's overall freight task is expected to grow by 80%, but coastal shipping will only increase by 15% unless we act now;
- (c) There aren't enough ships to move our cargo and for some cargoes there aren't any Australian ships at all. Take for instance containers and cars. There are no Australian container ships, and with the exception of the Bass Strait Ferries, there are no Australian car carriers;
- (d) a substantial increase in the freight rates experienced by shipping users – e.g. Tasmanian company Bell Bay Aluminium recorded a 63 per cent increase in freight costs in one year;
- (e) a 63 per cent reduction in the deadweight tonnage (or capacity) of major Australian-flagged vessels with coastal licences from 2011-12 to 2013-14;
- (f) around 1,000 extra administration hours per year on the industry to meet the red tape of the scheme, as estimated by the Business Council of Australia;
- (g) the fleet of major Australian registered ships (over 2,000 dead weight tonnes) with coastal licences plummeted from 30 vessels in 2006-07 to just 15 in 2013-14; and
- (h) the number of ships on Australian Transitional General Licences has dropped from 16 to just 8.

1.4 Indeed, the Productivity Commission noted in its report into Tasmanian freight that:

Given its reliance on sea transport, Tasmania is particularly affected by inefficiencies embedded in coastal shipping regulation. This regulation should be reviewed and reformed as a matter of priority.¹

1.5 This concern was echoed by the Tasmanian Minerals and Energy Council who say in their submission that Tasmanian businesses:

...are the most exposed in Australia to the regulatory framework for coastal shipping which is in urgent need of reform.²

1.6 And the Launceston Chamber of Commerce has said that:

Launceston and Northern Tasmania has suffered considerably from increased costs and timeliness for exports and imports of freight as a result of the enacting of the Coastal Shipping Legislation.³

1.7 The current system just doesn't work. Tinkering around the edges will make it better but it won't let the industry fix its structural issues. We've got an ageing fleet that isn't being replenished.

1.8 In 2013, 49 per cent of the ships in the world fleet were under 15 years old and 79 per cent of the world's gross tonnage was under 15 years old.

1.9 In contrast, the average age of an Australian ship in the major trading fleet and operating under a general licence is 23 years.

1.10 As these ships get older, they get less efficient, they break down more and they cost more to insure. This is why we've seen operators of Australian ships progressively retiring their vessels and not replacing them.

1.11 Without drastic change, the industry will continue to burn out slowly. The current licensing system has little benefit for Australian shippers and ties up the industry in red tape. A simple, one stop, one size permit will ease this burden and make it clear Australia is open for business.

1 Australian Productivity Commission, Productivity Commission Inquiry Report No. 69, 7 March 2014, *Tasmanian Shipping and Freight*, p. 2.

2 Tasmanian Minerals and Energy Council, *Submission 12*, Senate Rural and Regional Affairs and Transport Legislation Committee, Inquiry into Shipping Legislation Amendment Bill 2015 [Provisions], p. 1.

3 Launceston Chamber of Commerce, Media Release, *Launceston Chamber of Commerce Calls for Deregulation of Shipping*, 6 June 2014, <http://lcc.asn.au/news/launceston-chamber-of-commerce-calls-for-deregulation-of-shipping/> (accessed 30 November 2017).

Recommendation 1

1.12 That the Government progress wider coastal shipping reform in order to support jobs and investment in Tasmania and around Australia. Reforms could be modelled on those that were brought to the Parliament by then Minister for Infrastructure and Transport, the Hon. Warren Truss MP and myself as Employment Minister in the Shipping Legislation Amendment Bill 2015 which included:

- (a) introducing a single Coastal Trading Permit for all ships to replace the current tiered system;
- (b) amending legislation to allow the carriage of petroleum products;
- (c) applying a minimum Australian senior crewing requirement for foreign ships remaining on the coast for more than 183 days in a permit period;
- (d) reducing monthly trade reporting requirements to annual reporting;
- (e) removing exemptions for large ships from the Coastal Trading Permit requirements; and
- (f) making amendments to the Australian International Shipping Register to improve competition amongst foreign flagged ships.

Senator the Hon. Eric Abetz

Liberal Senator for Tasmania

