ALC RESPONSE TO

REFORMING AUSTRALIA’S SHIPPING DISCUSSION PAPER

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February 2011
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PO Box 20 DEAKIN WEST ACT 2600
P: +61 2 6273 0744 F: +61 2 6273 3073 E: admin@austlogistics.com.au
www.austlogistics.com.au

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Background on Australian Logistics Council

Vision
To be the lead advocacy organisation to all levels of Government and industry on freight transport and logistics supply chain regulation and infrastructure issues.

Mission
To influence national transport and infrastructure regulation and policy to ensure Australia has safe, secure, reliable, sustainable and internationally competitive supply chains.

2011 – 2013 Strategic Intent
To establish the Australian Logistics Council as the ‘go to’ organisation representing the major and national companies participating in the Australian freight transport and logistics supply chain.

Objectives:
1. Be the nationally recognised voice of Australia’s freight transport and logistics supply chain.
2. Be the leading advocate of appropriate national regulation and infrastructure to ensure Australia enjoys the full benefits of freight transport and logistics policy development and reform.
3. Promote and encourage greater recognition by Government and the community of the importance of the freight transport and logistics industry’s contribution to Australia’s economy.

ALC Members are major and national companies participating in the Australian freight transport and logistics supply chain.

ALC also has a number of Associate Members which includes associations, unions, organisations, government agencies and companies participating in the Australian freight transport and logistics supply chain.

Australia’s freight task is estimated to triple by 2050 – from 503 billion tonne kilometres to 1,540 billion tonne kilometres, with local demand for total freight movements increasing by as much as 60% by 2020.

The Transport and Logistics Industry is a critical part of the Australian economy, generating 14.5% of Australia’s GDP and providing more than 1 million jobs across 165,000 companies. ALC estimates that every 1% increase in efficiency will save Australia around $1.5 billion.
ALC welcomes the publication of Reforming Australia’s Shipping – A Discussion Paper for Stakeholder Consultation (the Paper).

ALC notes that the Australian Government’s objectives for shipping are to:

» Ensure Australia has a viable shipping industry, able to provide adequate coastal shipping services at a reasonable price for customers/consumers and which reinvests in its ships when they reach the end of their economic lives;

» Ensure Australian shipping maintains and potentially grows its share of the national transport system in order to meet the growing transport task efficiently, effectively, safely and with the least impact on the environment;

» Provide opportunities to increase Australia’s participation in international shipping, reflecting the significance of shipping to our trade base and the linkages between strong domestic and international sectors;

» Create employment and skills opportunities for Australian seafarers; and

» Secure the maritime skills base necessary to provide regulatory and land based maritime services as well as the sea based services.

ALC generally supports the concept of an Australian International Shipping Register, with the objectives of:

» providing an Australian flag option that is attractive for ship operators engaged in the international trades;

» boosting the competitiveness of Australian shipping operations in the international trades; and

» providing a quality flag by maintaining current safety, training and environmental standards of the primary (or first) register.

ALC also notes the concept of a compact between industry and unions to deliver productivity and efficiency reforms to better align Australian shipping industry with international best practice.

ALC hopes that part of the compact will be a benchmarking exercise drawing on international best practice to assist in expanding Australia’s productive capacity, enabling stronger economic growth.

It that context, ALC queries how the proposal to consider the abolition of continuing voyage permits and a reduction in the use of single voyage permits is reflective of international best practice.

ALC notes that over the course of time, permits have become easier to obtain.

As reported in The Australian of 10 December 2010, shipping rates from the east coast to Perth fell by more than one third in real terms between 1989-90 and 2006-07, leading to shipping taking 10% of the east-west non-bulk freight market from a low base.

The restriction in the use of international vessels in domestic shipping, as proposed by the paper, moves Australia from having one of the world’s more liberal cabotage regimes to one of the more restrictive models, thus restricting competition in the Australian domestic sea freight market.

ALC hopes the combined effect of the proposed changes to the tax system imposed on shippers and the cabotage system (particularly a possible restriction of single vessel permits to where there are urgent or emergency circumstances) will not mean that the flexibility of being able to send freight by sea is lost.

An illustration of the possible effect of the proposed changes is contained in a submission to this discussion paper made to the Government made by BlueScope Steel, an ALC member.

An extract is attached as a case study on the possible impact of the changes.
Nevertheless, it is usually expected that where a regulatory proposal restricts competition within an industry (as any change to, for example, the single voyage permit system implicitly does), a regulatory impact statement should demonstrate:

» the preferred option generates a net benefit to the community as a whole; and

» that the only way of achieving the government’s objective is to restrict competition.

ALC is therefore disappointed the paper is not accompanied by a discussion regulatory impact statement.

ALC hopes that such a regulatory impact statement ultimately identifies:

1. The net public benefit to be derived from the proposed changes.
2. Any increase in costs that may be incurred as a result of the proposed changes to the permit system; and
3. What effect (if any) the proposed changes will have on competition in the domestic shipping industry and between different modes of transport on key interstate corridors.

Office of Best Practice Regulation policy on Election commitments

ALC acknowledges that the Department of Finance and Deregulation Office of Best Practice Regulation Best Practice Regulation Handbook states in connection with Election commitments:

RISs are required for election commitments that are likely to have an impact on business or the not-for-profit sector unless the impact is minor or machinery in nature. When a proposal implements a specific election commitment, however, the RIS should focus on the commitment and the manner in which the commitment should be implemented. That is, the RIS does not need to revisit the initial regulatory decision and is not required to examine alternative options to the commitment. This should be made clear in the RIS.

It is acknowledged the paper discusses the way in which commitments made in the election policy Stronger Shipping for a Stronger Economy announced by Minister Albanese on 13 August 2010 are to be implemented.
ATTACHMENT

Submission from BlueScope Steel

Dear Mr Pahlow

Following the release of the discussion paper for stakeholder consultation outlining proposed reforms for Australian shipping, below is BlueScope Steel’s response in respect to the paper.

BlueScope Steel’s Response to “Reforming Australia’s Shipping - a Discussion Paper for Stakeholder Consultation”.

BlueScope Steel is the leading steel company in Australia and New Zealand specialising in the production of flat steel products, including slab, hot rolled coil, cold rolled coil, plate and value-added metallic coated and painted steel solutions.

Its steelworks at Port Kembla in New South Wales is the largest steel production facility in Australia with an annual production capacity of approximately 5.3 million tonnes of crude steel. The Port Kembla steelworks is heavily reliant on coastal shipping with the majority of its raw materials sourced domestically.

BlueScope Steel supports a viable Australian shipping industry which is able to provide the required coastal shipping services at a competitive price for Australian shippers and receivers. This also extends to the proposal for the establishment of an Australian International Shipping register provided it achieves the desired outcome in boosting the competitiveness of Australian shipping in both domestic and international trades.

Of material concern to BlueScope Steel, however, are the changes to the permit system where it is proposed there will be a significant reduction to the issuing of SVPs limited to circumstances of an urgent or emergency nature.

If we consider the iron ore trade from Port Hedland to Port Kembla, this trade uses a mixture of licenced and SVP vessels. The three licenced vessels engaged in the trade are dedicated to a triangular service that include coastal and international legs. Given that the arrivals of the dedicated vessels to Port Kembla are fixed, it is critical that BlueScope Steel retains flexibility in scheduling the remaining Port Hedland tonnes as determined by production needs and restricted stockpiling capacity in Port Kembla. To date, we have managed this flexibility by scheduling SVP vessels on an individual voyage basis driven by agreed loading windows (shipping laycans).

The issuing of a temporary licence suggests that BlueScope Steel may require a vessel for a period of time and may be suitable where vessels are part of a fleet dedicated to a triangular service that includes coastal and international legs. This is not the case for the majority of Port Hedland to Port Kembla cargoes.

Due to production considerations, BlueScope Steel requires the ability to schedule vessels based on laycan requirements. In the event there is no available capesize licenced vessel able to carry the cargo, as is currently the situation, a permit would be required. From the proposed regulatory arrangements, our only option would be a Temporary Licence, although as we would only require the licence for an individual voyage, it appears that this is not the Government’s intended objective for this type of licence.

Other trades where the proposed changes to regulatory requirements will impact BlueScope Steel are the handy size coastal trade from Port Latta and Ardrossan to Port Kembla.

This trade is currently under contract until June 2012. In the past, the short coastal trade carrying inbound raw materials has allowed BlueScope Steel to position vessels into Port Kembla and subsequently use these vessels for its export steel trades to international markets. Proposed changes to the regulatory requirements will prevent the chartering of vessels in direct continuation with an international leg in order to defray some of the outbound export freight cost.

Should you have any questions or queries to the above response, we would be happy to clarify or elaborate further. I will be on leave until 31 January 2011, however you may direct enquiries to Mr Inglby Dickson (General Manager Supply Chain & Logistics) prior this date if necessary.

Kind regards,

Peter Fitsioris
Manager Marine Development
ASSOCIATE MEMBERS
» Australian Air Express
» Australian Food and Grocery Council
» Australian Shipowners Association
» Australian Furniture Removers Association Inc
» BlueScope Steel
» Broome Port Authority
» Coca-Cola Amatil
» Department of Defence
» Department of Transport VIC
» Department of Transport and Main Roads QLD
» G51 Australia Limited
» Merrill Lynch
» Metcash Ltd
» OneSteel

» PGA (Management) Pty Ltd
» Ports Australia
» Port of Melbourne Corporation
» Schenker Australia Pty Ltd
» Swire Cold Storage
» Sydney Port Corporation
» Transport & Logistics Centre
» Transport & Logistics Industry Skills Council
» Transport Certification Australia
» Transport NSW
» Victorian Freight & Logistics Council
» Victorian Transport Association
» Victoria University
» Wallenius Wilhelmsen Logistics
» Westgate Ports

HONORARY FELLOWS
Ivan Backman – May 2010
David Williams OAM – May 2010

PO Box 20 Deakin West  ACT 2600
Ph +61 2 6273 0755  F +61 2 6273 3073  Email admin@austlogistics.com.au
www.austlogistics.com.au