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Australian Government Productivity Commission

Via <https://www.pc.gov.au/inquiries/current/maritime-logistics/make-submission#lodge>

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Dear Commissioners

***Australian Aluminium Council Response to Australia's Maritime Logistics System***

The Australian Aluminium Council (the Council) represents Australia's bauxite mining, alumina refining, aluminium smelting and downstream processing industries. The aluminium industry has been operating in Australia since 1955, and over the decades has been a significant contributor to the nation's economy. It includes five large (>10 Mt per annum) bauxite mines plus several smaller mines which collectively produce over 100 Mt per annum making Australia the world's largest producer of bauxite. Australia is the world's largest exporter of alumina with six alumina refineries producing around 20 Mt per annum of alumina. Australia is the sixth largest producer of aluminium, with four aluminium smelters and additional downstream processing industries including more than 20 extrusion presses. Aluminium is Australia's highest earning manufacturing export. The industry directly employs more than 17,000 people, including 4,000 full time equivalent contractors. It also indirectly supports around 60,000 families predominantly in regional Australia.

The Australian bauxite, alumina and aluminium industry relies on shipping as an essential mode of transport in the production supply chain, providing a maritime conveyor for vertically integrated facilities. Vessels are used to transport both bauxite and alumina to refineries and smelters respectively, as well as to carry other inputs that are essential to the operation of the facilities. Interstate shipping may also be the mode of transport used to move the finished product from aluminium smelters. Timeliness of delivery is of great importance to operations and costs of freight are substantial for the companies involved. The industry has annual intrastate shipping requirements of around 14 million tonnes and interstate coastal shipping requirements of approximately 3.5 million tonnes. Additionally, as an export focussed industry, the industry exports around 55 Mt of product a year. While bauxite and alumina are exported as bulk products, aluminium is exported in either break bulk or containerised form; and a combination of dedicated and multi-use port facilities are used.

The Council welcomes the opportunity to provide feedback to the Productivity Commission on structural issues affecting the productive of Australia's maritime logistics system. In this submission, the Council will focus on a national view, but provide examples of logistical constraints from specific operations.

### COVID-19 Impacts

The COVID-19 pandemic has underscored the importance of manufacturing domestically, supporting a productive and resilient economy. The COVID crisis has demonstrated the advantages of not only the ability to value add within an almost exclusively domestic supply chain but also the importance of local industry which provides the underpinning market for our dependent contracting and manufacturing sector. In the downstream sector, COVID-19 have interrupted import supply chains for customers who previously sourced materials internationally. This, combined with significant disruption in shipping logistics, meant many companies with international supply chains needed to look for local solutions. Australian aluminium extruders were able to step into the breach to avoid more significant impacts on other sectors, such as building and construction, by replacing imported supply chain elements with domestic production. For example, solar rail, window and door products reverted to Australian based production to keep their businesses and customers supplied. This experience also applied across critical market segments including defence, heavy transport, ship building, medical equipment, building and construction (residential, commercial and industrial), medical, energy and infrastructure projects. A strong domestic aluminium extrusion sector helps ensure that broader economic activity is able to continue in times of national crisis like COVID-19.

More recently in late 2021 and early 2022, the sector has been heavily impacted by supply chain shortages; particularly of imported goods which arrive by container such as personal protective equipment (boots, clothing etc); chemicals and specialist raw materials. This has required ongoing endeavour by operational procurement teams to ensure there are multiple plans and pathways where possible.

While COVID-19 has to be, to an extent, expected in a black swan event, the crisis has highlighted the need to further develop risk-based decision making in development of response protocols to reduce delays and take away increased costs (e.g., from demurrage at ports). In this context, the Council welcomes the recognition that further work is required in Australia to address the strategic role of Australia's marine logistics sector, including ports and workforces, to help improve the sector's resilience and support Australia's productivity.

### Coastal Trading Act

The industry has intrastate shipping requirements of approximately 3.5 Mt per year, predominantly alumina shipped from refineries to aluminium smelters. This is covered by the Coastal Trading Act 2012, and the key issues for the industry under the current act are:

- Currently, no General Licence holder able to service the alumina dry bulk market;
- Previously, only a single General Licence holder was able to service the alumina dry bulk market, leading to a monopoly situation at substantially higher costs than existed previously in the market;
- Applications by General Licence holders for voyages with vessels which were unsafe or unsuitable for the route; and
- Even if there was competitive, safe and suitable vessels, the requirement to apply for a minimum of five voyages under a Temporary Licence and to lock-in loading dates and ports, does not allow for sufficient operational flexibility.

The industry has therefore, previously raised a range of potential solutions to the issues currently faced; which would include, in order of hierarchy:

- 1) Publication of a schedule of specific routes / trades where there are currently no General Licence (GL) vessels and voyages undertaken on these routes / trades would be exempt from the current process. Publication of these routes / trades would indicate to potential General Licence holders where there was an opportunity to commercially enter the market, providing an incentive for new operators to enter the market.
- 2) For routes / trades, still subject to the current process:
  - a) Remove the five voyage minimum requirement for a temporary licence (TL), allowing for applications for a single voyage;

- b) Amend the tolerance provisions and voyage notification requirements, to allow loading and discharge ports and dates to be varied in order to allow adequate operational flexibility;
- c) Broaden the definition of an 'emergency' to encompass any circumstance that risks the ongoing operation or viability of a facility dependent on inputs being delivered via coastal shipping; and
- d) Where the Minister or the Department is required to make a decision or judgement – including issuing or adjusting Temporary Licences (TL) - there should be a requirement to consider commercial factors (including value for money to the party contracting the shipping); safety and vessel suitability.

Strategic Fleet

There has been a suggestion that the development of an Australian strategic fleet would be a possible solution to venerable supply chains. The Council would welcome the inclusion of an assessment of the economic and social value of a strategic fleet, as part of this assessment of the maritime logistics sector.

The Council is happy to provide further information on any of the issues raised in this submission.

Kind regards,

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Australian Aluminium Council