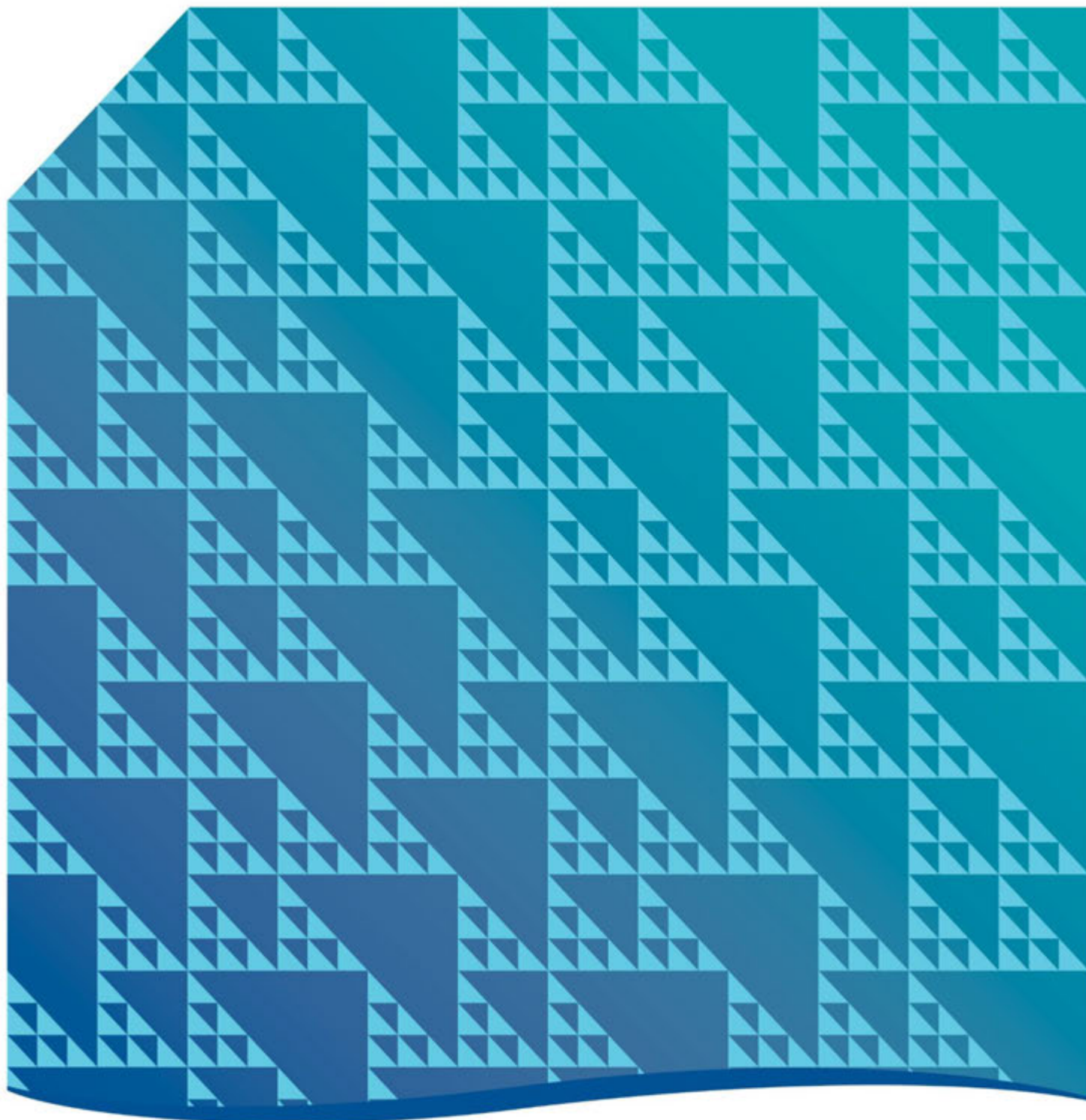


Productivity Commission Inquiry
into Australia's Maritime Logistics
System: Interim Report

October 2022

Tasmanian Government Submission



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Introduction

The Tasmanian Government welcomes the opportunity to respond to the Productivity Commission to assist its Inquiry into the long-term productivity of Australia's maritime logistics system.

As an Island State, Tasmania is particularly impacted by the efficiency of the maritime logistics system. Approximately 99 per cent of freight (by weight) enters and leaves the State by sea, underpinning a reliance on port infrastructure and sea freight services to transport goods to and from domestic and international markets.

Intra-regionally, Tasmania's Bass Strait Island communities depend on regular and reliable shipping connections.

The Tasmanian Government continues to participate in commercial maritime operations through TT-Line, the operator of Bass Strait vehicle/passenger ferries, as well as Bass Island Line, operated by TasPorts.

Tasmania is also a national leader in maritime skills, with the State home to the Australian Maritime College and a strong vessel production and support industry.

The Commission's Interim Report: *Lifting productivity at Australia's container ports: between water wharf and warehouse*, analyses the long-term trends in port performance, exploring broad economic impacts and operational cost drivers, including industrial relations, infrastructure constraints and technology uptake in Australia's ports and related transport networks.

Tasmanian Government Submission

As outlined in this submission, the Tasmanian Government urges that the Commission recognise and consider the unique features of Tasmania's maritime logistics system and challenges that are impacting on Tasmania, including:

- the extent to which Tasmania is reliant on reliable and efficient shipping services across Bass Strait
- Tasmania's reliance on the Port of Melbourne to access mainland markets and for transshipment to international markets
- the impact of increasing terminal access charges for Tasmanian businesses, who have no choice but to tranship goods through mainland ports
- the impact of port under-performance (including issues related to industrial disputes) in an environment of stressed supply chains
- challenges faced by infrastructure owners in accessing funding to deliver priority projects
- Tasmania's reliance on coastal shipping and outcomes that support increasingly cost competitive and sustainable shipping services for Tasmanian businesses, and the need for any changes to coastal shipping policy to carefully consider potential outcomes on Bass Strait services

The impact of COVID-19 and subsequent supply chain disruptions on maritime shipping has heightened the need for port authorities and governments to take steps to increase supply chain efficiencies through improving port and workforce productivity where possible.

Providing a policy and regulatory environment that ensures that Tasmania is supported by safe, secure, reliable, cost efficient and sustainable shipping services is critical for the continued success of the Tasmanian economy.

Maritime logistics in Tasmania

Over 99 per cent of goods leaving and arriving in Tasmania are moved by sea. With Tasmania's heavy reliance on shipping connections for domestic and international cargo movement, its freight system is dependent on highly efficient seaports and shipping services.

Tasmania is an export-based economy, producing a diverse range of goods for domestic and international export. Noting Tasmania's position as an island-based, export-focused economy, the Bass Strait crossing is proportionally the single largest transport cost in the supply chain of a typical Tasmanian business. Freight costs and services across Bass Strait are a key determinant of business efficiency, profitability and completeness. Tasmania has developed a number of targeted plans to support the effectiveness of freight and supply chains based around maritime transport, including the Tasmanian Integrated Freight Strategy.

The crucial issues of efficient services across Bass Strait, and freight costs, are significantly impacted by matters the Commission has considered in its Interim Report: port performance and costs, market power of port operators, port capacity and landside infrastructure, workforce arrangements, skills and labour supply, technology and innovation, and coastal trading arrangements.

Strategic ports

The Tasmanian Government acknowledges that the Commission's Interim Report focuses on Australia's five major terminals and that there is no direct commentary on Tasmanian Port operations.

In that context, the following comments outline the Tasmanian Government's role in the ownership of Tasmanian Public Ports, and Tasmania's strategic reliance on the Port of Melbourne (and now Port of Geelong) as critical links in Tasmanian supply chains.

Tasmanian Public Ports

TasPorts, a State-Owned Company, has responsibility for the operation and management of all public ports in Tasmania. This includes the four major ports of Burnie, Devonport, Bell Bay and Hobart, along with regional ports including Stanley, Smithton, Strahan, Currie (King Island) and Lady Barron (Flinders Island).

The Ports of Burnie and Devonport are recognised by the Bureau of Infrastructure, Transport and Research Economics (BITRE) as nationally significant, based on ship calls, throughput and international sea trade values.

In August 2018, TasPorts released its 15-year Port Master Plan. The Port Master Plan establishes the future of Tasmania's port facilities, ensuring that port facilities meet future demand and support economic growth. The Port Master Plan sets out more than \$200 million in planned investment in Tasmania's public port infrastructure.

Port of Melbourne

The Port of Melbourne is a critical transshipment hub for Tasmanian import and export freight, and a focal point for international container movements, with the majority of Tasmania's inbound and outbound containerised freight processed through the Port. Tasmanian trade is also highly significant for the Port of Melbourne and represents six per cent of direct full container imports to Port of Melbourne and 15 per cent of direct full container exports from the Port (excluding transshipments)¹. Tasmanian trade also accounts for 32 per cent of

¹ GHD Advisory 2021, *Port of Melbourne 2020 Container Logistics Chain Study*. The study covered the 2019 calendar year.

transhipped, international container imports to the Port of Melbourne and 13 per cent of transhipped exports from Port of Melbourne.

Containers are transported between Tasmania and Port of Melbourne using Toll and SeaRoad roll-on, roll-off vessels. Both Toll and SeaRoad operate their own terminals at Webb Dock East and provide their own shipping and stevedoring services, catering solely to the Bass Strait trade.

Port of Geelong

The Port of Geelong will soon become a critical part of Tasmanian supply chains, as TT-Line has signed a 30-year lease with the Port. TT-Line's Victorian port operations will move from Station Pier, Port of Melbourne to the Port of Geelong (Corio Quay precinct) from 23 October 2022.

Geelong Port has developed a dedicated terminal and freight facility for Spirit of Tasmania's future operational requirements, including storage and expanded facilities for freight clients, and passenger facilities.

Sea freight transport

Tasmania produces a diverse range of goods for domestic and international export destinations, and the sea freight task continues to grow. In 2020-21 14.5 million tonnes of freight, or more than 594 000 TEU² moved through Tasmania's public ports (an increase of more than 7 per cent on the previous financial year). In addition, approximately 2 million tonnes of iron ore are exported from privately owned port facilities at Port Latta each year.

Bass Strait Container Shipping

Bass Strait shipping services connect Tasmania with the rest of Australia and the world. Bass Strait container freight services are currently provided by three operators:

- Strait Link (previously known as Toll-ANL)
- SeaRoad Shipping
- TT-Line.

Each of the three Bass Strait shipping operators provides an overnight service between the ports of Devonport (SeaRoad and TT-Line) or Burnie (Strait Link) and the Port of Melbourne, six days per week using roll-on roll-off vessels.

The regular and reliable overnight services provided by Bass Strait shipping operators supports just in-time delivery and minimises the requirement for on-island storage and warehousing. Overnight services also support the time sensitive freight market, including the fresh food products in high demand from Tasmania. As a short sea trade, however, it is potentially a more expensive model to provide and use. For containerised freight, shipping is proportionally the single largest transport cost in the supply chain of most Tasmanian businesses, comprising a significant component of a domestic shipper's supply chain costs.

Seasonal shipping peaks exist across Bass Strait between September and early December for imports, driven by the retail sector, and February to June for exports, driven by agriculture. In recent years, as Tasmania's economy has shown strong growth, Bass Strait freight capacity has been tested during these peak periods.

² Twenty-foot equivalent unit

All Bass Strait operators have, or are in the process of procuring, new vessels, delivering a major increase in freight capacity and competition. The investment in vessel replacement by Bass Strait shipping operators will provide much needed additional capacity during the traditional peak periods. New vessel capacity is a major boost for Tasmania and provides confidence for freight users. This investment reflects the growing Tasmanian economy and burgeoning demand for Tasmanian products.

Ensuring that cost competitive and sustainable Bass Strait shipping services continue to meet Tasmania's freight task remains a critical priority for the Tasmanian Government.

International Container Shipping

Direct international shipping options provide Tasmanian shippers with efficient and cost-effective connections with overseas markets.

An international container shipping service operated by MSC currently calls to the Port of Bell Bay, offering a direct international shipping option for Tasmanian exporters and importers. The MSC service calls to Bell Bay on a weekly basis, connecting to New Zealand via Melbourne, and on to Singapore, Malaysia and Indonesia.

Another direct shipping route has been recently introduced, connecting Tasmania with New Zealand (Port Nelson). The service will support aquaculture industries in Australia and New Zealand, including BioMar (one of Tasmania's largest fish food producers).

With the general trend for international shipping lines to move towards using larger vessels to achieve greater economies of scale, many of the vessels that make international calls to Australia are too large to be accommodated by Tasmanian Ports. Transshipment through the Port of Melbourne therefore forms an important part of the supply chain for Tasmanian exporters and importers.

Domestic and International Bulk Shipping

Bulk carriers move large freight volumes directly between Tasmania and ports across Australia and international markets. Bulk commodities imported and exported from Tasmania include cement, mineral concentrates and ores, petroleum, logs and woodchips.

The ability of Tasmanian bulk shipping users to access shipping services at reasonable and sustainable prices is imperative to their continued competitiveness in a global market.

Intra-regional Shipping

Tasmania's Bass Strait Islands, as small, remote communities, are acutely dependent on regular and reliable shipping services at fair prices.

Through TasPorts, Bass Island Line operates a weekly shipping service between the main island of Tasmania and King Island. A transshipment option to Melbourne via the Port of Devonport is also available for customers.

Bass Strait Freight Pty Ltd services the Furneaux Group of Islands, including Flinders Island and Cape Barren Island.

The Tasmanian Government maintains a role in ensuring arrangements to ensure minimum level services are met for Island communities.

Tasmanian Maritime Knowledge and Skills

Over many generations Tasmania has developed its maritime knowledge and skills, with the State recognised for its world class capability in vessel production and support. Tasmania possesses unique capabilities in design, manufacturing, testing and support of specialist vessels and delivers world leading maritime services.

A number of Tasmanian firms are successfully engaged in the supply of robust, reliable and safe, specialised watercraft. Vessels designed and constructed in Tasmania are delivered to clients across the globe.

Tasmanian companies also produce a range of highly specialised and premium quality maritime accessory products used in various applications, including research, defence, aquaculture and the supply and logistics industries. Maintaining a vibrant maritime industry in Tasmania is a priority for the Tasmanian Government.

The Australian Maritime College (AMC), based in Launceston, is Australia's centre for maritime education, training and research. Based in the state's north, the AMC forms part of the University of Tasmania. The AMC is one of seven founding members of the International Association of Maritime Universities. The AMC is a strategic partner in the Naval Shipbuilding College, based in Adelaide.

The AMC offers courses in maritime engineering, marine environment, maritime environment, maritime logistics and seafaring, and attracts students from across Australia and overseas.

The AMC boasts a number of specialist learning facilities, including:

- Centre for maritime simulation
- Towing tank
- Model test basin
- Survival centre
- A suite of training vessels, including the 35 metre Bluefin used for training voyages.

The AMC underpins Tasmania's role in maritime training, and more broadly, the Australian shipping industry. The continued delivery of education and training programs at the AMC ensures that Tasmania will remain a key centre for the maritime and shipping sector in Australia.

Tasmanian Freight Schemes

Shipping costs associated with getting goods to market are a concern for Tasmanian businesses and consumers, and can create an additional burden compared to mainland businesses. There are two schemes that aim to reduce this disadvantage. The Tasmanian Freight Equalisation Scheme seeks to address the freight cost disadvantage experienced by Tasmanian businesses. Cost disadvantages for passengers are partially addressed through the Bass Strait Passenger Vehicle Equalisation Scheme.

It is crucial to acknowledge the extent to which these schemes are embedded in the Tasmanian freight system along with the vulnerability of the Tasmanian economy, including the tourism sector, to transport costs and disruptions.

It is recognised that the schemes provide major benefits to the Tasmanian economy through addressing the transport disadvantage experienced by Tasmania. The continued operation of these schemes is critical to Tasmania's economic growth.

Productivity Commission Interim Report: Response to key findings and recommendations

Container ports

Port performance

The Interim Report focuses on port performance across Australia's five major ports: Sydney, Melbourne, Brisbane, Adelaide and Fremantle.

Under-performance at any of these ports will have some flow on impact for supply chains in Tasmania. As noted above, the majority of Tasmania's inbound and outbound containerised freight is processed through the Port of Melbourne. As such, any improvements to port performance will potentially have significant benefits to Tasmanian importers and exporters.

The Interim Report finds that the framework for measuring Australian port performance could be enhanced (Draft finding 3.3), and that improving container port productivity would deliver significant benefits (Draft finding 3.9). It is important to note that this is only the first step. Once port performance can be better measured, this information should be used by port authorities and governments to implement measures to increase port efficiency and productivity.

Container port capacity and landside infrastructure

The Tasmanian Government notes the Commission's draft finding (7.4) that long term planning appears to be adequate, with state governments having freight and transport strategies that consider future port infrastructure needs. Compelling evidence has not been presented that more plans are required or that existing plans will not be implemented.

Underpinning government strategic planning for ports and landside infrastructure, including the National Freight and Supply Chain Strategy and the Tasmanian Integrated Freight Strategy, is evidence that Australia's freight task continues to grow.

The Tasmanian Government, as well as many infrastructure providers, acknowledge that the process for infrastructure investment priorities through the pipeline process is sound. However, infrastructure owners report facing challenges in developing a Business Case and accessing funding to support delivery of priority projects.

It is essential that:

- all levels of government work together to streamline the business case process and ensure delivery of pipeline projects
- governments continue to implement freight and transport strategies
- the Australian Government (and state and territory governments) recognise the growing freight task through future investment in port and landside infrastructure.

The Australian and Tasmanian Governments have committed to improving the efficiency of maritime logistics in Tasmania through the following initiatives:

- Investment in landside connections:
 - the Tasmanian Freight Rail Revitalisation Program, improving connections to ports
 - record investment in the State Roads Capital Investment Program (\$372 million combined Australian and Tasmanian Government funding during 2021-22). This includes planning and delivery of road infrastructure projects on the key Burnie to Hobart freight corridor
- Investment in larger capacity vessels across Bass Strait
- Upgrades to the Port of Devonport – Project QuayLink (\$240 million) will support the arrival of larger Bass Strait vessels set to enter service over the next few years
- Upgrading capacity at the Port of Burnie, examining options to better support higher export volumes and in-port efficiencies, including additional berth and terminal capacity to support larger ships, channel works to accommodate Panamax vessels and transport access improvements
- A new bulk minerals shiploader at the Port of Burnie, including an allocation to expand TasRail’s Bulk Minerals Export Facility
- Supporting landside supply chains, with the Tasmanian Government launching the Tasmanian Export Freight Logistics Advisory Service (TEFLAS), a service dedicated to supporting businesses to optimise and realign their freight distribution channels.

Competition in the maritime logistics system

Framework for analysing competition

The Commission has made several observations around monopoly power in the maritime logistics system. These dynamics certainly influence supply chain outcomes and decisions for maritime freight movements to/from and within Tasmania.

Tasmania’s reliance on the Port of Melbourne also means that the Port holds market power that may potentially impact Tasmanian trades. In this context, decisions made by the Port of Melbourne (such as plans to relocate Tasmanian terminal operations at the Port) can have a significant impact on Tasmanian customers, who have limited alternative options or power to influence decisions.

The significance of Tasmanian trade to the Port of Melbourne is also recognised by the Port. The Port of Melbourne Reference Tariff Schedule provides concessions for Tasmanian cargo, including reduced wharfage fees, a 65 per cent discount on transhipment of full containers for Bass Strait cargo, and discounted channel fees for coastal liner vessels.

Market power of port operators

Following the ACCC findings against TasPorts, as discussed in the Interim Report, the Tasmanian Government is currently progressing the Port Services Regulatory Review.

The Review acknowledges that safe, efficient and cost-effective shipping movements at Tasmanian ports are fundamentally important to the economy of our island State.

To ensure that the regulatory framework for maritime safety supports marine service providers to meet contemporary standards, the Tasmanian Government, through Infrastructure Tasmania, is currently undertaking a regulatory review of the maritime safety and port services framework.

The arrangements supporting maritime safety and delivery of marine services in Tasmania are complex and reflect aspects of the historic governance structure for Tasmanian ports.

The review is particularly examining the framework for maritime safety functions which is currently shared by Marine and Safety Tasmania, TasPorts and the Environmental Protection Authority.

The review is considering how the regulatory model may be improved to support the delivery of port services including marine pilotage and towage, marine safety functions and the delivery of oil and chemical spill pollution management and response capability.

Market power in other markets

Increasing freight costs in recent years has highlighted how the balance of market power across different parts of the supply chain has allowed service providers to significantly increase fees and charges. These significant cost increases have flowed through to Tasmanian businesses, with freight generating companies and logistics providers raising concern in respect of sharp increases to terminal access charges and container detention fees. Tasmanian exporters are particularly disadvantaged by increased charges, which may put businesses at risk of losing market share as they struggle to remain competitive in interstate and overseas markets.

Terminal access charges

In recent years, operators of Port terminals in Australia have introduced Infrastructure Access Charges for road and rail operators to access their terminals. Tasmanian businesses have been impacted by the significant increase in access charges at the Port of Melbourne, where:

- DP World increased its infrastructure charges from \$43.20 in 2018 (up from just \$3.50 in 2017) to \$128.90 per import container/\$105.90 per export container in 2022.
- Patrick increased its infrastructure charges from \$47.50 in 2019-19 to \$155.40 per import container and \$101.90 per export container
- VICT increased its rate from \$48 in 2018-19 to \$161.35 from 1 July 2022.

Increased Infrastructure Access Charges have impacted supply chain costs for Tasmanian businesses who tranship containerised goods through the Port of Melbourne.

The Tasmanian Government has made representations to DP World, the Victorian Government and ACCC on behalf of Tasmanian businesses affected by the price increases. The Tasmanian Government remains concerned regarding the impact of charges on Tasmanian shippers and exporters. With limited options for Tasmanian businesses to access international shipping and interstate markets, continued increases will adversely impact the competitiveness of Tasmanian businesses disproportionately.

The Tasmanian Government will continue to work with all parties to ensure that supply chains remain cost effective.

Container detention fees

Supply chain congestion and disruption have made it increasingly difficult both to access containers and return empty equipment. It is also understood that a shortage of containers has resulted in an increase to detention and demurrage charges as carriers to meet the high demand for equipment.

The Tasmanian Government understands that there is increasing industry concern regarding container detention fees and welcomes the Commission's attention to this matter.

Maritime workforce

Workforce arrangements

In recent years, industrial action at the Port of Melbourne has disrupted activity at the Port, compounding delays in already stressed supply chains.

The flow on impact on Tasmanian businesses supports the Commission's comments that industrial action can have significant effects on third parties – particularly industries dependent on maritime freight.

Since March 2020, the Tasmanian Minister for Infrastructure has convened the Freight and Logistics Roundtable Forum with industry on a regular basis. The forum provides industry with the opportunity to raise issues directly with the Minister. Industrial action at Port of Melbourne was a consistent concern for businesses throughout 2021, with vessel delays and need to book spots in advance compounding other supply chain challenges that businesses were facing in the aftermath of the COVID-19 pandemic.

Skills and labour supply

Workforce capacity issues are present or emerging across a number of sectors both in Australia and internationally, including the transport and logistics industry. Anecdotally, shippers servicing the Tasmanian market have experienced some difficulty in finding replacement workers.

The Tasmanian Government urges the Commission to give further consideration to the risk of emerging skills shortages as other industries compete for skilled labour. There would be benefit in exploring how the maritime logistics industry can present itself as an attractive option to prospective employees in a competitive labour market.

The Commission's draft finding (10.2) on this matter appears to focus on the short-term. This is in contrast to other recent reports and studies that identify longer-term challenges, including:

- Department of Infrastructure, Regional Development and Cities – Australian Shipping 2019
- Australian Industry Standards – Skills Forecast 2020 Maritime
- The Senate Rural and Regional Affairs and Transport References Committee: Policy, regulatory, taxation, administrative and funding priorities for Australian shipping 2020.

These studies have identified emerging workforce capacity issues in the maritime sector due to an ageing workforce, lack of skilled mariners in the employment pipeline, shortage of training berths for seafarers to complete practical training (or unattractiveness of international training berths given low international wage rates) and lack of employment opportunities limiting Australia's ability to maintain these skills.

Industry data

Further data relating to workforce concerns in the Tasmanian context is collected and shared by industry – for example, through the [Tasmanian Transport and Logistics Industry Workforce Plan 2020-23](#). This Plan raises issues including the relationship between labour mobility and accredited training, and the need for training packages to keep abreast of the technological changes.

The Plan also confirms that most training and development effort is concentrated within enterprises, with little engagement with external formal education and training providers, identifying the following issues:

- limited access to local training and education providers with expertise in transport and logistics
- shortage of trainers and assessors in transport and logistics; both within the formal VET system and within transport enterprises
- gap in terms of a strong industry-based model for leadership / management / supervisory skills development
- high cost of on-boarding new entrants, specialised equipment, cost of supervising new entrants
- shifting client needs particularly with a move to increased reliance on 3PL, 4PL and even 5PL solutions
- emerging technologies across all industry operations, with opportunities for greater application and integration of a range of industry technologies – some of which are competing
- formal VET training is mainly through private RTOs, with limited offering available through the public provider (TAFE), and significant changes in the private RTO landscape over the past 3 years in Tasmania
- disengagement with formal training pathways such as traineeships, apprenticeships – associated with a lack of confidence in the capacity and capability of training providers, unreliability of access to providers, poor integration with workforce and business strategic priorities
- low awareness of structures, processes and support to engage with formal training and education.

Tasmanian Government initiatives

The Tasmanian Government has a collaborative and partnership approach to Vocational Education and Training (VET) which supports Tasmanians to upskill or reskill to meet current and emerging local skills needs. The Tasmanian Government invests more than \$100 million in the Tasmanian training and workforce development system annually and receives funding from the Australian Government under the *National Agreement for Skills and Workforce Development* and other National Partnerships such as the JobTrainer Fund. In 2021, the Tasmanian Government supported 29 229 students, 32 643 related course enrolments and 6.6 million nominal hours of training delivery to Tasmanians.

Technology, information, and innovation

Maritime data is of significant value to governments. The Tasmanian Government relies on ports data to assist with supply chain analysis, port planning and freight corridor planning, informing infrastructure investment decisions.

TasPorts publish annual reports including trade statistics and financial reporting.

The Department of State Growth undertakes the Tasmanian Freight Survey, which captures the land transport freight task in Tasmania and analyses the relationship between port throughput and landside corridor usage.

Australia's national shipping concerns

The Australian Government regulates the movement of cargo and passengers on commercial vessels between ports in different states and territories in Australia through the *Coastal Trading (Revitalising Australian Shipping) Act 2012* (The Coastal Trading Act). Coastal trading is currently regulated by the licencing of vessels to carry cargo or passengers, under certain conditions.

Vessels providing Tasmanian domestic shipping services comprise a significant proportion of Coastal Trading General Licence holders on the Australia Shipping Register. All three domestic Bass Strait general cargo shipping service providers operate Australian flagged vessels. These service providers have recently made significant investment in new vessels to service the Tasmanian market.

These shipping services are critical to Tasmanian businesses and are provided by Australian owned/crewed vessels – a longstanding arrangement. Local shippers have acquired appropriately equipped vessels to handle Bass Strait conditions and provide a service model that suits Tasmanian importers and exporters. These services are highly regarded by users, who report that the service provision is consistent and reliable.

It is understood, however, that the majority of bulk cargo vessels calling to Tasmania ports are foreign flagged. It is evident that Tasmanian shipping is reliant on both Australian and foreign flagged vessels to support its domestic and international freight task.

It is crucial that overnight services on Bass Strait continue to provide a seamless service for Tasmanian businesses, and any final recommendations must carefully consider the potential impact on Bass Strait trade. Throughout recent reviews of coastal trading arrangements by successive Australian Governments, the Tasmanian Government has sought recognition of Tasmania's reliance on coastal shipping and outcomes that support increasingly cost competitive and sustainable shipping services for Tasmanian businesses. This includes arrangements that facilitate a sustainable and reliable fleet of vessels engaged in Tasmania's coastal trade and the inclusion of Australian coastal shipping routes in international voyages.

The potential benefits of changes to coastal shipping arrangements must be weighed against the potential risk of disruption to the current service offering without providing long-term benefit to Tasmanian businesses.

Case Study

In 2011, the Asia Australia Alliance (AAA) shipping consortium ceased its direct international service calls to Bell Bay, while Agility Shipping cancelled its domestic service between Bell Bay and Melbourne after failing to secure a permanent berth at Port of Melbourne. The loss of services cost customers approximately \$1000 extra per container handling and transshipment fees, and increased the cost of road transport to Devonport and Burnie Ports. The 2014 Productivity Commission Inquiry into Tasmanian Shipping and Freight also heard evidence that the departure of these services had competition implications and led to an increase in freight rates.

The domestic service subsequently offered by Swire Shipping between Hobart to Sydney and Brisbane resulted in more competitive pricing across shipping lines servicing Tasmania. However, the service was short-lived. When this service was cancelled in 2018, customers were left with two weeks' notice to arrange land transport to Tasmania's northern ports, Bass Strait shipping capacity, and transshipments to markets via Port of Melbourne.

Despite significant growth in Tasmania's freight task, Tasmania's ability to attract investment from international shipping lines is limited by relatively low container freight volumes. Servicing Tasmania also requires investments in vessels that meet Bass Strait conditions and available on-land infrastructure.

Tasmania's experience is that international shipping lines do not have the same level of vested interest in maintaining Tasmanian services. Tasmania is vulnerable to blank sailings and the risk of service cancellations, which create costly disruptions for business.

This case study shows that promoting competition can lead to more affordable freight; however, the cost benefits of increasing competition must be sustainable and take into consideration the long-term cost-effectiveness of providing reliable and secure services for shippers.

In the cruise vessel sector, a Ministerial Exemption under the Coastal Trading Act applies to large foreign flagged vessels (over 5,000 gross tonnes) meeting certain criteria, allowing these vessels to perform coastal voyages without holding a temporary licence. Foreign flagged vessels less than 5,000 gross tonnes cannot operate domestic cruise services without obtaining a temporary licence. Operators of these cruise vessels have suggested that the requirement for small cruise vessels to operate under a temporary licence imposes additional costs and logistical restrictions that act as barriers to including Tasmanian destinations on domestic itineraries. Cruise vessels of this size typically offer expedition or luxury experiences to high yielding tourists. Expedition cruising is a growing sector that Tasmania is well suited to attract.

The Tasmanian Government also supports a regulatory framework that ensures equitable access for all sectors of the tourism industry.



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