



Cement Industry Federation

SUBMISSION TO THE PRODUCTIVITY COMMISSION:
AUSTRALIA'S MARITIME LOGISTICS SYSTEM

February 2022





The Cement Industry Federation

The Cement Industry Federation (CIF) welcomes the opportunity to contribute to the Productivity Commission's review of Australia's maritime logistics system.

The CIF is the peak industry body representing all Australian integrated cement manufacturers.

There are five integrated cement manufacturing facilities in Australia that are owned and operated by Boral Australia Ltd, Adbri Ltd and Cement Australia Pty Ltd - supporting around 1,300 jobs directly and over 20,000 downstream employees and small businesses.

Our cement manufacturing facilities produce critical building materials that underpin Australia's key infrastructure needs.

Australian cement manufacturing is referred to as an 'import-competitive' sector, which means it must keep production costs lower than its international counterparts to remain competitive.

Approximately 60 per cent of total clinker used to produce cement is produced locally, with imports playing an increasing role to support the demand for cementitious products. A key current and future focus is decarbonising the sector whilst retaining its international competitiveness.

Cement demand is closely aligned with the need to create new and maintain existing buildings and infrastructure such as roads, bridges, buildings and housing. When the Australian population increases and there is strong domestic growth, the demand for cement increases.

Cement manufacturing and distribution provides thousands of jobs and critical investment in regional Australia as well as the suburban and industrial areas of our cities.

CIF response to the Productivity Commission Review questions

Australian cement manufacturers are highly reliant on Australia's maritime logistics system. Australian Maritime infrastructure and services are critical for the timely delivery of domestic manufactured cementitious materials and related bulk imports.

The CIF is concerned that the system is underperforming and requests this review investigates:

- Current **port congestion issues** resulting in unnecessary and expensive demurrage charges and other flow-on impacts that are seriously undermining the efficient and cost-effective delivery of goods and services. These delays are significant at a number of ports that the Australian cement industry is reliant upon and can inhibit our members' ability to meet contractual obligations to key infrastructure projects.
- The extensive regulatory burden and related costs being placed on Australian cement manufacturers due to the introduction of the **Coastal Trading (Revitalising Australian Shipping) Act** in July 2012. Australian manufacturers are highly reliant on coastal shipping to move their inputs and final products around Australia's coastline.
- **Biosecurity inspection charges** undertaken by Federal authorities should be based on sound cost recovery cost guidelines that include principles that ensure any proposed increase in Federal Government charges can be validated in terms of being both equitable and transparent. These principles are currently not explicitly included in the Federal Government's current cost recovery guidelines. Bulk shipping carriers are subject to a cost recovery charge to cover biosecurity inspections on arrival into Australian ports.
- There have been suggestions that the Federal Government consider providing financial support for a commercially operated '**strategic maritime fleet**' to secure key international supply chains. It is important the Productivity Commission critically evaluates this proposal, as it is difficult to see how this could be a viable proposition based on previous failed attempts. It is certainly not a regulatory impost that should be placed on Australian manufacturers reliant on coastal shipping (either directly or indirectly).

1. Port congestion and future planning

The CIF is concerned with significant port congestion issues being experienced at many of the domestic ports that our members are reliant upon.

Congestion issues impede the performance of the cement industry to deliver cementitious materials in a timely manner to current and future domestic infrastructure projects.

Concrete (of which cement is a key ingredient) is often referred to as the 'lifblood' of a construction site. If government and private infrastructure projects are being significantly delayed due to port congestion affecting the supply of building materials, especially concrete, the associated economic costs can be costly – both directly and indirectly.

It is therefore critical that urgent planning and development of Australia's port infrastructure takes place to ensure current and future users have appropriate access and can fulfill contract commitments in a timely and efficient manner.

Failure to reinvest in general bulk terminals is producing ongoing issues with long vessel delays and large demurrage bills for regular users at many ports (collectively millions of dollars annually). It is in the public interest that this critical issue is addressed.

2. Coastal Shipping

2.1 Demand for coastal shipping

The demand for coastal shipping is mainly underpinned by Australian manufacturers, who are required to move large quantities of low value materials to centralised locations for further processing and to market. Without manufacturing, there would be little need for bulk coastal shipping in Australia. Australian manufacturers are dependent on a small number of bulk carriers to transport their materials and final products domestically.

Sea freight is generally recognised as the only feasible means to move this type of cargo as alternative land transport modes are generally impractical due to the volumes involved.

Key manufacturing industries highly dependent of Australian coastal shipping include producers of iron and steel, alumina and aluminium, integrated clinker and cement, plasterboard, fertiliser, lime, sugar and refined petroleum products.

The demand for coastal shipping expands when there is growth in the Australian manufacturing sector.

Over the last 10 years the quantity of bulk coastal shipping freight has remained relatively constant at around 50 million tonnes.ⁱ

2.2 Coastal (Revitalising Australian Shipping) Act 2012

The key objective of the Coastal Trading Act, legislated nearly ten years ago, has been to provide regulatory support to create a coastal trading fleet with Australian seafarers, with the related regulatory impost being passed directly onto Australian manufacturers.

The Federal Government's supporting Regulation Impact Statement (RIS)ⁱⁱ to the legislation identified there would be a significant impact on **coastal shipping user costs** as Australian coastal freight costs represent a significant proportion of their total costs.

In response to the consultation process around this legislation, Australian dry bulk coastal shipping sought to examine the impacts of Australia's coastal trading arrangements on Australia's cement industry. The

CIF found that the Government’s own regulatory impact statementⁱⁱⁱ, and a Deloitte Access Economics report^{iv} commissioned by Australian dry bulk shipping users identified significant costs will be faced by Australia’s manufacturing and agricultural industries who make up the dry bulk coastal trade.

The CIF opposed the Coastal Trading Act 2012 on the basis that it was not an economic and productivity reform and that the Act:

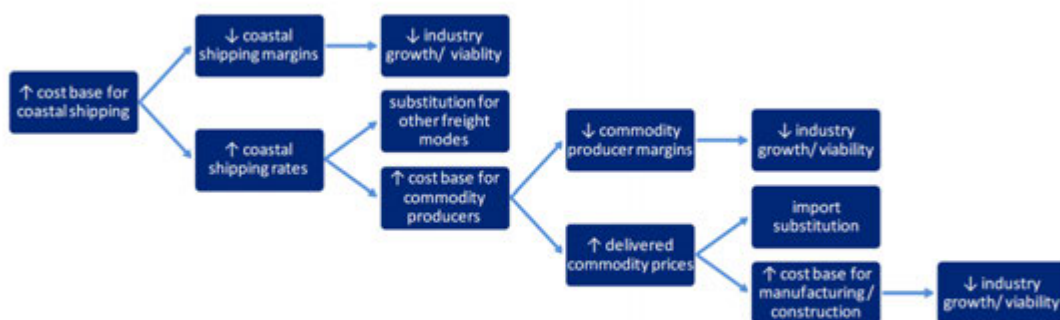
- Promotes protectionism of Australian shipping without concern for the impact it will have on Australian manufacturing and industry;
- Will significantly impact on Australian manufacturing and industry costs;
- Will encourage foreign product imports over Australian manufactured products;
- Is being incorrectly promoted as an environment and security reform; and
- Provides too much discretion to the Minister which can lead to further instability and uncertainty than the previous arrangements of single voyage and continuing voyage permits.

A diagram of the complex regulatory burden being placed on domestic coastal shipping users can be found in **Attachment 1**.

2.3 Australian cabotage arrangements

Australian coastal shipping is regulated via the Coastal Trading Act using ‘cabotage’ arrangements that allows the Australian Government the right to give nationally flagged coastal shipping vessels preference over more competitively priced foreign flagged vessels to move Australian products between ports located in Australia. The cost impact of this regulation is borne by Australian users of coastal shipping, namely Australian manufacturers and their customers – see **Figure 1**^v.

Figure 1: Impact of coastal shipping regulation on Australian manufacturing industries



The removal of cabotage has previously been recommended by the Competition Policy Review, the Productivity Commission and the National Commission of Audit.

2.4 Coastal Trading Act is overly complex and not commensurate to the size of the market

Australian coastal shipping is critically important to Australian cement and other manufacturers. However, the administrative cost burden associating with complying with the Coastal Trading Act alone is difficult to justify based on the size of the overall coastal shipping market.

The latest data on size of the major Australian Coastal Trading Fleet can be found in **Attachment 2**^{vi}. It should be noted that the Coastal Trading Act 2012 only applies to vessels that trade interstate, so the



actual number of vessels required to comply to the Act is even smaller than that depicted in **Attachment 2**.

The Federal Department of Infrastructure and Transport has undertaken numerous reviews that identifies the unnecessary complexity and regulatory burden associated with of the Coastal Trading Act 2012. In the 2019 review, submissions on proposed 'pragmatic reforms' were requested.

CIF proposals included:

- Removal of the five-voyage minimum requirement to apply for a temporary licence;
- Streamlining the processes for making changes to temporary licences by creating a single variation process;
- Amending voyage notification requirements so notifications are only required when voyage details have changed from those approved on the licence;
- Amending the tolerance provisions for temporary licence voyages to better reflect industry practice;
- Allowing for temporary licences to be issued in emergency situations;
- Amending the definition of coastal trading to include voyages commencing and concluding at the same port;
- Allowing the coastal trading regime to include ships engaged in dry-docking;
- Amending the definition of coastal trading to include voyages between ports and other defined places in Australian waters such as offshore facilities; and
- Making minor technical amendments to several definitions in the Coastal Trading Act that require clarification to assist with administration.

3. Cost Recovery Guidelines Review

Vessels entering Australian ports with imported goods are subject to biosecurity vessel and other inspection charges. Federal Government authorities are responsible for the application of the Australian Government Cost Recovery Guidelines (the CRGs) to any review of regulatory charging activities.

The CIF proposes that an external review of the CRGs urgently takes place and suggests the principles underpinning the CGGs be expanded to ensure any proposed increase in Federal Government charges are equitable and transparent.

Contact Details

For further information on any of the above comments please contact the Cement Industry Federation:



**CEMENT INDUSTRY
FEDERATION**

Attachment 1

Table 5.12 Ships in the major coastal trading fleet, 2018–19

Ship name ^a	Flag ^b	DWT ^c ('000 tonnes)	Goods carried ^d	Known Australian ports visited ^e	Known foreign countries visited ^{bf}
Bulk carriers					
RTM Gladstone	SGP	90.3	Bauxite	Brisbane, Darwin, Gladstone, Gove, Weipa	CHN
RTM Weipa	SGP	90.3	Bauxite	Brisbane, Gladstone, Gove, Weipa	CHN
RTM Wakmatha	SGP	90.3	Bauxite	Brisbane, Gladstone, Gove, Weipa	
RTM Twarra	SGP	89.9	Bauxite	Brisbane, Gladstone, Gove, Weipa	CHN
RTM Piiramu	SGP	89.9	Bauxite	Brisbane, Gladstone, Gove, Weipa	
CSL Reliance	BHS	49.5	Mineral sands, gypsum, sugar	Ardrossan, Bunbury, Fremantle, Geraldton, Gladstone, Melbourne, Sydney, Thevenard, Townsville	
Adelie	BHS	45.6	Gypsum, mineral sands, calcite, coal	Adelaide, Brisbane, Fremantle, Geelong, Geraldton, Gladstone, Hobart, Mackay, Melbourne, Port Kembla, Sydney, Thevenard, Whyalla	CHN
Acacia	BHS	40.7	Gypsum, fly ash, clinker	Adelaide, Brisbane, Devonport, Geelong, Gladstone, Melbourne, Port Kembla, Sydney, Thevenard	KOR
Stadacona	BHS	32.5	Gypsum, cement, clinker	Adelaide, Brisbane, Geelong, Gladstone, Melbourne, Port Kembla, Thevenard	MYS, TWN
Luga	BHS	29.0	Cement, fly ash	Adelaide, Brisbane, Devonport, Gladstone, Melbourne, Newcastle, Sydney, Townsville	IDN
Kondili	BHS	28.4	Cement	Adelaide, Brisbane, Devonport, Gladstone, Melbourne, Townsville	NZL, TWN
Wyuna	BHS	28.4	Cement, fly ash	Brisbane, Gladstone, Melbourne, Newcastle, Sydney, Townsville	IND
Donnacona#	AUS	28.1	Iron ore	Dampier, Other Ports WA	
Akuna	BHS	26.5	Cement, fly ash	Brisbane, Esperance, Gladstone, Melbourne, Newcastle, Sydney, Townsville	CHN, IDN, SGP
Goliath#	AUS	15.5	Cement	Adelaide, Devonport, Gladstone, Melbourne, Sydney	TWN
Wunma	AUS	5.1	Zinc and lead concentrate	Bing Bong, Karumba, Thursday Island	PNG
Aburri	AUS	3.3	Zinc and lead concentrate	Bing Bong	SGP
General cargo ships					
Pioneer	HKG	22.1	General cargo	Hay Point, Mackay, Sydney	SGP
ICS Silver Lining	ATG	12.7	Lead, zinc concentrate, coal, coke, general cargo	Bell Bay, Burnie, Hobart, Melbourne, Newcastle, Port Kembla, Port Pirie, Sydney, Whyalla	
Victorian Reliance II#	AUS	11.5	Ro-Ro, containers, general cargo	Burnie, Melbourne	SGP
Tasmanian Achiever II#	AUS	11.5	Ro-Ro, containers, general cargo	Burnie, Hobart, Melbourne	SGP
Searoad Tamar#	AUS	10.0	Ro-Ro, containers, general cargo	Devonport, Melbourne	
Accolade II#	AUS	8.1	Limestone	Adelaide, Klein Point	
Searoad Mersey II#	AUS	8.0	Ro-Ro, containers, general cargo	Devonport, Melbourne	
Spirit of Tasmania II#	AUS	5.1	Ro-Ro, containers, general cargo	Devonport, Melbourne, Sydney	
Spirit of Tasmania I#	AUS	5.1	Ro-Ro, containers, general cargo	Devonport, Melbourne, Sydney	
Aurora Australis#	AUS	3.9	General cargo	Hobart	
Trinity Bay#	AUS	3.2	General cargo, containers	Cairns, Cape Flattery, Other Ports Qld, Thursday Island, Weipa	
Newcastle Bay#	AUS	2.8	General cargo, containers	Cairns, Hay Point, Other Ports Qld, Thursday Island, Weipa	
John Duigan#	AUS	2.4	General cargo	Bell Bay, Devonport, Geelong, King Island	



**CEMENT INDUSTRY
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Attachment 1 (cont)

Table 5.12 Ships in the major coastal trading fleet, 2018–19 (continued)

Ship name ^a	Flag ^b	DWT ^c (‘000 tonnes)	Goods carried ^d	Known Australian ports visited ^e	Known foreign countries visited ^{b,f}
LPG Tankers					
Gas Shuriken	MHL	5.0	LPG	Brisbane, Cairns, Devonport, Gladstone, Hastings, Hobart, Sydney	PNG
Gas Defiance	MHL	5.0	LPG	Brisbane, Cairns, Darwin, Devonport, Gladstone, Hobart, Port Kembla, Sydney	
Tankers					
Alexander Spirit	BHS	40.1	Petroleum products	Adelaide, Albany, Brisbane, Cairns, Gladstone, Port Hedland, Sydney	CHN, IDN, JPN, SGP
ICS Integrity	BHS	7.5	Petroleum products	Geelong, Melbourne, Port Kembla, Sydney	
ICS Allegiance	BHS	6.1	Petroleum products	Geelong, Sydney	
ICS Reliance	BHS	6.1	Petroleum products	Geelong, Melbourne	
Larcom	AUS	4.0	Bunker fuel	Gladstone	PNG
Seger	AUS	3.6	Petroleum products	Brisbane, Cairns, Port Kembla, Sydney	SGP

a Multiple names are listed for some ships because these ships changed their name during the financial year.

b Country codes are used in tables for ship flags and known countries visited by ships. Full name of countries are in “Appendix B: Trading regions and country codes”.

c Ships of the same type are sorted by their size (DWT, ‘000 tonnes) in descending order.

d The goods carried by ships in the trading fleet are derived based on industry knowledge.

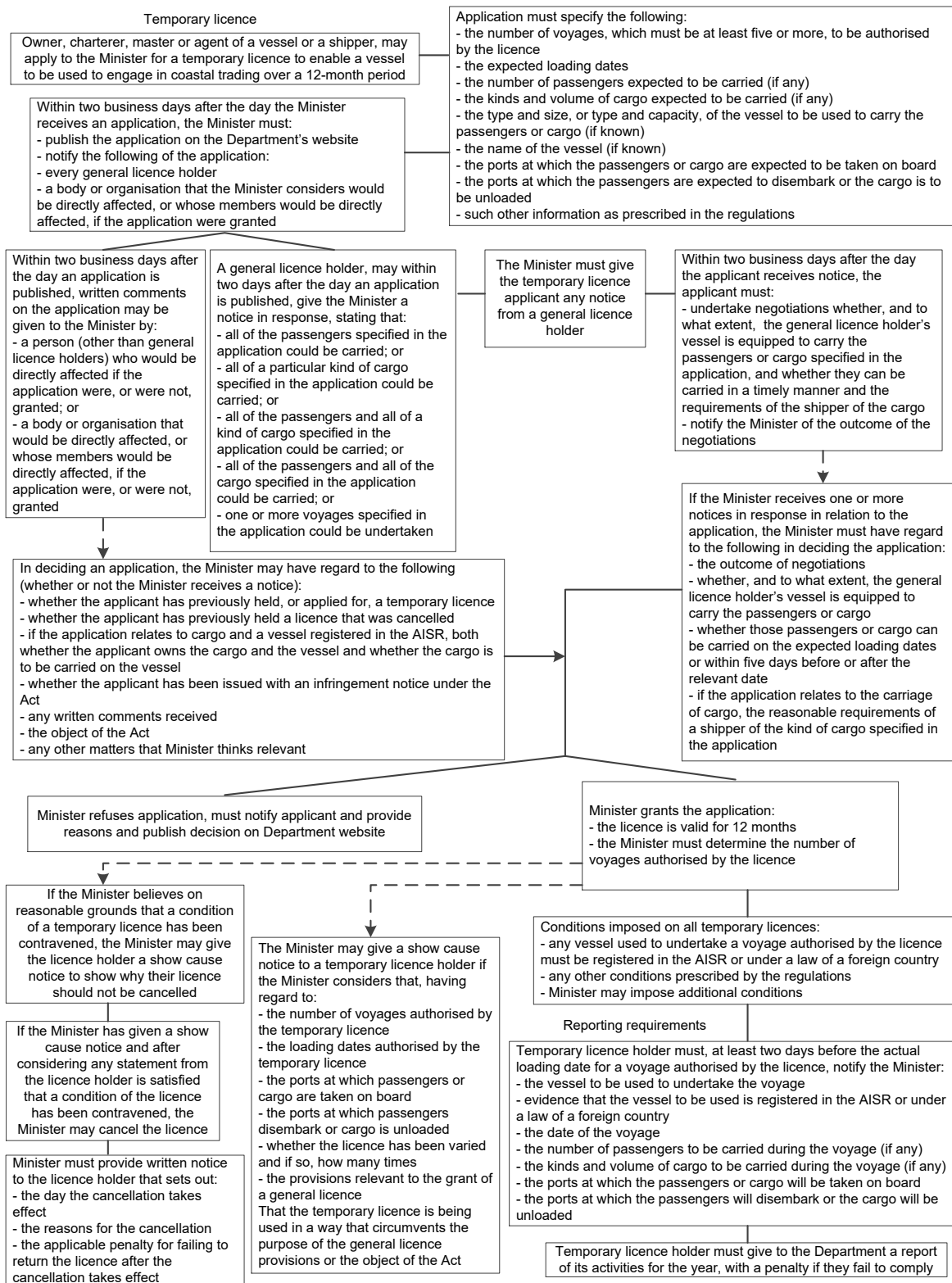
e The “Known Australian ports visited” by ships may include other associated ports, terminals or facilities. Full list of ports is in “Appendix A: Australian ports”.

f Only includes foreign countries where there was at least one ship visit or departure directly from or to an Australian port.

Denotes major Australian registered vessels with a general trading licence.

Sources: DITRDC (2020), Lloyd’s List Intelligence (2021), Shipping companies (various) – personal communications.

Attachment 2: Current temporary licensing process for eligible vessels to engage in coastal trading¹ - Under the Coastal Trading (Revitalising Australian Shipping) Act 2012



¹ Productivity Commission 2014, Tasmanian Shipping and Freight, Report No. 69, Inquiry Report, Appendix C, Canberra

ENDNOTES

ⁱ BITRE (2021). Australian Sea Freight 2018-19, July.

ⁱⁱ Department of Infrastructure and Transport (2011), Regulation Impact Statement: Reforming Australia's Shipping, Commonwealth Government, Canberra, August. Please note page vii of the RIS where it demonstrates that the more successful the policy is in increasing the size of the Australian coastal fleet the greater the cost to the Australian economy, especially small to medium sized businesses involved in the movement of dry bulk goods.

ⁱⁱⁱ Ibid

^{iv} Deloitte Access Economics (2012). Economic Impacts of the Proposed Shipping Reform Package, February.

^v Ibid

^{vi} BITRE (2021). Australian Sea Freight 2018-19, July.