



Shipping Australia Limited
ABN 61 096 012 574

Suite 2, Level 1, 101 Sussex Street, Sydney NSW 2000
PO Box Q388 QVB PO, Sydney NSW 1230

Tel: (02) 9266 9900
Fax: (02) 9279 1471

SAL 13162

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Productivity Commission

Email: Tasmanian.shipping@pc.gov.au

SAL Submission to Productivity Commission Inquiry into Tasmanian Shipping

1. Shipping Australia Ltd (SAL) is a peak shipowner association with 32 member lines and shipping agents and with 49 corporate associate members which generally provide services to the maritime industry in Australia. Our member Lines are involved with over 80% of Australia's international container trade and car trade as well as over 70% of our break bulk and bulk trade. A number of our members are also actively engaged in the provision of coastal cargo services to Australian consignors and consignees. Our members include cruise ship and towage operator. A major focus of SAL is to promote efficient and effective maritime trade for Australia whilst advancing the interests of ship owners and shipping agents in all matters of shipping policy and safe environmentally sustainable ship operations. SAL also provides secretariat services to the many liner companies and agencies that are members of conferences, discussion agreements, consortia and joint services that have their agreements registered under Part X of the Australian Competition and Consumer Act, 2012 (Cth). These agreements specifically seek to facilitate and encourage growth of Australia's international liner shipping trades.

Synopsis

2. Tasmanian shipping can probably be seen as a more extreme case of Australian shipping as a whole. It might be more like New Zealand where the problem of attracting sufficient shipping services is overcome by providing open access to international shipping.
3. Some contributing issues in Tasmania are:
 - a. Low volumes to/from Tasmania (especially containers) make it difficult to provide a regular service of sufficient frequency, and if the frequency isn't sufficient the shippers will use other methods. The recent withdrawal of the Jepsens coastal service in WA – could be seen as an example of the problems with domestic shipping, this service was not cost effective to the company despite a subsidy from the WA government in the order of \$8m pa. But in the WA case there is the alternative of road transport – which whilst less environmentally friendly and more costly on a per unit basis, provided a more timely door to door service.

- b. There has been a decrease of Imports to Tasmania
- c. There has been an increase in exports from Tasmania
- d. There may be a shortage of storage capacity at Tasmanian ports
- e. SAL estimates that Melbourne handles about 410,000 TEU of Tasmanian containers pa, mainly through Burnie and Devonport.
- f. There is a regular service from NSW – (Eden) a vessel operates carrying explosives to Bell Bay and returns carrying cattle from King Island
- g. High cost of domestic shipping due to both cabotage and high Seagoing Industry Award wages (Coastal Trading Act and Fair Work Act interactions),
- h. Union blockade at station pier against QUBE Ports & Bulk operating the Spirit of Tasmania – does nothing to improve confidence in shipping.
- i. Administrative restriction of access to foreign shipping due to Coastal Trading Act (minimum of 5 Temporary Licences must be applied for at one time) and interaction with Fair Work Act etc. makes it complicated and expensive to carry domestic cargo incidental to international cargo. This effectively prevents international ships swinging through Tasmanian ports and carrying small volumes of domestic cargo very efficiently.
- j. High port costs and stevedoring costs in Australia make transshipment services very expensive and there is no real competition in these services. Box lift rates are very high by global standards, in the order of \$200 plus per lift thus transshipment costs via hub ports such as Adelaide or Melbourne are very high. The introduction of the third stevedore to Melbourne may help reduce these costs.
- k. The Port Licence Fee introduced in Melbourne last year (which is effectively a tax on trade) is not helping Tasmania because it further increases costs of moving freight by sea between Tasmania and Victoria. Its cessation would help both transport to Tasmania and our international competitiveness.

Options

- 4. Possibly policy areas to drive improvement in shipping services for Tasmania:
 - a. The amendment of the Coastal Trading Act to exempt international vessels carrying domestic cargo (in relatively small quantities) incidental to their international cargos especially through Tasmanian Ports. SAL considers that the removal of restrictions on the carriage of coastal cargo and the retention of Part X could result in main liner consortia calling at a Tasmanian port.

- b. Consider the feasibility of consolidating all Tasmanian container cargo through one port to provide greater volumes and greater cost efficiency to promote an economically viable liner service.
- c. The freight equalisation scheme presently only applies to domestic cargoes – could it be extended to also apply to international cargoes to/from Tasmania?
- d. Hub and spoke operations are currently made uneconomic in Australia due to low volumes, relatively high port charges and transshipment stevedoring costs. Could the current subsidy be redirected to compensate lines or shippers for the additional port costs and transshipment charges encountered in calling through a Tasmanian port?
- e. Consider what can be done to dissuade State governments putting additional taxes on trade, such as the Melbourne PLF?
- f. The attraction of international services in Tasmania requires critical mass and if direct services are introduced, then the freight forwarders and shippers need to support these direct services (in the past they preferred transshipment via Melbourne because of the more frequent services).

Yours faithfully,

Rod Nairn, AM
Chief Executive Officer