
**REVIEW OF COASTAL TRADING
PORTS AUSTRALIA SUBMISSION**

Ports Australia is pleased to have the opportunity to respond to the invitation by the Government to provide comment on its *Options Paper: Approaches to regulating coastal shipping in Australia*.

Ports Australia is the peak industry body representing port authorities and corporations, both publicly and privately owned, at the national level. Ports Australia is governed by a Board of Directors comprising the CEOs of ten member port corporations.

Ports Australia works closely with the Government and its agencies on the development and implementation of policies and regulatory settings that will facilitate the efficient operation of our ports and ensure that they have the ability to develop their capacity to meet Australia's freight task.

Ports Australia Position

The Discussion Paper asks if coastal shipping should be regulated and in what manner. It yet again takes us back to scratch on this sector that has been extensively reviewed over recent years and which has offered much comment on regulatory frameworks. Ports Australia is restricting its comment to a statement of general position. We have also attached a previous submission which encapsulates more detail on our position. This submission was however framed when we held the view that the growth of coastal shipping and the development of Australian flagged shipping could be compatible objectives.

At that time Ports Australia indicated that:

Ports Australia believes that the provisions of the Coastal Shipping Bill should be administered in a way that promotes the dual policy goals of promoting a strengthened role of coastal shipping in our domestic freight task while, over time, facilitating the Government's objective of promoting an increased Australian flagged presence in these trades. To that end it recommends that the Department of Infrastructure and Transport be requested to develop a paper that sets out with clarity the principles and culture that will support the regulation of the coastal trades under the new legislation, which will assist to realize these dual objectives.

In this submission Ports Australia supports, as the principal goal and as of immediate priority for government, the establishment of regulatory arrangements that promote coastal shipping as a viable alternative to road and rail in addressing the growing domestic freight task and in supporting Australia's languishing manufacturing sector.

The coastal shipping sector has been characterised by a dual policy failure that has seen firstly the stagnation of the coastal shipping task and secondly the decrease of Australian licensed ships in our coastal trades. Current policy has not "revitalised" Australian flagged shipping and has little prospect of doing so under current settings. The Coastal Trading Act has also failed to deliver some of its key

goals including to “contribute to the broader Australian economy” and to “promote competition in coastal trading”. Uncompetitive services have been provided with statutory protection under the current provisions of the Act and their interpretation.

Ports Australia is of the strong view that policy on the regulation of coastal shipping can no longer be based on the proposition that it maintain a relatively small number of high costs jobs for Australian seafarers particularly at the expense of jobs elsewhere in the Australian economy including the manufacturing sector. It has had a particularly deleterious impact on Tasmania.

A number of case studies are now available; including a model developed by the National Bulk Commodities Group, which provide empirical support for this position and to the contribution the current regime is making to an alarming loss of jobs and activity, which was previously sustained by more competitive access to ships in the coastal trades.

Regulation, at least short to medium term, should be directed at ensuring the safety of vessels visiting our ports and the welfare of their crews and not at restricting access which is the effect of current policy. We advocate an immediate liberalisation through a return to the former single voyage system to facilitate the availability of access to timely and internationally competitive shipping services on the coast to shippers.

We see this as now offering the only viable pathway to growing demand and stimulating the coastal shipping task. By this means Australian industry may conceivably and strategically create better opportunities in the future for dedicated coastal shipping services.

This view is in part driven by the observation that there appears little appetite or resolve on the part of the parties concerned to secure real progress in addressing the costs and lack of productivity now broadly acknowledged as characteristic of an uncompetitive Australian flagged shipping industry. We note in this particular regard that the *Bluewater Shipping Reform Labour Relations Compact*, an instrument that was originally envisaged as front and centre in the success of the 2012 shipping reform package, is essentially an expression of intent and agreed principles and has no material content or targets directed at productivity improvements on Australian flagged ships.

A number of key national economic agencies have now highlighted that the protection of licenced Australian ships from competition in the coastal trades is contributing to higher costs of traded goods and manufacturing inputs. We support their calls for a more simplified and open regime that generates genuine competition in our coastal trades and for resolute and timely action on this matter on the part of the Government.

Ports Australia is aware that coastal shipping is regulated by a number of different pieces of legislation whose respective provisions have interrelationships that can be difficult to untangle. Ports Australia does not purport to be in a position to offer what might be considered an ideal model of regulation for coastal shipping. We would assert however that shipping legislation has been historically reviewed to the extent that the Government and relevant agencies should now have a good sense of what is required to secure outcomes that support national competitiveness and job growth.

Ports Australia supported the policy aspirations of the 2012 program but now believes that the parties necessary to the success of a revitalised Australian shipping industry are not sufficiently committed to ensure its success and that the country does not have the time for further prolonged engagement around this issue. For Ports Australia this is disappointing at one level in that we have been an active and supportive participant in initiatives directed at the development of Australian maritime skills and seafarers which is of strategic importance to the Australian port community. The collective strategic policy interest of our members lies in the formulation of strategies that promotes further development of a well-trained and sustainable Australian maritime workforce.

While port corporations are now highly complex businesses encompassing not just the safe management of vessels within their jurisdictions but also the management of landside logistics, strategic planning, environmental and security management they remain highly reliant on trained mariners to fill key positions in port operations. These include harbour masters, marine pilots, shipping operations managers, VTS operators, tug and pilot cutter crews and a number of others.

Ports Australia has previously also pointed out that the future prospects of coastal shipping relies on a number of settings other than the regulatory regime under which it operates. Its future success is also highly dependent on policy and regulatory support for port efficiency measures which in turn can address the landside costs and logistics attached to coastal shipping. The advantages of coastal shipping cannot just rest on the unit costs and environmental benefits offered by the line haul component of the task.

Thank you again for the opportunity to comment.

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