

Ai GROUP SUBMISSION

Coastal Trading (Revitalising
Australian Shipping) Amendment
Bill 2017

**Senate Standing Committee on
Rural and Regional Affairs and
Transport**

15 November 2017



Ai Group Submission – *Coastal Trading (Revitalising Australian Shipping) Amendment Bill 2017*

About Australian Industry Group

The Australian Industry Group (Ai Group) is a peak industry association in Australia which along with its affiliates represents the interests of more than 60,000 businesses in an expanding range of sectors including: manufacturing, engineering, construction, automotive, food, transport, information technology, telecommunications, call centres, labour hire, printing, defence, mining equipment and supplies, airlines, health and other industries. The businesses which we represent employ more than one million people. Ai Group members operate small, medium and large businesses across a range of industries. Ai Group is closely affiliated with many other employer groups and directly manages a number of those organisations.

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Introduction

Ai Group welcomes the invitation to respond to the *Coastal Trading (Revitalising Australian Shipping) Amendment Bill 2017* (**the Bill**) as part of the inquiry and report of the Rural and Regional Affairs and Transport Legislation Committee (the **Committee**).

Ai Group supports the Bill and urges the Committee to recommend that the Bill is passed by the Parliament.

The Bill provides much needed repair and flexibility to the current coastal trading regulatory regime.

The Bill addresses concerns of Australian businesses that shipping of domestic product between Australian ports has become uncompetitive and restrictive. The current regime, regulated by the *Coastal Trading (Revitalising Australian Shipping) Act 2012*, has led to significant increases in shipping costs to Australian companies and a greater reliance on road transport and rail.

The Bill will increase access of Australian businesses to the services of foreign ships capable of transporting domestic cargo. This will increase flexibility in the coastal shipping trade. It will provide important economic benefits to the Australian economy and allow for greater movement of Australian domestic cargo.

Ai Group previously supported the Government's *Shipping Legislation Amendment Bill 2015* and was disappointed that the Bill was not passed by Parliament.

While not delivering the same magnitude of reform as the 2015 Bill, the current Bill is a sensible compromise that provides the necessary repair to the current coastal trading regime, making it a more viable and sustainable freight pathway for industry.

Ai Group urges the Committee to recommend that the Bill is passed by the Parliament.

More competitive coastal shipping is needed for Australian businesses

Australian industry, particularly trade exposed businesses, require viable choice and flexibility for the movement of freight to remain competitive.

Ai Group represents numerous Australian companies which are extensive users of coastal shipping to transport raw materials, components and finished products between Australian ports. These companies need access to sea transportation at reasonable prices in order to remain competitive and productive.

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The Australian companies which are users of coastal shipping need access to sea transportation at reasonable prices in order to:

- Enable them to remain competitive and productive;
- Preserve employment in the industries which use coastal shipping;
- Avoid increased congestion and higher maintenance costs on Australia's road and rail networks;
- Avoid increasing Australia's greenhouse gas emissions as a result of replacing shipping with more carbon-intensive forms of transportation.

Coastal shipping should have a greater role to play in industry supply chains. The current coastal trading framework under the *Coastal Trading (Revitalising Australian Shipping) Act 2012 (Coastal Trading Act)* has failed to arrest the decline in the share of coastal shipping freight as a proportion of Australia's growing total domestic freight task.¹ The fact that no ships have been registered on the Australian International Shipping Register since the commencement of the current Act is also indicative that the current framework needs to change.

During the development of the Coastal Trading Act and related shipping reforms, Ai Group expressed concern that users of coastal shipping would face increased transport costs and warned that this would have a significant impact on Australian manufacturing and other trade exposed industries. Despite Ai Group's concerns, the Coastal Trading Act and related shipping reforms were introduced into law. Our Member companies, many of which are Australian manufacturers and trade exposed businesses, have suffered the consequences of increased transport costs as a result of the Coastal Trading Act.

The current object of the Coastal Trading Act focusses primarily on the involvement of Australian ships in coastal trading. Ai Group supports the efforts of Governments to revitalise the Australian shipping industry, but an appropriate balance must be struck. This balance must take into account the interests of Australian companies (shipping companies as well as companies which use shipping to transport their goods), Australian workers (those employed by shipping companies and those employed by the users of shipping) and Australian consumers (who are forced to pay the higher prices associated with increased transport costs).

The Bill proposes modest but important changes to the licensing system for foreign ships for the purpose of shipping domestic cargo around Australia. The changes proposed by the Bill go some way to address concerns of Australian businesses that shipping of domestic product between Australian ports has become excessively costly and restrictive since legislative changes were introduced by the former Labor Government.

Ai Group is of the view that the Bill strikes an appropriate balance.

¹ Regulatory Impact Statement, *Coastal Trading (Revitalising Australian Shipping) Amendment Bill 2017*, Department of Infrastructure and Regional Development, September 2017, p. 6.

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Key changes that would be implemented through the Bill

The Bill proposes a number of key changes that will build greater capacity and flexibility for coastal trading to better support Australian industry.

The Bill would:

- Remove the five-voyage minimum requirement to apply for a temporary licence;
- Streamline the processes for making changes to temporary licences by creating a single variation process;
- Amend voyage notification requirements so that notifications are only required when voyage details have changes from that approved on the licence;
- Amend the tolerance provisions for temporary licence voyages to better reflect industry practice;
- Allow for temporary licences to be issued in emergency situations;
- Amend the definition of coastal trading to include:
 - Voyages commencing and concluding at the same port;
 - Ships while dry-docking and to allow vessels to be covered by a coastal trading licence while dry-docking;
 - Voyages between ports and other defined places in Australian waters such as offshore facilities.

While the Bill preserves the general and temporary licence regimes, it injects much needed flexibility into coastal shipping by giving Australian companies increased access to sea transportation, without entirely deregulating the coastal shipping industry.

Specifically, the removal of the five-voyage minimum requirement for temporary licences will provide easier access for vessels to temporary licences which, due to the nature of their voyage routes and customers, may be unable to qualify for the planned five-voyage requirement. This will give current and potential users of coastal shipping a more viable option for industry supply chains.

Ai Group also supports the proposed changes to the existing cumbersome administration arrangements relating to temporary and general licencing requirements. These changes will deliver a more workable and practical licensing system.

The expansion of the definition of coastal trading to include vessels carrying liquid fuel products from offshore facilities to ports in Australia and vessels dry docked for service will also importantly promote employment and business growth for these industries.

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