

Inquiry into a sustainable Queensland intrastate shipping industry

Report No. 23, 56th Parliament

Transport and Public Works Committee

May 2019

Transport and Public Works Committee

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Abbreviations

AEZ	Australian Exclusive Economic Zone
Agforce	Agforce Queensland Farmers Ltd
AGSR	Australian General Shipping Register
AIMPE	Australian Institute of Marine and Power Engineers
AISR	Australian International Shipping Register
AMSA	Australian Maritime Safety Authority
AMSA Act	<i>Australian Maritime Safety Authority Act 1990 (Cwlth)</i>
ATBA	areas to be avoided
ATSB	Australian Transport Safety Bureau
BITRE	Bureau of Infrastructure, Transport and Regional Economics
committee	Transport and Public Works Committee
CT Act	<i>Coastal Trading (Revitalised Australian shipping) Act 2012 (Cwlth)</i>
Cwlth	Commonwealth
DBCT	Dalrymple Bay Coal Terminal
DCV	domestic commercial vessels
DTMR/TMR	Department of Transport and Main Roads
FOC	Flag of Convenience
FW Act	<i>Fair Work Act 2009 (Cwlth)</i>
GAPD	Gladstone Area Promotion and Development
GBR	Great Barrier Reef
GBRMP	Great Barrier Reef Marine Park
GBRMPA	Great Barrier Reef Marine Park Authority
GBRWHA	Great Barrier Reef World Heritage Area
GCCI	Gladstone Chamber of Commerce and Industry
GOC	Government Owned Corporation

GPC	Gladstone Ports Corporation Ltd
GRC	Gladstone Regional Council
Hermes	Hermes Maritime Shipping and Logistics
IMO	International Maritime Organization
ITF	International Transport Workers' Federation
ITRDLG	House of Representatives Standing Committee on Infrastructure, Transport, Regional Development and Local Government
JUHIs	Joint User Hydrant Installation
LTSP	Reef 2050 Long Term Sustainability Plan
MIA	Maritime Industry Australia Ltd
MIRC	Maritime Industry References Committee
MLC	Maritime Labour Convention
MoS	Motorways of the Sea
MSIC	Maritime Security Identification Card
MSQ	Marine Safety Queensland
MUA	Maritime Union of Australia
NES	National Employment Standards
NQBP	North Queensland Bulk Ports Corporation Ltd
OIR	Office of Industrial Relations
OTSI	outer Torres Strait Island communities
PBPL	Port of Brisbane Pty Ltd
POBA	Port of Brisbane Authority
Ports North	Far North Queensland Ports Corporation Ltd
QPA	Queensland Ports Association
QRC	Queensland Resources Council
Reef VTS	Great Barrier Reef and Torres Strait Vessel Traffic Service
Rio Tinto	Rio Tinto Aluminium Ltd

RORO	roll-on, roll-off
RRAT	Senate Standing Committee on Rural and Regional Affairs and Transport
RRATRC	Senate Rural and Regional Affairs and Transport References Committee
RUF	Restricted Use Flag
TCICA	Torres Cape Indigenous Council Alliance Inc
teu	Twenty-Foot Equivalent Unit
THLGC	Former Transport, Housing and Local Government Committee (54th Parliament)
TSC	Torres Shire Council
Seacare	Seafarers Safety, Rehabilitation and Compensation Authority
SPDA	<i>Sustainable Ports Development Act 2015</i>
UN	United Nations
WHSQ	Workplace Health and Safety Queensland

Chair's foreword

This report presents a summary of the Transport and Public Works Committee's examination of the inquiry into a sustainable Queensland intrastate shipping industry.

It was disappointing to find that our local shipping industry has declined to its current state. During the course of the inquiry, a few recurring issues have been identified. While not exclusively within the state's jurisdiction, the key issues that need addressing are:

- Training: the training of local seafarers, who will become our future MSQ, Port, Pilot and Tug operators, is something that needs to be prioritised.
- Changing nature of cabotage: changes in federal legislation allows lower paid foreign workers to be employed in our domestic transport industry. We don't allow foreign companies to fly domestic routes, yet for shipping it appears to be acceptable and stakeholders identified this time and time again. The fact that companies mining and processing Queensland resources aren't working harder to help keep our local shipping industry sustainable is outrageous.
- Communities in the Torres Strait: these communities, who rely exclusively on shipping for their basics, highlighted that increased competition would help them with cost of living and expand their options toward a sustainable future.

On behalf of the committee, I thank those individuals and organisations who made written submissions, appeared at the public hearings in Brisbane, Gladstone and Cairns, assisted the committee at its site inspections in Gladstone, Cairns, Mackay, Townsville, the Smartship Simulator facility in Brisbane and at the Reef VTS facility in Townsville and provided written responses to questions and additional material. I also thank our Parliamentary Service staff for their assistance.

I would also like to take this opportunity to thank the other Members of the committee and the Member for Redlands, Ms Kim Richards MP, who participated in a number of the committee's hearings and site inspections, for their valuable contribution towards the completion of this report.

I commend this report to the House.



Shane King MP
Chair

Recommendations

Recommendation 1 **137**

The committee recommends the Minister for Transport and Main Roads encourages industry to use Australian seafarers where at all possible and investigate methods to provide incentives.

Recommendation 2 **137**

The committee recommends that, in order to protect against expected skills shortages, the Minister for Transport and Main Roads together, with federal and interstate jurisdictions, investigate methods of expanding the maritime industry to provide training opportunities.

Recommendation 3 **138**

The committee recommends the Department of Transport and Main Roads works with port authorities to reduce potential barriers to allow for an expanded intrastate shipping trade.

Recommendation 4 **139**

The committee recommends the Minister for Transport and Main Roads investigates the conditions attached to government subsidies and concessions with a view to increasing Queensland employment.

Recommendation 5 **140**

The committee recommends the Queensland Government works to address the equity issues identified in regard to the communities situated on the Cape York Peninsula and Torres Strait Islands.

Recommendation 6 **140**

The committee recommends the Minister for Transport and Main Roads reports to the Parliament, during this term, on the progress on recommendations in this report.

1 Introduction

1.1 Role of the committee

The Transport and Public Works Committee (committee) is a portfolio committee of the Legislative Assembly which commenced on 15 February 2018 under the *Parliament of Queensland Act 2001* and the Standing Rules and Orders of the Legislative Assembly.¹

The committee's primary areas of responsibility are:

- Transport and Main Roads
- Housing, Public Works, Digital Technology and Sport.

1.2 Referral

On 15 November 2018, the Legislative Assembly passed the following motion:

That the Transport and Public Works Committee inquire into and report to the Legislative Assembly by 26 April 2019 on a sustainable Queensland intrastate shipping industry.

In undertaking this inquiry, the Committee should consider:

- (a) The regional economic development and labour market benefits of a sustainable intrastate shipping industry in Queensland;*
- (b) Current intrastate coastal shipping task and identify any barriers and options to strengthen the intrastate shipping industry;*
- (c) Queensland's contribution to, and the need for, an Australian inter-state shipping industry, and identify ways in which Queensland could contribute to improving the Australian inter-state shipping industry;*
- (d) Opportunities for future common user port infrastructure, and any adjustments to the provision of port services, to support the viability of a regular intrastate freight shipping service;*
- (e) Working conditions and safety practices on current coastal shipping vessels, comparing international vessels to Australian vessels;*
- (f) Any practices that are being used to erode working conditions, such as entitlements and legislative protections that currently apply to employees in the industry;*
- (g) Options for legislative, regulatory or policy reform that could strengthen the intrastate shipping industry, and ensure that Queensland's labour market would benefit from this expanded industry, considering current Commonwealth legislation, reviews and constitutional limitations;*
- (h) Options for legislative, regulatory or policy reform to maintain the safety, rights and protections of workers in Queensland ports and maritime industry; and*
- (i) Options to minimise any potential impacts on the Great Barrier Reef from a strengthened intrastate shipping industry*

1.3 Inquiry process

On 20 November 2018, the committee invited stakeholders and subscribers to make written submissions. Submissions closed on 21 January 2019. The committee also agreed to accept a number of late submissions. A total of 37 submissions were received. Appendix A contains a list of submissions.

¹ *Parliament of Queensland Act 2001*, section 88 and Standing Order 194.

The committee received a public briefing from the Department of Transport and Main Roads (DTMR) on 26 November 2018 and from the Office of Industrial Relations (OIR) on 29 January 2019. Appendix B contains a list of officials.

The committee held public hearings in Brisbane on 11 February 2019, 25 February 2019, 25 March 2019, 1 April 2019 and 29 April 2019. The committee held regional public hearings in Gladstone on 18 March 2019 and Cairns on 19 March 2019. Appendix C contains a list of witnesses.

The committee held site inspections at the Gladstone Port on 18 March 2019, Cairns Port on 19 March 2019, Mackay Port on 20 March 2019 and Townsville Port on 21 March 2019. The committee also visited the Smartship Simulator facility at Pinkenba, Brisbane, on 29 March 2019. The Chair and Member for Redlands also visited the Great Barrier Reef and Torres Strait Vessel Traffic Service (Reef VTS) vessel traffic monitoring facility in Townsville on 18 April 2019.

The submissions, tabled papers, additional information, correspondence and transcripts of the briefings and hearings are available on the committee’s webpage.



Members of Transport and Public Works Committee –
Brisbane public hearing 25 February 2019



Members of Transport and Public Works Committee –
Mackay port site visit 20 March 2019

2 Background

2.1 Queensland Port network

Queensland’s coast is serviced by 15 trading ports, two community ports and three smaller gazetted ports, including four non-trading ports. Figure 1 provides a diagram of Queensland’s ports as at 30 June 2017.²

Figure 1: Queensland ports map as at 30 June 2017



Source: Department of Transport and Main Roads, *Trade Statistics for Queensland Ports – throughput statistics for the five years ending 30 June 2017*, p 2.

² Department of Transport and Main Roads, ‘Port governance’, <https://www.tmr.qld.gov.au/business-industry/Transport-sectors/Ports/Port-governance>.

DTMR advised:

*The Queensland coastline has a network of commercial ports which range in size and infrastructure capability. These ports play a critical role in the supply chain and logistics industry linking Queensland with other domestic and international markets.*³

...

*The port network in Queensland is somewhat unique in that the state has a port every few hundred kilometres along its 1,800-kilometre coastline between Brisbane and Cairns.*⁴

Queensland's port system principally operates under the provisions of the *Transport Infrastructure Act 1994* and the *Government Owned Corporations Act 1993*. Under this structure, the Queensland Government retains ownership of the ports which enables it to set overall strategic direction.⁵

Under these Acts, Queensland's ports are managed and operated by four company government owned corporations (GOCs) and a private port lessee as follows:

- Port of Brisbane Pty Ltd (PBPL) is responsible for the Port of Brisbane. This port is managed and developed by PBPL under a 99-year lease from the Queensland Government.⁶
- Four GOCs consisting of:
 - Far North Queensland Ports Corporation Limited (trading as Ports North) is responsible for the ports of Cairns, Burketown, Cape Flattery, Cooktown, Karumba, Mourilyan, Port Kennedy (Thursday Island), Quintell Beach, and Skardon River
 - Port of Townsville Limited is responsible for the ports of Townsville and Lucinda
 - North Queensland Bulk Ports Corporation Limited (NQBP) is responsible for the ports of Abbot Point, Hay Point, Weipa, Mackay and Maryborough
 - Gladstone Ports Corporation Limited (GPC) is responsible for the ports of Gladstone, Rockhampton (Port Alma) and Bundaberg.⁷
- The private port at Amrun, located approximately 40 kilometres south of Weipa, which commenced operations in December 2018. This port facility will service Rio Tinto Aluminium Limited's (Rio Tinto) Amrun bauxite mine. Rio Tinto is the port authority and responsible for the operation and management of the port. However, the Regional Harbour Master is Cairns.⁸ DTMR advised that Maritime Safety Queensland (MSQ) worked closely with Rio Tinto in the development and construction phase of the port, including the training and development of marine pilots.⁹

³ Public briefing transcript, Brisbane, 26 November 2018, p 1.

⁴ Public briefing transcript, Brisbane, 26 November 2018, p 1.

⁵ Department of Transport and Main Roads, 'Port governance', <https://www.tmr.qld.gov.au/business-industry/Transport-sectors/Ports/Port-governance>.

⁶ Department of Transport and Main Roads, 'Port governance', <https://www.tmr.qld.gov.au/business-industry/Transport-sectors/Ports/Port-governance>.

⁷ Department of Transport and Main Roads, 'Port Government owned corporations', <https://www.tmr.qld.gov.au/business-industry/Transport-sectors/Ports/Port-governance/Port-Government-owned-corporations>.

⁸ Marine Safety Queensland, 'Port Procedures and Information for shipping – Amrun', <https://www.msq.qld.gov.au/Shipping/Port-procedures/Port-procedures-Amrun>.

⁹ Department of Transport and Main Roads, correspondence dated 18 December 2018, p 12.

Each port entity provides a broad range of facilities that cater for the diverse land/sea interface requirements of their trade catchment areas, and provides infrastructure which enables the movement, importing and exporting of mineral and agricultural produce, as well as general and containerised trade.¹⁰

DTMR advised that the historic nature of the ports has been very much geared around the export of bulk commodities rather than interstate or intrastate trade. DTMR stated:

The 15 trading ports we have along the coastline are historically export ports. They have been established primarily for agricultural and mining exports. A lot of the smaller ports are legacy ports from the sugar industry in particular. Some of our larger trading ports, particularly Gladstone and Townsville and the growth of Abbot Point, are specifically looking at mining exports, similarly with Mackay and Hay Point.¹¹

2.1.1 Port of Brisbane Pty Ltd

The Port of Brisbane relocated to its current location on Fisherman Islands at the mouth of the Brisbane River in 1976 when the Port of Brisbane Authority (POBA) was established. The POBA became a GOC in 1994 and oversaw development of the port, including a 230ha reclamation project, and relocation of strategic industries.¹²

The Queensland Government transferred the POBA business to PBPL under a 99-year lease, which commenced on 1 December 2010.¹³

PBPL is owned by the APH Consortium (formerly known as Q Port Holdings consortium), comprising of four investors: Caisse de dépôt et placement du Québec; IFM Investors; QIC Global Infrastructure on behalf of its managed funds; and Tawreed Investments Ltd, a wholly-owned subsidiary of the Abu Dhabi Investment Authority.¹⁴

PBPL's role, as defined by the port lease, includes:

- the maintenance and development of the port and related facilities
- operation of the Brisbane Multimodal Terminal
- leasing and managing land for port-related services
- facilitation of the development approval process for developments on Brisbane core port land
- maintaining navigable access to the port for commercial shipping
- operating the Visitors' Centre.¹⁵

Port operations, including stevedoring and towage, are carried out by private operators who lease land from PBPL and pilotage services are carried out by a private operator. Vessel traffic services are the responsibility of DTMR.¹⁶

¹⁰ Department of Transport and Main Roads, *Trade Statistics for Queensland Ports – throughput statistics for the five years ending 30 June 2017*, p 2.

¹¹ Public briefing transcript, 26 November 2018, p 3.

¹² Port of Brisbane Pty Ltd, *Master Plan 2018-2048*, March 2019, p 8.

¹³ Port of Brisbane Pty Ltd, *Master Plan 2018-2048*, March 2019, p 8.

¹⁴ Port of Brisbane, 'Who we are', <https://www.portbris.com.au/About/Who-We-Are/>.

¹⁵ Port of Brisbane, 'Who we are', <https://www.portbris.com.au/About/Who-We-Are/>.

¹⁶ Port of Brisbane, 'Who we are', <https://www.portbris.com.au/About/Who-We-Are/>.

PBPL prepares a master plan which is updated every five years. This document is a non-statutory requirement of the lease agreement between the Queensland Government and PBPL. The master plan is intended to guide PBL's land use planning. It specifically addresses:

- development objectives and proposals for the port
- assessment of the future port service and facility needs
- intentions for land reclamation and related development at the port
- assessment of the future of the port area including general amenity impacts of planned port operations on the areas surrounding the port
- assessment of environmental issues that might reasonably be expected to be associated with the implementation of the plan and plans for dealing with, ameliorating or preventing environmental impacts.¹⁷

The latest master plan, covering the period 2018 – 2048, was published in March 2019.

2.1.2 Far North Queensland Ports Corporation Limited

Ports North ports handle bulk shipments of sugar, molasses, silica sand, zinc, fuel, fertiliser, log product, livestock, project cargo and general cargo. It also has extensive marina and tourism facilities.¹⁸

Ports North has commenced its Ports Master Planning Project for both the Port of Cairns and Port of Mourilyan which will cover the 30-year period to 2050. It is anticipated that the project will be completed in early 2020. The planning project will include a range of considerations including:

- demand and infrastructure
- economic drivers,
- environmental values
- community values.¹⁹

Ports North provides pilotage services at the Ports of Weipa and Amrun even though these ports are not under its management.²⁰

2.1.3 Port of Townsville Limited

The Port of Townsville began trading in 1864. It provides eight berths servicing the export needs of the minerals, agricultural and pastoral sectors. It also services the defence operations and the tourism sector.²¹ The port handles more than 30 different commodities and is the largest exporter in Australia of sugar, molasses, copper, lead, zinc and fertiliser. It is the largest container and automotive port in Northern Australia, servicing around 70 per cent of Northern Australia's population. It has a cruise ship terminal. It also provides strategic naval capabilities with a naval berth and infrastructure facilities, particularly in servicing the Australian Defence Force's Landing Helicopter Dock ships.²²

¹⁷ Port of Brisbane, 'Master Plan', <https://www.portbris.com.au/Property/Masterplan/>.

¹⁸ Ports North, 'About Us', <https://www.portsnorth.com.au/about-us/>.

¹⁹ Ports North, 'Master Planning 2019 Fact Sheet', https://s3-ap-southeast-2.amazonaws.com/os-data-2/portsnorth-com-au/documents/pn_masterplan_fact_sheet_v4.pdf.

²⁰ Ports North, 'Port of Weipa', <https://www.portsnorth.com.au/weipa-pilotage-navigation/>.

²¹ Port of Townsville, 'About Us', <https://www.townsville-port.com.au/about-us/about-pot/>.

²² Port of Townsville Limited, *2017-18 Annual Report*, p 9.

The Port of Lucinda, situated approximately 100 kilometres north of Townsville, is primarily dedicated to the export of raw sugar from the Herbert River sugar growing district. It also services nearby islands with regular general cargo barge services.²³

2.1.4 North Queensland Bulk Ports Corporation

The Port of Mackay comprises four wharves within the Mackay Harbour. The port has common user infrastructure, a quarantine wash-down facility and licensed customs depot. The primary commodities traded through the port include fuel, sugar (raw and refined), grain, magnetite, fertiliser, scrap metal and tallow.²⁴

The Port of Abbot Point is a naturally deep water port. It is a coal port, servicing the Bowen Basin, Galilee Basin and North West Minerals Province.²⁵

The Port of Hay Point incorporates two separate coal export terminals: Dalrymple Bay Coal Terminal (DBCT), which is leased from the state government by DBCT Management Pty Ltd, and Hay Point Coal Terminal, which is owned by BHP Billiton Mitsubishi Alliance and operated by Hay Point Services.²⁶

The Port of Weipa incorporates three wharves with common user infrastructure. The port operations include onshore bauxite handling, processing and stockpiling facilities for Rio Tinto. It also handles a variety of commodities including general cargo, fuel and live cattle.²⁷

2.1.5 Gladstone Ports Corporation Limited

GPC is responsible for supporting and facilitating the trade of Central Queensland's major resource industries including coal, liquefied natural gas and alumina, as well as agriculture and bulk product.²⁸

The port at Gladstone has eight main wharf centres, comprising 20 wharves:

- RG Tanna Coal Terminal – four wharves owned and operated by GPC
- Barney Point Terminal – one wharf owned and operated by GPC
- Auckland Point Terminal – four wharves owned by GPC and operated by others
- Fisherman's Landing – four wharves operated by multiple companies
- South Trees – two wharves operated by Queensland Alumina Limited
- Boyne Wharf – one wharf operated by Boyne Smelters Limited
- Curtis Island – three wharves operated by LNG companies: Australia Pacific LNG, Santos GLNG and Queensland Curtis LNG
- Wiggins Island Coal Terminal – one wharf operated by Wiggins Island Coal Export Terminal.²⁹

The Port of Gladstone also has hosted cruise ships since 2016 at its Auckland Port Terminal facility.³⁰

²³ Port of Townsville Limited, *2017-18 Annual Report*, p 9.

²⁴ North Queensland Bulk Ports Corporation, 'Our Ports', <https://nqbp.com.au/our-ports>.

²⁵ North Queensland Bulk Ports Corporation, 'Our Ports', <https://nqbp.com.au/our-ports>.

²⁶ North Queensland Bulk Ports Corporation, 'Our Ports', <https://nqbp.com.au/our-ports>.

²⁷ North Queensland Bulk Ports Corporation, 'Our Ports', <https://nqbp.com.au/our-ports>.

²⁸ Gladstone Ports Corporation, 'About Us', <https://www.gpcl.com.au/about-us>.

²⁹ Gladstone Ports Corporation, 'Port of Gladstone', <https://www.gpcl.com.au/operations/port-of-gladstone>.

³⁰ Gladstone Ports Corporation, 'Cruise Ships', <https://www.gpcl.com.au/operations/cruise-ships>.

The Port of Rockhampton (Port Alma Shipping Terminal) has three wharf facilities, two of which are suitable for general cargo operations and the other dedicated to tallow/fuel cargoes.³¹

The Port of Bundaberg is serviced by two main wharves which handle bulk sugar exports and molasses.³²

2.1.6 Non-trading ports

The non-trading ports are:

- the Port of Maryborough, administered by NQBP
- the ports of Burketown and Cooktown, administered by Ports North
- the Port of Skardon River, administered by Ports North.³³

With regard to these non-trading ports, DTMR advised:

It is worthwhile noting that our ports were declared a number of years ago as part of the legislation and regulation process. Those ports were identified as potential opportunities, whether they be located close to mineral deposits or areas where there might be a need for a port in the future. Some of those historically have operated a more important role for the state as a port. If you take the likes of Cooktown, in the past it probably had a much greater role as a port for North Queensland, whereas now it is really for tourism and to support the areas around those locations. Similarly, Burketown in the past was used to provision and supply those areas in Far North Queensland. Now with our road network and other transport provisions there is less use for it to provide a service. Similarly, Maryborough historically was a port where there was trade through Maryborough. Now with our road network, with our larger ports and with the size of ships increasing, it is no longer a port that has that same level of trade as it once did.³⁴

2.2 Priority ports

The *Great Barrier Reef Marine Park Act 1975* (Cwlth) is the primary Act relating to the Great Barrier Reef Marine Park (GBRMP) which is managed by the Great Barrier Reef Marine Park Authority (GPRMPA). Approximately 99 per cent of the Great Barrier Reef World Heritage Area (GBRWHA) is within the GBRMP. The remaining one per cent is within Queensland's jurisdiction which covers approximately 3,600 square kilometres and includes most islands, ports and other internal state waters.³⁵

In November 2015, the Queensland Parliament passed the *Sustainable Ports Development Act 2015* (SPDA). The stated objectives of this Act were to:

- give effect to the government's commitments made in the *Reef 2050 Long-Term Sustainability Plan* (LTSP)

³¹ Gladstone Ports Corporation, 'Port of Rockhampton', <https://www.gpcl.com.au/operations/port-alma-shipping-terminal>.

³² Gladstone Ports Corporation, 'Port of Bundaberg', <https://www.gpcl.com.au/operations/port-of-bundaberg>.

³³ Department of Transport and Main Roads, 'Port Government owned corporations', <https://www.tmr.qld.gov.au/business-industry/Transport-sectors/Ports/Port-governance/Port-Government-owned-corporations>.

³⁴ Public briefing transcript, 26 November 2018, p 5.

³⁵ Great Barrier Reef Marine Park Authority, 'Differences between the marine Park and the World Heritage Area', <http://www.gbrmpa.gov.au/the-reef/heritage/great-barrier-reef-world-heritage-area/differences-between-the-marine-park-and-the-world-heritage-area2>.

- protect greenfield areas by restricting new port development in and adjoining the GBRWHA to within current port limits
- restrict capital dredging for the development of new or expansion of existing port facilities to within the regulated port limits of Gladstone, Hay Point/Mackay, Abbot Point and Townsville (to optimise the use of infrastructure at these long established major bulk commodity ports)
- prohibit the sea-based disposal of material into the GBRWHA generated by port-related capital dredging
- mandate the beneficial reuse of port-related capital dredged material, such as for land reclamation, or disposal on land where it is environmentally safe to do so
- require master plans at the long-established major bulk commodity ports of Gladstone, Hay Point/Mackay, Abbot Point and Townsville to optimise the use of existing port infrastructure and address operational, economic, environmental and social relationships as well as supply chains and surrounding land uses.³⁶

The SPDA declared the following four of Queensland's ports as priority ports:

- Port of Abbot Point
- Port of Gladstone
- the Ports of Hay Point/Mackay
- Port of Townsville.

The SPDA requires that each of these priority ports is required to have a master planned area approved by regulation.

DTMR advised that the department is undertaking land use planning programs to support the growth of Queensland ports as part of the master planning activities for priority ports.³⁷ DTMR advised:

Part of that recognises the role that ports play in the first and last mile of the supply chains. It seeks to ensure their efficient operation through the provision of land and the protection of infrastructure corridors further away from those areas.

The supply chain infrastructure assists goods to transit to the port efficiently and is critical to the effective operation of the port network, as are the regional businesses and industries that use it. Supply chain corridors benefit from the direct and unimpeded access to destinations through an integrated transport network which provides opportunities for the increased trade to service catchment industries.³⁸

DTMR advised that the final master plan for Port of Gladstone has been released and the draft Port of Townsville master plan has also been released.³⁹

The master plan for the priority Port of Gladstone was released in November 2018 and tabled in the Queensland Parliament on 21 March 2019.⁴⁰

³⁶ Sustainable Ports Development Bill 2015, explanatory notes, p 1.

³⁷ Public briefing transcript, Brisbane, 26 November 2018, p 7.

³⁸ Public briefing transcript, Brisbane, 26 November 2018, p 7.

³⁹ Public briefing transcript, Brisbane, 26 November 2018, p 7.

⁴⁰ Department of Transport and Main Roads, 'Master planning for the priority Port of Gladstone', <https://www.tmr.qld.gov.au/business-industry/Transport-sectors/Ports/Sustainable-port-development-and-operation/Master-planning-for-priority-ports/Master-planning-for-the-priority-Port-of-Gladstone>.

The draft master plan for the priority Port of Townsville was released on 5 November 2018. Public consultation on the draft master plan closed on 17 December 2018. It is anticipated that the final master plan will be released in 2019.⁴¹ DTMR have advised that the preliminary master planning processes for the priority ports of Abbot Point and Hay Point/Mackay are currently underway with the notice of proposal being issued on 27 October 2017.⁴²

DTMR confirmed that the SPDA means that these ports will continue to grow, whilst other ports within the GBRWHA will not grow to the same extent.⁴³ DTMR also advised that they are working with local councils to produce regional transport plans:

*... which look at those areas and exactly where ports are located, how those transport networks feed into those ports and how they work with the traffic flows within those council areas to both maximise the outcomes for the people who live there and protect those supply chains and provide for the ports in the longer term.*⁴⁴

2.3 Other shipping inquiries

The committee is aware of a number of other inquiries into the shipping industry in both Australia and Queensland over the past decade. The relevant key findings for the most significant of these inquiries are summarised in this section.

2.3.1 House of Representatives Standing Committee on Infrastructure, Transport, Regional Development and Local Government – Inquiry into Rebuilding Australia’s Coastal Shipping Industry

In March 2008, the House of Representatives Standing Committee on Infrastructure, Transport, Regional Development and Local Government (ITRDLG) was referred an inquiry to report on coastal shipping policy and regulation.⁴⁵ The ITRDLG made 14 recommendations covering matters such as:

- pollution resulting from shipping
- legislative review and reform
 - better align coastal shipping legislation with government’s policy to foster a viable coastal shipping industry in a competitive domestic transport sector (amend Part VI to clarify language in the *Navigation Act 1912* (Cwlth))
 - the re-introduction of accelerated depreciation arrangements
 - conduct a one-year review of the Maritime Crew Visa to ensure the program is meeting its objectives
 - review of the *Seafarers’ Rehabilitation and Compensation Act 1992* (Cwlth) and the *Occupational Health and Safety (Marine Industry) Act 1993* (Cwlth)
- creation of a national port development plan
- creation of one national maritime training authority

⁴¹ Department of Transport and Main Roads, ‘Master planning for the priority Port of Townsville’, <https://www.tmr.qld.gov.au/business-industry/Transport-sectors/Ports/Sustainable-port-development-and-operation/Master-planning-for-priority-ports/Master-planning-for-the-priority-Port-of-Townsville>.

⁴² Department of Transport and Main Roads, ‘Master planning for priority ports’, <https://www.tmr.qld.gov.au/business-industry/Transport-sectors/Ports/Sustainable-port-development-and-operation/Master-planning-for-priority-ports>.

⁴³ Public briefing transcript, Brisbane, 26 November 2018, p 5.

⁴⁴ Public briefing transcript, Brisbane, 26 November 2018, p 7.

⁴⁵ House of Representatives, Standing Committee on Infrastructure, Transport, Regional Development and Local Government, *Rebuilding Australia’s Coastal Shipping Industry*, October 2008.

- strategies to allow for greater transfer of personnel between the Royal Australian Navy and the civilian maritime industry
- development of options for the introduction of a national training vessel
- section 23AG of the *Income Tax Assessment Act 1936* (Cwlth) be reviewed, and clarify the meaning of “foreign service” for income tax purposes so that Australian seafarers are not disadvantaged in their earnings capacity relative to seafarers of other nations when working on foreign-flagged vessels on the high seas
- oversight – restructure of the Australian Maritime Group.⁴⁶

No government response to the report has been provided to date.⁴⁷

ITRDLG acknowledged that ‘initial support might be required to rejuvenate the industry’, but that over the long-term coastal shipping services will have to offer available, reliable, timely service with competitive pricing if the sector is to be sustained’. ITRDLG noted that the potential benefits of a revitalised Australian coastal shipping industry contributing to the carriage of the national freight task are considerable. The key benefits could have positive effects for the economy, environment, road safety and congestion, Australian defence, maritime safety and security and Australian maritime-related industry.⁴⁸

In regard to legislative reform, ITRDLG found ‘that the Australian coastal shipping industry would be better served by clearer guidance reflected in the Navigation Act, its regulations and ministerial guidelines’.⁴⁹

The inquiry identified an increase in foreign-flagged vessels, a ‘skills crisis’ and port infrastructure as key issues directly impacting the growth of the Australian coastal shipping industry, alongside a growth in freight movements by road and rail, but not shipping. For shipping to increase its share of the national freight task, it would need to become more competitive when compared with rail and roads.⁵⁰

In regard to port infrastructure, ITRDLG stated in its report:

*Port infrastructure is of national significance. Therefore, the Committee recommends that Infrastructure Australia create a national port development plan to address current and potential capacity constraints in Australia’s ports. This plan would then be used to direct funding to critical port infrastructure projects—not only to address Australia’s export capacity but also its ability to respond to a potential growth in coastal shipping.*⁵¹

⁴⁶ House of Representatives, Standing Committee on Infrastructure, Transport, Regional Development and Local Government, *Rebuilding Australia’s Coastal Shipping Industry*, October 2008, p xiii – xviii.

⁴⁷ Australian Parliament, House of Representatives Committees, https://www.aph.gov.au/Parliamentary_Business/Committees/House_of_Representatives_Committees?url=itrdlg/reports.htm.

⁴⁸ House of Representatives, Standing Committee on Infrastructure, Transport, Regional Development and Local Government, *Rebuilding Australia’s Coastal Shipping Industry*, October 2008, p 11.

⁴⁹ House of Representatives, Standing Committee on Infrastructure, Transport, Regional Development and Local Government, *Rebuilding Australia’s Coastal Shipping Industry*, October 2008, p 33.

⁵⁰ House of Representatives, Standing Committee on Infrastructure, Transport, Regional Development and Local Government, *Rebuilding Australia’s Coastal Shipping Industry*, October 2008.

⁵¹ House of Representatives, Standing Committee on Infrastructure, Transport, Regional Development and Local Government, *Rebuilding Australia’s Coastal Shipping Industry*, October 2008, p 55.

2.3.2 Queensland Transport, Housing and Local Government Committee – Inquiry into coastal sea freight

In May 2014, the Queensland Parliament agreed to a motion that the former Transport, Housing and Local Government Committee, 54th Parliament, (THLGC) inquire into and report on the effect of coastal shipping policy on the development of an efficient and productive multi-modal freight network, taking into account issues such as regional development, supply chain security, road safety impacts and contestability between coastal shipping and other transport modes.⁵²

The committee tabled its report on 1 December 2014, making 16 recommendations. The government tabled an interim response on 26 March 2015 and its final response on 1 June 2015. The government supported 10 recommendations, did not support one recommendation, noted four recommendations and partially supported one recommendation.

THLGC found that the establishment of a regular coastal shipping service that could provide a cost-effective, efficient and productive complementary transport service ‘has been impeded by a restrictive regulatory framework and the subsidisation of road and rail freight by successive state and federal governments’.⁵³

In summary, THLGC recommended:

- *amendments to the Commonwealth regulatory framework including the Coastal Shipping Act, the Fair Work legislation, and the Customs Act; and reviews of the registration conditions for the Australian International Shipping Register and of the Queensland “Restricted Use Flag” provisions in the Transport Operations (Marine Safety) Act 1994*
- *urgent priority be given to investigating the most effective ways to integrate a regular shipping service into Queensland’s freight network by assessing the contestability of a sea freight service based on competitive freight rates, sustainable freight volumes and innovative service delivery*
- *work continue on the “Sea Freight Action Plan – Coastal Shipping” to ensure that policy enablers, such as port planning and collaborative supply chain planning, provide an environment that is conducive to the establishment of a competitive, coastal shipping service in this State.*⁵⁴

DTMR provided the committee with an update on implementation of the recommendations. Appendix D contains a summary of the recommendations, government response and DTMR update.

This report incorporates commentary on the findings from this inquiry where relevant to the current inquiry.

⁵² Queensland Parliament, Transport, Housing and Local Government Committee, *Report 59: Inquiry into coastal sea freight*, December 2014, p 1.

⁵³ Queensland Parliament, Transport, Housing and Local Government Committee, *Report 59: Inquiry into coastal sea freight*, December 2014, p vii.

⁵⁴ Queensland Parliament, Transport, Housing and Local Government Committee, *Report 59: Inquiry into coastal sea freight*, December 2014, p vii.

2.3.3 Senate Rural and Regional Affairs and Transport References Committee – Increasing use of so-called Flag of Convenience shipping in Australia

In June 2015, the Senate agreed to refer the following matters to the Rural and Regional Affairs and Transport References Committee (RRATRC):

The increasing use of so-called Flag of Convenience shipping in Australia, with particular reference to:

- (a) the effect on Australia's national security, fuel security, minimum employment law standards and our marine environment;*
- (b) the general standard of Flag of Convenience vessels trading to, from and around Australian ports, and methods of inspection of these vessels to ensure that they are seaworthy and meet required standards;*
- (c) the employment and possible exposure to exploitation and corruption of international seafarers on Flag of Convenience ships;*
- (d) discrepancies between legal remedies available to international seafarers in state and territory jurisdictions, opportunities for harmonisation, and the quality of shore-based welfare for seafarers working in Australian waters;*
- (e) progress made in this area since the 1992 House of Representatives Standing Committee on Transport, Communications and Infrastructure report *Ships of shame: inquiry into ship safety*; and*
- (f) any related matters.⁵⁵*

The committee tabled interim reports in February and May 2016, making 10 recommendations, and its final report in July 2017, making seven recommendations. A dissenting report was provided by the government members of the committee.

The report covers a number of issues including regulatory environment, payment of seafarers, employment of Australian seafarers, incidents in Australian waters, security concerns and supply chain and coastal shipping reform.⁵⁶

The government tabled responses to the report in May 2017 and June 2018. The government did not support the six recommendations and noted four recommendations in the interim report and did not support four recommendations and noted three recommendations in the final report.⁵⁷

⁵⁵ Senate Rural and Regional Affairs and Transport References Committee, *Increasing use of so-called Flag of Convenience shipping in Australia*, July 2017, p 1.

⁵⁶ Senate Rural and Regional Affairs and Transport References Committee, *Increasing use of so-called Flag of Convenience shipping in Australia*, July 2017.

⁵⁷ Senate Standing Committee on Rural and Regional Affairs and Transport, *Increasing use of so-called flag of convenience shipping in Australia*, Government response, https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Rural_and_Regional_Affairs_and_Transport/FOCShipping45/Government_Response.

2.3.4 Senate Rural and Regional Affairs and Transport References Committee – Inquiry into the policy, regulatory, taxation, administrative and funding priorities for Australian shipping

On 5 December 2018, the Senate agreed that the RRATRC inquire and report by 13 August 2019 on the policy, regulatory, taxation, administrative and funding priorities for Australian shipping, with particular reference to:

- a. new investment in Australian ships and building a maritime cluster in Australia
- b. the establishment of an efficient and commercially-oriented coastal ship licensing system and foreign crew visa system
- c. the interaction with other modes of freight transport, non-freight shipping and government shipping
- d. maritime security, including fuel security and foreign ship and crew standards
- e. environmental sustainability
- f. workforce development and the seafarer training system
- g. port infrastructure, port services and port fees and charges
- h. any related matters.⁵⁸

The committee received 29 submissions and so far have held two public hearings in Melbourne.⁵⁹

This report utilises some of the published evidence provided to the RRATRC where relevant to the committee's terms of reference.

2.4 Role of Maritime Safety Queensland and Australian Maritime Safety Authority

In 2013, the *Marine Safety (Domestic Commercial Vessel) National Law Act 2012* (Cwlth) replaced the eight federal, state and territory laws with a single regulatory framework for the certification, construction, equipment, design and operation of domestic commercial vessels inside Australia's exclusive economic zone. The Act provides for Australian Maritime Safety Authority (AMSA) to be the National Marine Safety Regulator.⁶⁰

With regard to the overlapping roles of AMSA and MSQ, DTMR confirmed:

With respect to safety of commercial vessels, AMSA, the Commonwealth agency, is the lead on those roles under the Navigation Act. They also have a suite of legislation around coastal trading which is complementary to those safety acts but, again, in those matters which deal with commercial vessels and coastal trading AMSA has primacy. The state's role in regulating maritime safety is primarily around Queensland vessels, primarily recreational, and the management of safety and vessel movements within our waterways and Queensland coastal waters.⁶¹

⁵⁸ Senate Standing Committees on Rural and Regional Affairs and Transport, 'The policy, regulatory, taxation, administrative and funding priorities for Australian shipping', https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Rural_and_Regional_Affairs_and_Transport/Shipping_2018.

⁵⁹ Senate Standing Committees on Rural and Regional Affairs and Transport, 'The policy, regulatory, taxation, administrative and funding priorities for Australian shipping', https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Rural_and_Regional_Affairs_and_Transport/Shipping_2018.

⁶⁰ Australian Maritime Safety Authority, 'Legislation', <https://www.amsa.gov.au/legislation>.

⁶¹ Public briefing transcript, Brisbane, 26 November 2018, p 4.

2.4.1 Role of Maritime Safety Queensland in regard to Queensland's shipping industry

MSQ is a branch of the DTMR within the Customer Services, Safety and Regulation Division. MSQ's legislated role is to provide professional, specialist advice to, and undertake particular functions of, the chief executive in relation to marine safety, ship-sourced pollution and related matters.⁶²

Many of MSQ's previous responsibilities have been transitioned to AMSA over time.

MSQ is responsible for:

- improving maritime safety for shipping and recreational craft through regulation and education
- minimising vessel-sourced waste and responding to marine pollution
- providing essential maritime services such as aids to navigation and vessel traffic services
- encouraging and supporting innovation in the maritime industry.⁶³

MSQ administers the following maritime legislation:

- *Maritime Safety Queensland Act 2002*
- *Transport Operations (Marine Safety) Act 1994*
- *Transport Operations (Marine Safety) Regulation 2016*
- *Transport Operations (Marine Safety—Queensland Regulated Ships Miscellaneous Equipment) Standard 2017*
- *Transport Operations (Marine Safety—Domestic Commercial Vessel National Law Application) Act 2016*
- *Transport Operations (Marine Pollution) Act 1995*
- *Transport Operations (Marine Pollution) Regulation 2018*
- *Transport Infrastructure (Waterways Management) Regulation 2012*

2.4.2 Role of Australian Maritime Safety Authority in regard to Queensland's shipping industry

AMSA is Australia's national marine safety regulatory body. It is a statutory authority established under the *Australian Maritime Safety Authority Act 1990* (Cwlth) (AMSA Act). AMSA has other responsibilities conferred on it by other Acts. The main objects under the AMSA Act are:

- a) to promote maritime safety; and
- b) to protect the marine environment from:
 - i) pollution from ships; and
 - ii) other environmental damage caused by shipping; and
- ba) to provide for a national search and rescue service; and
- c) to promote the efficient provision of services by the Authority

AMSA's functions under the AMSA Act are:

- a) to combat pollution in the marine environment; and
- b) to provide a search and rescue service; and

⁶² Maritime Safety Queensland, 'About us', <https://www.msq.qld.gov.au/About-us>.

⁶³ Maritime Safety Queensland, 'About us', <https://www.msq.qld.gov.au/About-us>.

- c) to provide, on request, services to the maritime industry on a commercial basis; and
- ca) to provide on request services of a maritime nature, on a commercial basis, to:
 - i) the Commonwealth, a State, the Australian Capital Territory or the Northern Territory; or
 - ii) an authority or agency of the Commonwealth, a State or either of those Territories; and
- cb) to cooperate with the Australian Transport Safety Bureau (ATSB) in relation to investigations under the *Transport Safety Investigation Act 2003* (Cwlth) that relate to aircraft and ships; and
- d) to perform such other functions as are conferred on it by or under any other Act; and
- e) to provide consultancy and management services relating to any of the matters referred to in this subsection; and
- f) to perform any other prescribed functions relating to any of the matters referred to in this subsection; and
- g) to perform functions incidental to any of the previously described functions.⁶⁴

AMSA is also responsible for implementing the regulations under the Maritime Labour Convention 2006 (MLC) in Australia via supporting legislation which applies to all commercial vessels, whether publicly or privately owned. The MLC does not apply to fishing vessels, vessels of traditional builds (such as dhows and junks), warships, naval auxiliaries or vessels not ordinarily engaged in commercial activities. AMSA's responsibilities with regard to the MLC are discussed further in section 7.2 of this report.

AMSA advised:

*As Australia's national maritime regulatory body, AMSA promotes the safety and protection of our marine environment and combats ship-sourced pollution. AMSA provides infrastructure for safety of navigation in Australian waters, and maintains a national search and rescue service for the maritime and aviation sectors.*⁶⁵

AMSA advised the committee that MSQ and the GBRMPA are important partners to them.⁶⁶

⁶⁴ *Australian Maritime Safety Act 1990*, section 6.

⁶⁵ AMSA, correspondence dated 9 May 2019, p 1.

⁶⁶ Public hearing transcript, Brisbane, 29 April, 2019, p 2.

3 Regional economic development and labour market benefits of a sustainable intrastate shipping industry

Term of reference (a) states that the committee should consider:

The regional economic development and labour market benefits of a sustainable intrastate shipping industry in Queensland.

This section of the report considers the current coastal shipping task. The options identified by stakeholders of an intrastate shipping industry to Queensland are also considered in section 4.3 of this report.

The committee notes that the issues were also canvassed as part of the THLGC report no 59, *Inquiry into coastal sea freight*.

3.1 Current port trade

DTMR advised that current domestic coastal freight movements are dominated by bulk commodities. The ports facilitate the trade of a range of commodities, both domestically and internationally. DTMR advised that these commodities include:

... bulk minerals and concentrates; fuels; agricultural products and livestock; break bulk, which is general cargo or goods that do not fit in or utilise standard shipping containers or cargo bins; multicargo, which includes lower volume of items ranging from bulk goods, fuels, break bulk, oversize/overmass items, vehicles and containers; and general cargo. The five port authorities are responsible for the operation and management including attracting trade and throughput at the respective ports.⁶⁷

DTMR advised:

In 2017-18, our ports had a throughput of 354 million tonnes, which was a 5.2 per cent increase over the previous year. This involves more than 16,000 movements in our ports by ships engaged in intrastate, interstate and international trades. Coastal shipping services, including intrastate and interstate shipping, have operated in Queensland for many years carrying predominantly project cargoes, which are large, heavy, high-value or complex pieces of equipment, bulk commodities, break bulk, motor vehicles, construction materials and remote location general freight.⁶⁸

With regard to the mix of interstate, intrastate and import and export of goods, DTMR advised:

Queensland's international trade by ship was 303 million tonnes, of which approximately 280 million tonnes were exports and 22.5 million tonnes were imports. The domestic coast shipping task for 2017-18 was approximately 25 million tonnes, of which 18.75 million tonnes was for the transport of bauxite to Gladstone from Weipa.

A further four million tonnes of bulk products including alumina, clinker, cement, coal, fly ash and ammonium nitrate were also shipped from the Port of Gladstone to domestic destinations.

It is noted the total volume of goods imported, exported and shipped domestically comes to approximately 328 million tonnes. This is less than the previously quoted 354 million tonnes, which is attributed as port throughput. The difference is due to the domestic bound exports of one port becoming domestic originating imports for another port.

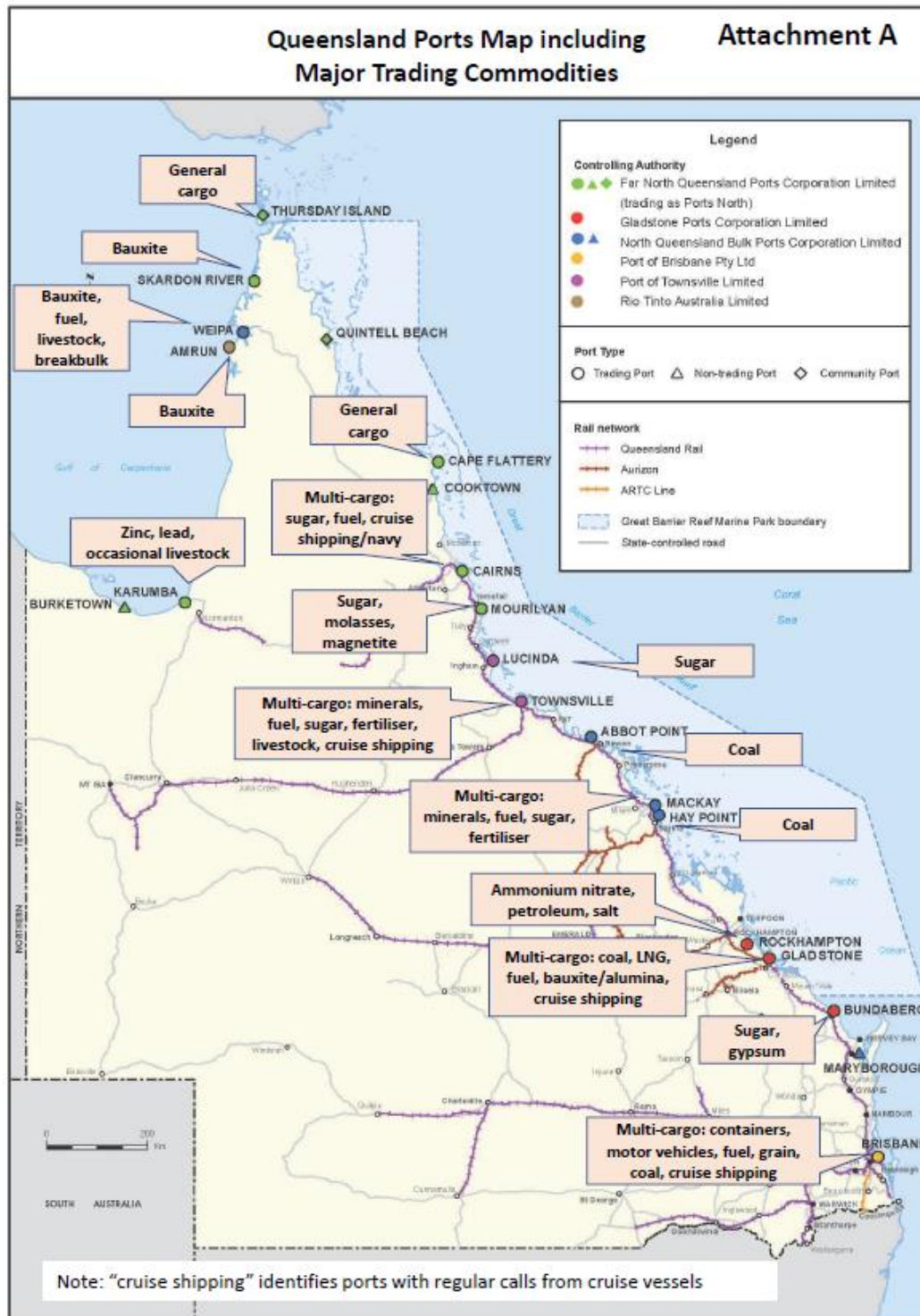
⁶⁷ Public briefing transcript, Brisbane 26 November 2018, p 2.

⁶⁸ Public briefing transcript, Brisbane 26 November 2018, p 2.

There are comparatively small volumes of general miscellaneous cargoes distributed to numerous smaller ports along the Queensland coast. Further research and analysis are required to refine the commodity breakdown and determine the split between inter- and intra-state domestic tasks, as these are not clearly defined in publicly available port trade data.⁶⁹

DTMR provided details of the major trading commodities for each Queensland port in Figure 2.

Figure 2: Major trading commodities for Queensland ports



Source: Department of Transport and Main Roads, correspondence dated 18 December 2018, p 9.

⁶⁹ Department of Transport and Main Roads, correspondence dated 7 December 2018, p 3.

DTMR also provide a breakdown of the major internationally traded commodities which are contained in Table 1.

Table 1: Major Queensland import and export commodity groups for 2017 – 18 ranked by size

Queensland International Imports and Exports	Tonnes (Millions)	
	Exports	Imports
Coal	222.35	
Liquified Natural Gas	20.32	
Bauxite	17.77	
Alumina	4.14	
Crude materials, inedible, except fuels	3.83	1.18
Sugar (raw and refined)	3.72	
Food and live animals	1.69	0.63
Meat and Meat Preparations	1.32	
Grain and Seeds	1.28	
Commodities and transactions not classified elsewhere	1.15	0.85
Manufactured goods classified chiefly by material	1.15	3.31
Chemicals and related products, not elsewhere classified	1.07	1.37
Animal and vegetable oils, fats and waxes	0.27	0.07
Mineral fuels, lubricants and related materials (incl. petroleum products)	0.23	12.97
Machinery and transport equipment	0.17	1.44
Beverages and tobacco	0.04	0.15
Miscellaneous manufactured articles	0.02	0.56
Total	280.53	22.54

Source: OESR – Trade Data – Exports – Commodities (3 digit SITC revision 3) 1994–95 to 2017–18p and available ports trade statistics. Includes exports attributed to other states that pass through Queensland ports.

Source: DTMR, correspondence dated 7 December 2018, p 4.

During the course of the inquiry, the committee visited the ports of Gladstone, Cairns, Townsville and Mackay. The committee heard evidence of the trade occurring in each of these ports and initiatives that have occurred or are planned to occur.

NQBP provided five examples of how they have facilitated the intrastate shipping trade. NQBP advised:

Most Queenslanders are familiar with the bauxite that is shipped from Weipa to Gladstone, but few people would be aware that mining equipment was relocated from Weipa to Mackay following the completion of the construction of the Amrun mine site. NQBP also trialled the shipping of logs from Weipa to Cairns last November. More recently, in order to support the communities affected by recent floods, NQBP mobilised its regional resources to send containers from Mackay to Townsville when the road and rail corridors were flooded. Ultimately, the floodwaters receded early enough and the one-off container services were cancelled and all our resources were demobilised.

The best example of successful coastal shipping is in our recent roll-on roll-off trade at the port of Mackay when NQBP facilitated mining equipment to be shifted from land transport to sea transport. After several years of hard work to convince all the supply chain partners, two RORO vessels called into Mackay in the last six months and four more vessels are scheduled to call into the port of Mackay this financial year. Although this initiative delivered small benefits, it can be understood from the state perspective that all those benefits could be extrapolated. Namely, by removing the oversized convoy of mining equipment, which previously travelled 1,300 kilometres from Brisbane to Central Queensland, we could have reduced road congestion, we could have improved road safety and our supply chain costs could be significantly reduced, resulting in a more sustainable Queensland resource industry and more sustainable jobs.⁷⁰

NQBP also advised it has changed its practices and targeted its investments by increasing berth diversification and availability to enable maximisation of berth utilisation and reduction of the time ships spend at anchor.⁷¹

Cairns Regional Council advised:

The economic position of the region is underpinned by connectivity and infrastructure that supports transport. That is road, rail, air and sea connectivity. To the extent that intrastate shipping activity supports that, it is a very important part of our port. As well as being an enabler in terms of logistics and freight, it also supports the employment of significant numbers of people. Some analysis last year by Cummings Economics, a local economic advisory firm, indicates that the marine industry in total contributed about \$1 billion in turnover annually to the region's economy and supported about 4,600 jobs.⁷²

Cairns Regional Council provided data of the direct turnover and employment the marine sector provides to its economy in Table 2.

Table 2: Estimates of Marine Sector Direct Turnover and Employment – Cairns/Peninsula Region

**Table #1: Order of Magnitude Estimates of Marine Sector Direct Turnover & Employment
Cairns/Peninsula Australia Region**

	Turnover	Employment
	(approx.)	(approx.)
Ship Operations (Local)		
Reef fleet	\$180 m	800
Fishing Commercial & Recreational	\$200 m	900
Trading & Other Work Vessels	\$110 m	400
Navy & Other government Vessels	\$180 m	960
Total	\$670 m	3060
Visiting Ships		
Total Cruise Ships Super yachts Cruising yachts	\$50 m	250
Support Operations		
Shipyards	\$75 m	360
Support repair & maintenance	\$60 m	300
Other marine industry services	\$160 m	600
Total	\$295 m	1,260
Estimated Overall Total	\$1,015 m	4,600

Note⁽¹⁾: In turnover, there is some overlap with part of the turnover of the ship operations becoming the turnover of the support operations. Allowing for this turnover of the sector is estimated at about \$1.0bn and direct employment of the order of 4,600.

Source: Cummings Economics from industry information; 2011 detailed report update estimates.

Source: Cairns Regional Council, correspondence dated 18 March 2019, p 5.

⁷⁰ Public hearing transcript, Brisbane, 25 February 2019, p 2.

⁷¹ Public hearing transcript, Brisbane, 25 February 2019, p 2.

⁷² Public hearing transcript, Cairns, 19 March 2019, p 7.

Cairns Regional Council also detailed the benefits of the intrastate shipping industry to the Cairns and Far North Queensland regions including:

- direct and indirect employment in marine freight and logistics, both in Cairns and throughout the region
- providing a vital link between Cairns and the coastal communities on Cape York Peninsula, including Weipa, the Torres Strait and the Gulf of Carpentaria, who are often reliant on this service for the delivery of essential goods and services
- critical connectivity following natural disasters
- support to other industries in the region including mining and resources, primary production, construction, tourism, petrochemicals, utilities, education and training and government operations.⁷³

3.2 Benefits of a sustainable intrastate shipping industry

The benefits of a sustainable intrastate shipping industry are identified by stakeholders and are integrated throughout the various sections of this report. Some of the key benefits are summarised below.

Queensland Ports Association (QPA) advised:

A stronger coastal shipping industry has the capacity to deliver significant benefits to the Queensland economy, including:

- *Savings of approximately \$70 for every tonne of freight shifted from Queensland roads to coastal shipping.*
- *Flow-on regional economic benefits throughout Queensland due to the significant economic presence of ports in regional communities.*
- *The emergence of value adding service industries in close proximity to regional ports, resulting in stronger economic growth and employment opportunities.*
- *Reduction in road accidents and improvement in road safety, which the Department of Transport and Main Roads has identified as a major priority.*
- *Reduced road congestion in metropolitan and large regional centres.*
- *Reduced greenhouse gas emissions and improved safety outcomes.*
- *Reduced road maintenance which will enable deferral of road capital expenditure.*⁷⁴

QPA commissioned a report by Synergies Economic Consulting which is included with their submission. The key benefits identified include:

- stronger competition between service providers across transport modes would lead to the development of a truly multi-modal freight system and a more competitive and efficient freight network
- competitive coastal shipping sector that shifts freight from the road network to the 'blue highway' would reduce these negative externalities, including accident costs, road congestion and greenhouse gas emissions and environmental impact

⁷³ Cairns Regional Council, correspondence dated 18 March 2019, pp 2-5.

⁷⁴ Submission 8, p 2.

- enhancing the role of coastal shipping in meeting Queensland's freight task would reduce the pressure on road and rail infrastructure, reducing maintenance costs and enabling major road and rail capital investments to be deferred
- coastal shipping is the safest of the freight transport modes.⁷⁵

These issues are further discussed in section 4.3.

⁷⁵ Submission 8, pp 16-26.

4 Current intrastate coastal shipping task and barriers and options to strengthen the intrastate shipping industry

Term of reference (b) states that the committee should consider:

Current intrastate coastal shipping task and identify any barriers and options to strengthen the intrastate shipping industry.

This section of the report outlines the barriers that stakeholders have identified to enhancing the current intrastate coastal shipping task, as well as proposed options to strengthen the industry. In addition, the committee heard evidence from stakeholders regarding the unique challenges for shipping in the Torres Strait. These are outlined in section 4.4.

4.1 Current intrastate coastal shipping task

Port, shipping and industry stakeholders provided the following information regarding the current intrastate coastal shipping task.

In regard to the current annual freight task in Queensland, QPA advised:

The current annual freight task along the Queensland coast is estimated at around 8.6 million tonnes. This freight task is essential to regional communities in Queensland given around 87% of Queensland's population lives within 50km of the coastline. Further, Queensland's population of 4.9 million people (as at 30 June 2017) is projected to increase by between 0.8% and 1.5% per year, reaching a population between 7.5 million and 10.5 million in 2066.

As identified in various government inquiries (including the 2018 Inquiry into National Freight and Supply Chain Priorities), we are faced with significant freight challenges both now and into the future and road and rail alone will not be able to sustainably address these challenges. Urgent reconsideration of the role of coastal shipping in Queensland is needed.⁷⁶

Ports Australia advised that coastal shipping 'accounts for only around 2 per cent of Queensland's total intrastate freight task', which includes the 'bauxite trade (between Weipa and Gladstone), petroleum products (between Brisbane to Gladstone and Mackay) and cement trade (between Gladstone and Townsville).'⁷⁷ Ports Australia stated that '[t]his clearly is a limited scope of coastal shipping's potential within the state' and recommended that:

...trade opportunities comprising other non-time sensitive goods should be investigated in light of Australia's and Queensland's growing freight task (26% in the ten years to 2026 and more than 20% in the ten years to 2028 respectively), and the limitations with road and rail network capacities which are not an issue on the 'blue highway'.⁷⁸

⁷⁶ Submission 8, p 1. NB: any in-text footnote references have been removed. Please refer to original submission for details.

⁷⁷ Submission 25, p 1.

⁷⁸ Submission 25, pp 1-2. NB: any in-text footnote references have been removed. Please refer to original submission for details.

However, Ports Australia also noted:

I think Queensland has real growth potential, given your rail and road connectivity—particularly the Bruce Highway along the coastal seaboard and all of the ports that you have—but they are all connected to the blue highway. It is already there; it is free. It is only a question now of getting impetus behind a desire to make this work that will then see an investment in and around the ports that will give that certainty to shipping.⁷⁹

From a shipping industry perspective, CSL Australia advised the following:

CSL currently transport up to 700,000 mt per annum of dry bulk cargo (clinker and cement) from Gladstone to Townsville and Brisbane. In the past, CSL have also transported sugar from Bundaberg to Mackay.

Over the last 10 years, intra-state dry bulk shipments have been performed by both Australian and foreign flag vessels, operated by various international and local shipowners/operators. These shipments can range in size from 5,000mt to 70,000mt, depending on the cargo, storage requirements and port features. Most dry bulk intra-state voyages are regulated by the federal Coastal Trading (Revitalising Australian Shipping) Act 2012. Foreign flag vessels can opt into the Coastal trading Act and associated Temporary Licence system by applying for a Section 12 declaration. This declaration exempts foreign vessels from the Customs Act and provides certainty in relation to customs import provisions if the vessel has foreign crew. In addition, this declaration reduces regulatory and contractual risk associated with utilising foreign vessels on the coast and ensures full compliance concerning payments to foreign crew made under the Fair Work Act in accordance with the Seagoing Industry Award Part B.⁸⁰

Hermes Maritime Shipping and Logistics (Hermes) advised:

There are 7.4 million tonnes of non-bulk freight moving annually along the Queensland Coastal corridor. Just-in-time cargo (next day delivery), accounts for 5% of this total, Economy Freight (3 – 5 working days delivery) accounts for 65%, and the remaining 30% is non time-critical cargo.⁸¹

Hermes advised that '[a] unique opportunity exists to initiate coastal shipping services in Australia and especially Queensland, a decentralised state, the greater part of whose population lives on the coast, in and around its 20 ports'.⁸²

From a resources industry perspective and focussing not only on shipping but also employment, Rio Tinto advised:

In total, as at 2017, Rio Tinto employed nearly 4,000 workers in its bauxite, alumina and aluminium operations across Queensland, spending nearly A\$930 million on wages. This includes 27% Indigenous employment at the Weipa operations on Cape York. Indirectly, Rio Tinto operations created 32,063 full time equivalent (FTE) jobs in the Queensland economy. In 2017, Rio Tinto's bauxite, alumina and aluminium operations contributed A\$3.6 billion to the Gross State Product of Queensland.⁸³

⁷⁹ Public hearing transcript, Brisbane, 25 February 2019, p 6.

⁸⁰ Submission 11, pp 1-2.

⁸¹ Submission 14, p 5.

⁸² Submission 14, p 4.

⁸³ Submission 12, p 1.

At the public hearing, Rio Tinto added:

The important point here is that Rio Tinto is investing in Queensland. Our assets and our projects are spread far and wide across the state, employ thousands of Australians and provide significant economic benefits. For more than 50 years we have been directly and indirectly employing Queenslanders through our operations and supply chain. This history includes operating on Queensland coastal shipping routes for more than 50 years. Currently, we believe Rio Tinto's coastal shipping operations in Queensland represent greater than 80 per cent of total volumes of intrastate shipping. Our shipping activities provide employment for approximately 130 Australian seafarers, including Indigenous seafarers from western Cape York on four Australian crewed ships. Each vessel typically employs 15 crew members split between officers and integrated ratings as well as one trainee on board. Approximately 40 per cent of the integrated ratings and 10 per cent of the marine officers live in Queensland.⁸⁴

4.2 Barriers for the intrastate shipping industry in Queensland

A diverse range of stakeholders, including port authorities, industry, shipping organisations, local government and seafarers outlined a range of barriers considered to be preventing the current intrastate shipping industry in Queensland from becoming sustainable. DTMR outlined the following as barriers to establishing 'any re-invigorated and financially sustainable coastal shipping':

- *a requirement to compete directly with well-established and refined road and rail operations*
- *the need to commit to and provide a year-round, scheduled, frequent and reliable service*
- *a requirement to provide a comparably priced door-to-door service to match road transport, rail is also in a similar situation*
- *a comparably priced coastal shipping service needing to consider stevedore costs for loading and discharge at both ends of the trip, as well as any port related fees and charges*
- *customer willingness to pay a premium for door-to-door timely services provided by road transport*
- *assured access to port and cargo handling infrastructure.⁸⁵*

The key issues of costs, maintaining the logistics supply chain, ensuring access to and from ports from land and sea, suitability of port infrastructure, competing with road and rail, and government regulation are addressed below.

4.2.1 Costs

One of the key issues raised by stakeholders was the costs associated with the intrastate shipping industry and the impact of that on moving products economically.

4.2.1.1 Crew costs

The difference between the costs of crews on Australian flagged and foreign ships was raised as a barrier to competitive intrastate coastal shipping in Queensland. This issue is considered further in section 7.5.

⁸⁴ Public hearing transcript, Brisbane, 11 February 2019, p 7.

⁸⁵ Submission 28, p 9.

4.2.1.2 Fuel costs

Another barrier that several stakeholders advised should be addressed to create a more level playing field between Australian flagged ships and foreign flagged ships are costs associated with fuel excise. Seafarer Robert Richardson advised:

They [foreign flagged ships] do not pay fuel excise like an Australian vessel does. Fuel excise for a midsize vessel like one of those bulk carriers that goes to Weipa would be about a million dollars a year. If it is a foreign vessel, they do not pay that excise. If it is an Australian vessel, they do, whereas most places in the world it is the other way around.⁸⁶

Mr Richardson added:

The average fuel excise on a medium to large vessel exceeds a \$1M per annum, which skews the playing field and deprives the Australian Treasury of substantial revenue.⁸⁷

In addition, from 1 January 2020, all ships and vessels will be required to use low sulphur fuel: fuel that contains a maximum of 0.5 per cent m/m sulphur, as agreed by the International Maritime Organization (IMO) in 2016.⁸⁸ Hermes advised that this created a barrier to creating a sustainable intrastate shipping industry because it increases costs for its shipping operations:

Our national fleet is so small that it is not commercially viable to import such fuels (we have farmed off our refining capacity to overseas producers). This means that our ships will have to burn diesel and this will add \$3000 to the daily operating costs of each of our ships. When we're already running substantial losses, it is a cost burden we can ill afford and it would be helpful if we were given a time frame (say three years) within which to comply. This is outside the bailiwick of a State government, however, it is a cost burden that a State government may consider lending assistance to ease.⁸⁹

QPA agreed that, if left unaddressed, the cost of complying with the new fuel standards 'will adversely affect the competitiveness of coastal shipping and undermine the benefits on offer from a more competitive and efficient freight transport sector'.⁹⁰ QPA supported Hermes' suggestion that transitional arrangements be implemented and advised:

Compliance with this new standard will result in a material increase in the fuel costs faced by coastal vessels, which will adversely impact on the viability of new entrants into the coastal shipping sector.⁹¹

4.2.1.3 Port costs and government charges

Hermes advised that port costs and government charges also represented a barrier to shipowners and new entrants in the market:

Port Costs and government charges on shipping have traditionally been designed to extract money from the shipowner on the basis of "capacity to pay". Those with bigger ships are traditionally charged more than those with smaller ships and this has given rise to a whole industry of innovative ways to measure a ship to make it appear smaller (on paper) so as to minimise its costs.

⁸⁶ Public hearing transcript, 19 March 2019, Cairns, p 21.

⁸⁷ Submission 1, p 1.

⁸⁸ Australian Maritime Safety Authority, '2020 low sulphur fuel', <https://www.amsa.gov.au/marine-environment/air-pollution/2020-low-sulphur-fuel>.

⁸⁹ Submission 14, p 9.

⁹⁰ Submission 8, p 25.

⁹¹ Submission 8, p 25.

There is very little competition, if any, between ports in Australia and they generally take advantage of their (monopolistic) positions to be price setters. Governments engage in similar behavior. Ships using our ports are therefore in the difficult position of having no choice but to be price-takers.⁹²

Hermes highlighted the impact of port and government charges specifically on ships that engage regularly in coastal trading:

Ships engaged in international trades have long sea legs between ports however, ships engaged in coastal trading are in port regularly (e.g. on the Brisbane/Townsville shuttle, the ship is in port every two days) and the associated port and government charges/costs occur frequently and can become quite substantial over a relatively short period.

As a matter of principle, it makes good sense to have a differential pricing regime that takes account of the exigencies of domestic coastal shipping compared to international shipping.⁹³

Captain John Bell stated that Australia's coastal shipping needed urgent reform on 'prohibitive port charges' and 'excessive stevedoring and government charges'.⁹⁴ He added that these charges were contributing to Australia becoming 'uncompetitive globally'.⁹⁵ Captain Bell concluded that expensive regional port costs 'have pushed all potential coastal sea freight off port wharves and onto trucks and rail'.⁹⁶ He advised:

In fact, the only coastal sea freight that is left, is bulk freight, which cannot be trucked or railed.

Ports are not even aware of how much freight has been lost over the past 10 years and if asked, (which would be a helpful exercise), ports simply cannot document its lost non-urgent and general freight.⁹⁷

4.2.1.4 Capital costs

The issue of the capital cost of ships was also raised by stakeholders. NQBP noted:

Shipping is very asset intensive. For shippers to invest in a vessel, put a crew on the vessel and start to run weekly or fortnightly services, they need to have a degree of certainty that their capital would deliver a return. They need freight to go on these vessels, and that would have to come from what is currently on the road and on the rail.⁹⁸

DTMR also advised any new coastal shipping operator would contend with 'the challenge of achieving a cost competitive tariff for contestable freight' due to the range of capital and operational costs they face to establish and conduct their business.⁹⁹

⁹² Submission 14, pp 9-10.

⁹³ Submission 14, p 10.

⁹⁴ Submission 32, p 3.

⁹⁵ Submission 32, p 14.

⁹⁶ Submission 32, p 15.

⁹⁷ Submission 32, p 15.

⁹⁸ Public hearing transcript, Brisbane, 25 February 2019, p 6.

⁹⁹ Submission 28, p 3.

4.2.2 Guaranteed supply chain

A number of stakeholders commented on the importance of the shipping industry being able to provide regular and reliable service to ensure a guaranteed supply/logistics chain, as well as maintain competitiveness.¹⁰⁰ DTMR outlined the following in relation to the supply chain and the viability of coastal shipping:

The modern supply chain industry in Queensland has evolved around the road and rail transport sectors. In increasing coastal shipping considerations include:

- *compressed (just-in-time) freight delivery requirements*
- *frequency of service*
- *additional costs related to multiple handling of freight between transport modes*
- *limited availability of regular base load cargoes.*

A base load of cargo is required to make a regular shipping service viable. As cargo volumes increase the viability of a service also increases. There is an opportunity to work with industries and stakeholders to consider commercial pricing options which can increase intrastate shipping, including incentives to allow operations to achieve viable base loads.¹⁰¹

Regarding inducing traders to move from rail to sea, Hermes advised:

The biggest hurdle we face is that customers want coastal shipping but they will not come across to coastal shipping because there have been previous attempts at coastal shipping services and they failed. We have studied the reasons they failed and it was mainly because people who went into those trades did not have the broad experience needed to run a ship.¹⁰²

Hermes advised that customers:

...are very dissatisfied with the service they are getting from rail. The way rail operates is that it looks after its A-class customers. It categorises customers into A, B and C and looks after the A-class customers. B- and C-class customers get a terrible deal from the railway. However, most of the people who move cargo with road and rail are locked into loyalty agreements and they are reluctant to support a coastal shipping service until they are satisfied that a coastal shipping service has the ability to deliver an efficient service—an on-time service that keeps to its timetable.¹⁰³

PBPL also noted that convincing users that a service will be reliable is an issue. PBPL advised:

We have big companies moving freight. Let us just talk about a Woolworths or a Coles, for example, moving foodstuffs. They have long-term and reliable road contracts. For them to cease those contracts and move to a coastal shipping option they need to have certainty. If that service fails—and there have been some failures over the years—then they have to go back to the road option and they lose their bargaining position with the road operators at that point. They are reluctant to shift unless they know there is certainty. The circular motion with that is that an operator also needs certainty if he or she is going to invest in a ship, a service, charter, staffing and all of those associated costs. To get a long-term or medium-term contract to move your goods by coastal trade is a very difficult problem because you need to be able to sign up for a number of years. Committing to years ahead with a ship is a tall order if that service fails.¹⁰⁴

¹⁰⁰ Refer Submission 12, p 2; Submission 11, p 2; Submission 25, p 4; Submission 26, p 6.

¹⁰¹ Submission 28, p 3.

¹⁰² Public hearing transcript, Brisbane, 25 February 2019, p 13.

¹⁰³ Public hearing transcript, Brisbane, 25 February 2019, p 9.

¹⁰⁴ Public hearing transcript, Brisbane, 25 March 2019, p 3.

PBPL also commented that Queensland's road network is so good it has allowed the number of trucking operators to grow the fleet to enable them to offer a 'long-term, reliable, credible door-to-door service'.¹⁰⁵

In terms of the issues faced in regard to supply chain, CSL Australia advised:

*The efficient operation of Gladstone port is a key element in the supply chain of many major dry bulk cargo owners. Understanding stakeholder needs and balancing these from a safety, commercial and operational perspective is key. The recent privatisation of some ports in Australia has demonstrated that an increasing commercial focus may result in other key aspects of a port community being lost. This demonstrates the importance of a strong state government presence in the management of ports in Australia to ensure there is a balance between the public interest and shareholder interest while also supporting Australian shipping.*¹⁰⁶

Ports Australia urged the committee to consider Queensland's role in developing national freight and supply chain policies noting that the inquiry:

*...comes at a time when national consideration of freight and supply chain policies are being developed in conjunction with all Australian jurisdictions. Queensland has a significant role to play in this process in highlighting what freight network opportunities can work including through a sophisticated and extensive ports network. Ports Australia considers that appropriate policy making and investment in a balanced multi-modal freight network will ensure that all transport modes effectively service the state and result in improved economic outcomes for the Queensland community.*¹⁰⁷

Queensland Resources Council (QRC) advised that three examples of Queensland industries 'that depend on responsive, efficient, reliable and cost-effective intrastate shipping are the processing of bauxite, making cement, and Incitec Pivot's production of fertilizer and explosives'.¹⁰⁸ QRC stated:

*Each of these industries rely on shipping services as a critical part of their logistics chain. QRC contends that an intrastate shipping industry which does not serve these industries [as] well as customers should not be considered sustainable.*¹⁰⁹

The Australian Aluminium Council commented on the importance of keeping costs in the supply chain low for industry (including shipping costs):

Demand for aluminium is strong and global growth in aluminium demand is expected to exceed underlying economic growth. Historically Australia has been a significant player in the aluminium industry but for this to be sustained continual improvements in efficiency and reductions in cost must be found at all stages of the supply chain.

*The delivered cost of product must be competitive for all intermediate products that face global competition – for example, bauxite, alumina and primary aluminium metal. This, in turn, requires all components of the cost structure for producing that commodity to be globally competitive, including transport (shipping)...*¹¹⁰

¹⁰⁵ Public hearing transcript, Brisbane, 25 March 2019, p 3.

¹⁰⁶ Submission 11, p 2.

¹⁰⁷ Submission 25, p 4.

¹⁰⁸ Submission 26, p 6.

¹⁰⁹ Submission 26, p 6.

¹¹⁰ Submission 7, p 1.

The Australian Aluminium Council also expressed the view about the potential to overcome higher labour costs:

It is sometimes claimed that shipping services in Australia cannot be expected to be globally competitive given the low labour costs for crews from some other countries. However this overlooks that other parts of the aluminium supply chain (in this instance) have had to find ways to be competitive with the same or similar countries in ways that overcome the disadvantage of higher unit labour costs. This has required looking at areas including flexibility, innovation, quality and timeliness of service.¹¹¹

In terms of the importance of an efficient logistics chain, QRC advised that '[i]nefficiency or regulatory distortions are quickly amplified once their upstream and downstream impacts are considered'.¹¹²

Rio Tinto sought assistance with areas such as pilotage exemptions and berthing prioritisation in Gladstone (refer also section 4.3) to 'make the supply chain more reliable and improve the competitiveness of Australian shipping'.¹¹³ The Maritime Union of Australia (MUA) explained that pilot-free vessels are able to reduce their time at anchor thus reducing costs.¹¹⁴

AgForce Queensland Farmers Limited (AgForce) highlighted the link between the importance of an efficient logistics chain and the potential to establish new businesses in regional Queensland:

Often Queensland's agricultural freight tasks involves goods being transported to the south-east corner for processing and/or value adding (eg, cattle from Northern Queensland going to feedlots or abattoirs or grain from Central Queensland to the Darling Downs for container packing) prior to export. AgForce believes that there are inefficiencies associated with this task and greater value could occur closer to point of origin if other transport options, like coastal shipping, allow freight to access the necessary international markets through regional ports.

End-to-end processing opportunities should play a greater role in determining transport and infrastructure opportunities, rather than relying on the south-east corner. For example, if alternative transport options such as increased coastal shipping and rail utilisation are made available, businesses may choose to establish operations in regional Queensland (such as processing facilities) rather than undertaking the current activity of transporting goods to the south-east.¹¹⁵

PBPL agreed that pilotage should be exempt for coastal ships and the masters should be trained to be able to enter those ports if they are doing a regular coast run.¹¹⁶

¹¹¹ Submission 7, pp 1-2.

¹¹² Submission 26, p 6.

¹¹³ Public hearing transcript, Brisbane, 11 February 2019, pp 12, 13.

¹¹⁴ Public hearing transcript, Gladstone, 18 March 2019, pp 21-22.

¹¹⁵ Submission 13, p 2.

¹¹⁶ Public hearing transcript, Brisbane, 25 March 2019, p 2.

4.2.3 Access to and from ports via land and sea

Ports Australia called for the committee to consider options to address barriers to effective landside access to ports:

The roads around many Queensland ports have not been upgraded to support the use of high productivity vehicles which are key to effective movement of freight from/to the port. For example, Gladstone Port Limited access for road train services (which are important in the bulk grain export supply chain), and Mackay port has been constrained in the use of fuel tankers due to inadequate road infrastructure which has limited the carriage of dangerous or hazardous cargoes.¹¹⁷

QPA agreed with this view and advised:

A distinct disadvantage for coastal shipping relative to road, and to a lesser extent rail, is its lack of a door-to-door service offering. This means that landside transport is required at either end of the logistics chain (i.e. origin to port and port to destination). Depending on the efficiency of the connection, these landside costs can be significant. Alternatively, road transport offers a faster, more efficient first mile and last mile connection with less double handling and re-packaging of freight and fewer transfers. Given this characteristic, it is critical that efficient landside transport links are established to ensure coastal shipping is a competitive, alternative transport mode.¹¹⁸

NQBP also agreed, advising they are focusing on last mile projects, including funding, which connect the port to the surrounding land transport network.¹¹⁹

The issue of the lack of road infrastructure to support high productivity freight vehicles was also raised by QPA:

Technological improvements enable the introduction of higher performance vehicles and progressive limited increases in regulated heavy mass limits which increase the productivity of road transport. High productivity freight vehicles, including B doubles and road trains, define the strategic road freight network in Queensland, in terms of access and approved routes. However, the configuration of the roads around many Queensland ports does not support the use of high productivity vehicles; landside access to ports has not kept pace with productivity improvements.¹²⁰

QPA provided the following examples in Gladstone, Townsville and Mackay and highlighted the impact of poor landside access to port on costs:

All ports are capable of handling B Double vehicles. However, Gladstone has limited access for road train services (which are important in the bulk grain export supply chain). Historically, Mackay port has been constrained in the use of fuel tankers due to inadequate road infrastructure which has limited the carriage of dangerous or hazardous cargoes. Access to the Port of Mackay has also been limited to one B Double route, which has a reduced speed bridge on its route, restricting vehicle movements. In December 2018, works were completed to replace 2 bridges at Vines Creek, which are key links in Mackay's transport network as they are the sole access for heavy vehicles travelling to the Port.

¹¹⁷ Submission 25, pp 3-4.

¹¹⁸ Submission 8, p 26.

¹¹⁹ Public hearing transcript, Brisbane, 25 February 2019, p 2.

¹²⁰ Submission 8, p 26.

We note that some landside improvements have occurred at Gladstone in 2018 with the replacement of five timber bridges to increase access road vehicles east of Biloela to Gladstone port, however further infrastructure works are required to improve access for larger freight vehicles.

We further note that some landside improvements have also commenced at Mackay with the 'Stage 1' upgrade of the Mackay Ring Road, which is a two-lane rural highway deviation which will improve safety for the heavy vehicle industry and connectivity to the Port of Mackay and is due to be completed by mid 2020. However, 'Stage 2' of the development, which involves upgrading the Mackay port access road to a two-lane highway from the Bruce Highway North intersection to the Harbour Road intersection, is still several years from commencement.

The poor landside infrastructure access to and from regional ports has significant cost implications where freight is necessarily having to travel much longer distances and with an empty backhaul movement to reach its port destination. For example, some bulk grain exports have been diverted from the Port of Gladstone through to the Port of Townsville as road trains are not able to enter the port at Gladstone due to a lack of suitable road infrastructure. This results in higher transport costs for cargo owners and inefficient use of existing road networks. We estimate additional transport costs to be around \$3,000 per day for a typical road movement of a B Double road train between Gladstone and Townsville (this includes no adjustment for a backhaul movement). Similar restrictions also affect the movement of hazardous cargoes at the Port of Mackay.¹²¹

In regard to landside access to ports, QPA concluded:

For coastal shipping to more readily compete with road and rail, a more efficient service may also require the ports' community, logistics operators and distributors to consider the location of landside facilities. In some cases, distribution and consolidation hubs are not located close to ports, which could affect service delivery standards and increase freight costs where coastal shipping is used as part of a broader logistics chain.¹²²

In regard to seaside access and the current berth availability that exists to service coastal vessels was raised by several stakeholders, including Rio Tinto, as another potential barrier for enhancing the industry.

QPA stated:

The other potential constraint relates to access to port infrastructure and the degree of berth availability that exists to service coastal vessels. The extent to which this is a problem at ports may depend on whether the coastal movements are part of a scheduled service. In the case of a scheduled service, problems may arise where established and planned international ship schedules (with significantly more volumes) are prioritised or have access to the most attractive windows.

¹²¹ Submission 8, pp 26-27. NB: any in-text footnote references have been removed. Please refer to original submission for details.

¹²² Submission 8, p 27.

The Queensland Government's Sea Freight Action Plan – Coastal Shipping (Addendum, May 2014) contained an assessment of port side infrastructure (port depth, berths, berth equipment) and noted Brisbane, Gladstone and Townsville offered a greater number of options to support shipping rotations, with multiple berths able to handle cargo. At ports with fewer berths, the application of local rules and/or tide windows impacted on shipping cycle times. The Plan indicated that the level of accessible and appropriate hard stand infrastructure needed to be reviewed at each port to support sustainable development.¹²³

QRC also commented on port infrastructure and seaside access to ports, noting that increasing the efficiency of shipping infrastructure would benefit the industry:

Gladstone harbour is one of the busiest harbours in Australia. The harbour master there has an enormous task in terms of juggling the ships moving in and through the harbour. The more you can do with infrastructure to provide swing basins and access berths to reduce the vulnerability to tidal changes and other variables will make that task more simple.¹²⁴

QPA provided the following potential options to mitigate the issue of berth availability:

The degree to which access to port infrastructure acts as a constraint in practice can be mitigated to some extent by changes to port rules such that container vessels are better able to secure slots and relatively low cost infrastructure enhancements for hardstands and in some cases road improvements. It is understood several ports have already made appropriate provision in port rules for such priority berthing.¹²⁵

4.2.4 Suitability of port infrastructure

The Australian Institute of Marine and Power Engineers (AIMPE) provided the following examples where poor port infrastructure maintenance or development has contributed to a contraction of regional employment, inefficiencies and safety concerns:

- New port development of Amrun: The port development was approved without facilities for tugs and ancillary services. That is there is no facility for tugs to berth and be secured for bunkers, stores or "out of service" maintenance resulting in inefficiencies and safety concerns. The operator has opted to seek crew remain accommodated on board for 35 days occasional steaming to Weipa to store, maintenance and for the avoidance of adverse weather/cyclones. The issue is that the port approval should have included a requirement for tug and ancillary facilities – not for the issue to become an industrial bargaining issue.

- Bowen wharf: The operator has been instructed that the heritage listed wharf can no longer sustain tugs and there is no possibility of modifications. As a consequence, tugs are tied to moorings in open sea at Abbot Point. Assistance should be provided to ensure adequate facilities are available to the tugs – either at Abbot Point or Bowen to ensure safety of vessels and crew.

¹²³ Submission 8, pp 24-25.

¹²⁴ Public hearing transcript, Brisbane, 11 February 2019, p 13.

¹²⁵ Submission 8, p 25. NB: any in-text footnote references have been removed. Please refer to original submission for details.

*- Docking facilities: The Newman Government allowed that the Morningside Keppel Cairncross dockyard be shut. This has created a void in adequate large vessel dockyard facilities in Queensland. Whilst it is noted the assistance to other facilities in Hemmant, the closure of the dock is a major contraction of services to the shipping industry in Queensland. Operators are now taking vessels to Singapore and Port Moresby for work. Allowing facilities to shut or close in Cairns would be devastating to the local community. The closure of NQEA (which built the Dredge Brisbane) led to a downturn in the local economy and a void in ship building facilities. The State Government should ensure introduce measures to ensure the ongoing viability of these facilities in regional cities and towns.*¹²⁶

Sea Swift also raised the issue of the suitability of port infrastructure in the Torres Strait. Sea Swift advised that they are bringing a large vessel on line next year and upgraded infrastructure will be required to accommodate this vessel.¹²⁷

4.2.5 Competition with road and rail

A number of stakeholders raised competition with road and rail as a significant barrier to strengthening the intrastate coastal shipping industry.

Hermes stated that the 'opportunity' that the shipping industry provides needs to be seen in the context of the following information:

- *In 2016/17 \$5.9 billion spent in Queensland on road maintenance and repair*
- *In 2016/17 \$1.8 billion spent in Queensland on rail maintenance and upgrades*
- *In 2016/17 \$0 spent on maintaining the ocean*
- *Domestic freight task is expected to almost double in 20 years*
- *Capacity for road and rail expansion and asset maintenance to cope with the increase in demand is a key challenge for governments*
- *Severe shortage of long-haul truck drivers (average age 61)*
- *One b-double causes as much pavement damage as 9600 cars*
- *Desire of rail operators to exit the non-bulk market (Aurizon) and the subsequent creation of a Linfox/Pacific National (road/rail) monopoly*
- *Extreme weather events in Queensland cause annual rail and road closures, severing freight routes to North Queensland communities*
- *Dissatisfaction with current logistics providers and a desire for modal competition by cargo interests*
- *GHG emissions from ships, per tonne/km of cargo moved, is 6% of truck emissions and 50% of train emissions*
- *Cost of road congestion (Australia) set to grow to \$30 billion/annum by 2031*
- *Cost of road trauma (Australia) is \$30 billion/annum*
- *International freight market is depressed (price of tonnage is relatively cheap)*

¹²⁶ Submission 27, p 7.

¹²⁷ Public hearing transcript, Cairns, 19 March 2019, p 4.

- *Coastal ships do not compete in the international freight market, but rather, compete with domestic road and rail.*

Given that road and rail will be unable to cope with the growing demand for logistics solutions created by a rapidly expanding domestic freight task, there is little doubt that coastal shipping will emerge as a vital part of the transport services mix.¹²⁸

Ports Australia was also of the view that Australia's freight network would not be able to meet forecast freight needs and that more focus should be given to coastal shipping to fill this gap:

Given the concerning data published on the inadequacies of Australia's freight network (including those outlined above) and noting that extra investment in the existing freight network will not meet the forecast freight needs, it is surprising to see Government throwing money at road and rail, with no focus on coastal shipping. Current data indicates that all Governments spent a combined \$26 billion on construction and maintenance of roads in 2015-16 and rail expenditure by all governments totalled a combined \$11 billion in 2015-16. The Queensland Government is slated to spend \$21.7 billion over the next four years to 2021-22 on roads.

The 'blue highway' has negligible costs. It does not require maintenance other than the channels at the port and the related port infrastructure which are largely in place and invested in by port owners. The 'blue highway' also connects every port which is key given that there are around 80 in Australia and approximately 85% of Australians live on the coast.

Ports Australia considers that increased coastal shipping is a necessity for the future economic well-being of Australians as it offers economies of scale on the non-time sensitive movement of goods within and across Australian jurisdictions, resulting in cost savings for various Australian businesses and for consumers. Accordingly, we have been advocating for its consideration in rebalancing Governments' investment and policy planning across the different transport modes to ensure freight is efficiently and cost effectively moved across Australia.

Damning statistics published over the last couple of years outline how federally and at the state level tunnel vision planning and resourcing is resulting in significant economic constraints. The lack of consideration in incorporating improved and efficient coastal shipping for moving freight is costing Australian dearly.

- *The cost of existing urban transport congestion in Australia's capital cities is forecast to increase from approximately \$13.7 billion to \$53.3 billion by 2031 unless significant infrastructure investment and planning is undertaken.*
- *It is estimated that the average cost of excessive congestion in the South East Queensland metropolitan area is approximately \$1.2 million per day.*
- *Analysis undertaken for the Federal Government's Inquiry into National Freight and Supply Chain Priorities suggests that while the national freight task is projected to double in the next 20 years, even with extra investment, Australian transport infrastructure will be hard pressed to meet this demand.*

Australia's ports are the gateway to the national economy with over 98% of the nation's trade going through our ports.¹²⁹

¹²⁸ Submission n14, pp 4-5. NB: any in-text footnote references have been removed. Please refer to original submission for details.

¹²⁹ Submission 25, p 2. NB: any in-text footnote references have been removed. Please refer to original submission for details.

Weipa Town Authority advised:

The cost and the reliability of road and air freight make it non-viable for many industries to start up. Having a transport hub based at Weipa where product and produce can be received, stored and transported out by sea at an affordable cost would open the gates for investment into the region. Opportunities in industries like aquaculture, agriculture, forestry, and bio-fuel production could all become viable in the Weipa area if multiple (reliable and cost effective) transport and supply options in place.¹³⁰

AIMPE considered that ships can compete with road and rail transport on dedicated runs. AIMPE advised:

That is why Weipa carry their bauxite that way because to set up a line and run trains would cost a lot more. It is very cost effective. It also produces less pollution. Ships run in dedicated routes within the state do have less risk to biohazards coming in with ballast water on the surface of ships as well. There are some other advantages.¹³¹

Sea Transport Solutions suggested to the committee:

... coastal shipping contributes two per cent of our intrastate trade, as has been pointed out before, but also only contributes two per cent of the CO2 emissions. Despite that, it is being overregulated. We have gone to trucks which creates a huge amount more pollution than ships do but we have chosen to regulate and restrict port activities, new infrastructure and shipping. I think we are regulating the wrong thing. If we were truly environmentally sensitive we would look at the entire picture and how many more trucks are going on the road than should be that should actually be going towards coastal freight.¹³²

Maritime Industry Australia Ltd (MIA) noted in their submission that they had undertaken a detailed review of sea transport efficiency and atmospheric emissions in 2005. MIA advised that some of their key findings were:

- *Shipping Supports 28.15% of the domestic freight task but contributes to just 2% of total emissions from the transport sector.*
- *For every small product tanker (~ 50,000 DWT) operating around the coast, over 800 B Double trucks would be needed on the road to move the same amount of cargo.*
- *New build engines are estimated to be able to achieve up to 30% greater efficiency than existing technology.¹³³*

NQBP advised:

A regular intrastate shipping service along the coast of Queensland can improve the resilience of the freight network during flooding and extreme weather events.¹³⁴

NQBP also noted that it has been proven that sea transport is back in action faster than rail or road after weather events and as such should be considered as a genuine alternative.¹³⁵

¹³⁰ Submission 34, p 1.

¹³¹ Public hearing transcript, Brisbane, 11 February 2019, p 16.

¹³² Public hearing transcript, Brisbane, 25 February 2019, p 11.

¹³³ Submission 29, p 9.

¹³⁴ Public hearing transcript, Brisbane, 25 February 2019, p 2.

¹³⁵ Public hearing transcript, Brisbane, 25 February 2019, p 4.

DTMR advised:

There are probably a lot of assumptions regarding the opportunity to compete with other modes, and those assumptions are around volumes. As I outlined with respect to the historic nature of Queensland ports, they were very much geared to bulk commodities. If you have visited some of the ports along the coast you will have seen that the infrastructure, which is sometimes legacy, which is set up there is for dealing with coal, for example, or for dealing with sugar at some of the smaller ports.

That intermodal flexibility varies dramatically from port to port. When we are looking at other products, notably some of the products that are distributed around the state through other modes, they are often much smaller quantities. They are not delivered in bulk. They are usually containerised, and they are not necessarily efficient in terms of economies-of-scale opportunities, which is what makes ports work. That is not to say that there are not opportunities in some ports for some commodities or household items to be delivered, but when you factor in issues such as turnaround times and, for example, the requirements of refrigerated products, there may not necessarily be the same opportunities that some of the other freight modes provide.¹³⁶

The committee noted that with road transport there are a significant number of providers and this is not the case with shipping. DTMR responded:

Contestability, again, is a matter of horses for courses in terms of what the product is, what volumes are involved and what the specialised handling requirements are. An assumption that is often made around the freight industry is that there is homogeneity, which there is not. The trucking industry, for example, is an incredibly diverse and heterogynous industry which often requires very specialised vehicles to move particular goods, particularly consumer items, household items and food items. There are also safety issues regarding the movement of some goods, as we have seen in the overmass/oversize area.¹³⁷

4.2.6 Government regulation

Several industry stakeholders discussed the need to consider the impact of any increase in the cost of implementing government regulation for the shipping industry and emphasised the importance of economic certainty for industry to invest in new ships and infrastructure.

Rio Tinto urged the committee to consider ‘the full economic and competitiveness implications beyond shipping and across Queensland’s alumina and bauxite sectors when evaluating potential options’ for the coastal shipping sector.¹³⁸ Rio Tinto advised:

Legislation or regulations intended to boost one sector of the economy could have unforeseen impacts on Queensland's competitiveness in the global marketplace with ultimately detrimental implications for Queensland workers, goods and services. The competitiveness challenge faced by Australian shipping and the shrinking of the Australian registered trading fleet is a long term issue. From 1996 to 2016 the shipping fleet has reduced from 75 to 14 vessels.

¹³⁶ Public briefing transcript, Brisbane, 26 November 2018, pp 3-4.

¹³⁷ Public briefing transcript, Brisbane, 26 November 2018, p 4.

¹³⁸ Submission 12, p 2.

Impacts to one operation have cost implications for the rest of the value chain, including Rio Tinto's aluminium smelters, such as Boyne Smelters Limited in Gladstone, where issues such as competitive and stable energy supply are also critical. The mining sector is also facing inflationary pressures on raw materials, labour and services across the value chain and potential increases in shipping costs have implications for the international competitiveness of marginal businesses such as alumina refineries and job security longer term in those businesses. Added regulatory or compliance costs would ultimately be passed on and borne by our Queensland alumina refineries, which participate in a highly competitive global market place, including with competitors in jurisdictions with significantly lower labour costs.

For Rio Tinto to be a successful business each of the company's operations need to be independently viable and profitable. The cyclical nature of the commodity business results in our Gladstone alumina refineries operating under tight margins for extended periods. As part of our response to this ongoing challenge, Rio Tinto has been engaging with industry stakeholders to identify productivity improvements and cost-saving initiatives to support the cost-competitiveness of the Queensland bauxite, alumina and aluminium sector.¹³⁹

QRC supported the view that any increase in the regulatory burden could impact the sustainability of the intrastate shipping industry:

Each of these industries rely on shipping services as a critical part of their logistics chain. QRC contends that an intrastate shipping industry which does not serve these industries well as customers should not be considered sustainable. In the past, intrastate shipping has suffered from regulatory mandates that have diminished the price and standard of service that they have been able to offer. A transport service that imposes inefficiency and extra costs on their customers should not be considered sustainable.¹⁴⁰

The Australian Aluminium Council was of a similar view:

The Council encourages the Committee to look for ways to ensure Queensland's shipping industry is competitive as this is the surest way to ensure the sustainable growth of the industry. Where changes in regulation are considered, we again ask that due consideration be given to the cost of intervention and who should bear that cost.¹⁴¹

In addition to regulatory cost, stakeholders identified excessive bureaucracy as an issue. NQBP provided the following example of shifting rail and road trade to sea:

It took two years of negotiations with shipping agents, shippers themselves and the owners of freight to convince them that it would be better to come through Mackay than go through Brisbane and have their freight on the road. It is the certainty that the service would actually occur and that the infrastructure was going to be ready. That is really important if we want to increase coastal shipping.¹⁴²

4.2.7 Taxation

There were a number of issues raised by stakeholders in regard to taxation. These issues included the provision of taxation relief; lost opportunities for receiving taxation revenue; and taxation in foreign countries.

¹³⁹ Submission 12, p 2.

¹⁴⁰ Submission 26, p 6.

¹⁴¹ Submission 7, p2.

¹⁴² Public hearing transcript, Brisbane, 25 February 2019, p 6.

4.2.7.1 *Taxation relief*

Whilst acknowledging that taxation is a federal issue, AIMPE suggested that Australian owned ships cannot compete with foreign owned ships in the current climate. AIMPE considered:

*If you want to have an Australian maritime industry you need to legislate so that some ships must be Australian. If you are going to do that, unless industry is to completely disappear you have to give tax relief.*¹⁴³

AIMPE conceded that if government was to stipulate a requirement for using Australian registered and crewed ships, there would be a cost attached.¹⁴⁴

4.2.7.2 *Lost opportunities for receiving taxation*

The RRATRC's inquiry into the *Increasing use of so-called Flag of Convenience shipping in Australia* noted that it had:

*...received evidence that argued FOC operators enjoy significant tax and regulatory advantages that make it very difficult for the Australian shipping sector to be competitive.*¹⁴⁵

The report states:

Some evidence received by the committee suggested FOC shipping was one way for multinational companies to reduce their tax burden in Australia. The MUA estimated that the tax-exempt status of FOCs depletes Commonwealth revenues by around \$9 billion annually:

Australian purchases of foreign shipping services create a drain of nearly \$9 billion annually on our balance of payments [as FOC vessels do not pay Australian tax]...

*Additionally, the committee heard that the loss of Australian jobs meant a reduction of Commonwealth income tax receipts and other economic benefits from workers on Australian ships losing the jobs, and the subsequent effects on communities that depended upon shipping employment.*¹⁴⁶

AIMPE considered:

*If it is just down to commercial pressures then ships will be run by foreigners and you will have more maritime incidents. The benefits to Queensland are huge. In Australia about \$10 billion a year goes to foreign shipping companies to carry our cargoes. About 10 per cent of the world's cargoes come and go from Australia—mostly go. We have an interest. If we run competitive Australian ships we can take trucks off the roads, reducing the burden to infrastructure on the roads, that is quite clear, and provide employment for Australians who can return money to our economy but we need governments to assist, not necessarily by giving us money but by looking at the way tax is taken from the shipping industry.*¹⁴⁷

The International Transport Workers' Federation (ITF) suggested to the committee:

... the reality in Australia today is that international shipping is being subsidised in a domestic supply chain because they do not pay tax, because they are operating under Third World

¹⁴³ Public hearing transcript, Brisbane, 11 February 2019, p 16.

¹⁴⁴ Public hearing transcript, Brisbane, 11 February 2019, p 16.

¹⁴⁵ Senate Rural and Regional Affairs and Transport References Committee, *Increasing use of so-called Flag of Convenience shipping in Australia*, July 2017, p 9

¹⁴⁶ Senate Rural and Regional Affairs and Transport References Committee, *Increasing use of so-called Flag of Convenience shipping in Australia*, July 2017, p 13.

¹⁴⁷ Public hearing transcript, Brisbane, 11 February 2019, p 15.

*conditions of employment, because they are operating on non-Australian standards of safety, because they do not meet our high standards of national security and background checking.*¹⁴⁸

The ITF stated:

When considering intrastate shipping anywhere in Australia it is inevitable that the alternative to Australian national flag shipping is ships registered in FOC tax havens.

*The most obvious advantages for owners to register in FOC states is to avoid all taxation liabilities, to source the cheapest international labour markets and hide the owners/ operators' identities.*¹⁴⁹

4.2.7.3 Taxation in foreign countries

AIMPE advised the committee that ships registered in Singapore do not pay any tax. AIMPE suggested that this is the reason that companies in Australia choose to register their ships in foreign countries.¹⁵⁰

4.3 Options to strengthen the industry

Queensland port operators have expressed a desire to strengthen shipping. Ports Australia advised:

*We see great benefits at a state level, and I have to say that I think Queensland would be a very special case to look at in greater depth. Given the separation of your ports right around the state and the growing communities around those ports, there is real potential there in terms of bringing benefits to regional areas outside the metropolitan city of Brisbane. In talking to the regional port operators, many of them have indicated their belief that coastal shipping would allow them to look further than what they currently trade in, which means that they would need to employ more people to do that additional work. They are very excited about it, and I suspect that as you move around the state talking to Queensland representatives you will hear more and more a level of enthusiasm from them with regard to the potential.*¹⁵¹

Stakeholders identified a number of options to strengthen Queensland's intrastate shipping industry. ANL Container Line Pty Ltd advised that '[c]oastal shipping within Queensland can work but it needs a collective approach by Government and Port Authorities coupled with investment and ongoing fiscal support'.¹⁵² ANL Container Line Pty Ltd advised the benefits of an intrastate shipping industry as follows:

It can provide supply security to North Queensland communities, training opportunities and career paths for our young people at the same time as improving efficiency and reducing carbon emissions by modal shift off road/rail to sea.

*The "blue highway" needs no ongoing spending and is extremely scalable at no cost.*¹⁵³

4.3.1 Funding for the industry

Several stakeholders advised that funding measures were needed to strengthen the industry and ensure new coastal shipping players are able to enter and remain in the market.¹⁵⁴

¹⁴⁸ Public hearing transcript, Gladstone, 18 March 2019, p 12.

¹⁴⁹ Submission 2, p 1.

¹⁵⁰ Public hearing transcript, Brisbane, 11 February 2019, p 15.

¹⁵¹ Public hearing transcript, Brisbane, 25 February 2019, p 4.

¹⁵² Submission 9, p 4.

¹⁵³ Submission 9, p 4.

¹⁵⁴ Refer Submission Nos 8, 9 and 14.

QPA advised that the Queensland Government needed to address impediments to coasting shipping by:

*Recognising the significant challenges for new coastal shipping players to enter the market (e.g. Hermes). These types of businesses are likely to be profitable in the long term but they will need to be supported in the initial stages.*¹⁵⁵

ANL Container Line Pty Ltd also supported funding for the industry:

*There needs to be a package of funding designed to support coastal shipping. Currently there are billions of dollars spent on road and rail funding by both the Federal and State Government. The return on investment in coastal shipping needs to be looked at closely against the backdrop of overall infrastructure spending. Funding measures could include reduced or even zero wharfage on intrastate cargo moved by sea and on trunk routes a direct Government subsidy (maybe decreasing after the start-up phase) recognising the strategic importance of these transport corridors.*¹⁵⁶

ANL Container Line Pty Ltd detailed:

*In terms of federal support, I think it needs to be some direct funding for coastal shipping, particularly in the model of perhaps what Western Australia did. Where they directly wanted a service, they set the parameters and they called for tenders for people to operate that service and then they were paying them a subsidy that reduced over time. It is really those suite of measures that would be needed to get something up and running.*¹⁵⁷

DTMR provided the following advice in regard to implementing subsidies:

In the short term there would be no significant volume of new freight for a coastal shipping service, merely a shift from one mode to another and most likely some of the existing rail freight. Such a modal shift might have the unintended consequences of employment impacts in the rail industry but could be offset with the creation of employment within the shipping sector.

A new coastal shipping operator will have the challenge of achieving a cost competitive tariff for contestable freight. They face a range of capital and operational costs to establish and conduct their business.

Freight subsidies are not a favoured market intervention as they are costly to administer and unless closely monitored, can result in freight market distortion and unintended detriment over time.

There is no longer any freight subsidy arrangement in place administered by TMR that would impact on coastal shipping. The North Coast rail line subsidy component of the Regional Freight Transport Services Contract with Aurizon ceased in mid-2017. This rail subsidy was recognised to be a possible barrier to establishment of coastal shipping. Its cessation removes this potential barrier.

*TMR provides fare support for air and ferry travel on some routes. These subsidies contribute to the viability of the service which could benefit carriage of freight.*¹⁵⁸

As well as providing funding for the industry, some stakeholders also sought a reduction in fees and charges. Refer section 4.3.2.

¹⁵⁵ Submission 8, p 2.

¹⁵⁶ Submission 9, pp 3-4.

¹⁵⁷ Public hearing transcript, Brisbane, 25 February 2019, p 11.

¹⁵⁸ Submission 28, p 9.

4.3.2 Moratorium on port costs and government charges

A number of stakeholders sought a moratorium on port costs and government charges for Australian flagged vessels, including for pilotage exemptions for masters, conservancy fees, wharfage and harbour costs, port access, port security and common user wharf fees. Refer section 7.7.2 for pilotage responsibilities.

4.3.2.1 *Government charges*

Government charges include pilotage fees and conservancy fees. Several stakeholders sought pilotage exemptions for Australian flagged and crewed vessels to cut costs for coastal shipping and for competent start-up coastal shipping services.¹⁵⁹ John Bell recommends that Australian coastal ship sea captains be exempt for pilotage under existing Maritime Board regulations, which would mean that 'Australian ship captains can be approved to pilot their own ships and eliminate unnecessary cost overheads'.¹⁶⁰ Captain Bell advised:

Tug and pilot costs add approximately \$30,000 to each port call, although the cost of two small Bundaberg tugs is approximately \$95,000.

...

*Fifty-two port calls per annum, at each regional port, for a weekly coastal shipping service is dramatically more expensive than less frequent port calls by international shipping to a single port.*¹⁶¹

QPA was also of the view that policy intervention in pilotage costs may assist in overcoming 'port-side impediments to operating a competitive coastal shipping service':

*... pilotage represents a material cost of operating a coastal vessel. There is scope for pilotage exemptions to be granted to Australian flagged vessels, however the legislative requirements currently make it difficult for Australian Masters to be granted pilotage exemptions in Queensland. There may exist scope for the Queensland Government to review these requirements to ensure that exemptions are granted where appropriate.*¹⁶²

In this regard, QPA suggested:

*There is also scope for the Queensland Government to reassess the legislative requirements for Masters to obtain pilotage exemptions to ensure that exemptions are granted where appropriate and to consider transitional arrangements to assist vessel operators in adjusting to increased fuel costs as a result of new international regulations.*¹⁶³

4.3.2.2 *Port costs*

Port costs identified below relate to wharfage and harbour dues and to costs relating to the use of land and security.

¹⁵⁹ Submission 32, p 21; Submission 14, p 11; Submission 8, p 25.

¹⁶⁰ Submission 32, p 21.

¹⁶¹ Submission 32, p 21.

¹⁶² Submission 8, p 25.

¹⁶³ Submission 8, p 31.

Hermes recommended ‘...the government could consider a moratorium on pilotage fees for competent “start-up” coastal shipping services’.¹⁶⁴ Hermes advised:

It can be argued that the fees and charges imposed by ports owned by shareholding (government) ministers are Government fees and charges and long-term leased ports like Brisbane are Port fees and charges, the government having no control over the latter.

For a ship on the weekly Brisbane/Townsville/Brisbane shuttle, government charges (which include the charges imposed by the Port of Townsville) amount to about \$2 million/annum.

Once again, a moratorium on government fees and charges for a maximum of three years will be invaluable support to a “start-up” coastal shipping service.

...

Compared to what is spent by government on road and rail, the strategies proposed above to assist coastal shipping services are, in relative terms, inexpensive. In fact, we are not suggesting that the government parts with any money; we are suggesting that it foregoes a new stream of revenue in the short term in order to increase its revenue streams in the longer term. The benefit to the state, which includes the employment of Australian seafarers, a tri-modal integrated freight transport system generating increased transport efficiencies, (cost, time and productivity efficiencies), trucks off roads, reduction in CO2 emissions, reductions in road deaths, reduction in pavement damage, savings in road and rail maintenance and repair etc., is enormous. In the longer term—after the three-year moratorium—the government will be the beneficiary of steady cash flows coming from those ships engaged in coastal shipping services.¹⁶⁵

In this regard, Hermes made the following recommendations:

- *Establish a differential pricing regime for Port and Government fees and charges that takes account of the exigencies of domestic coastal shipping.*
- *Review “pilotage exemption” legislation to ensure its requirements are sensible and objectively based on modern safety management principles. Engage with stakeholders when conducting the review.*
- *Provide a moratorium on government and port authority fees and charges for competent “start-up” coastal shipping operators. The moratorium to be in place for a period not exceeding three years and applies to the following:*
 - Pilotage*
 - Conservancy*
 - Harbour Dues*
 - Wharfage*
 - Port Access*
 - Port Security*
 - Common user Wharf Fees*
- *Reimburse competent “start-up” intrastate coastal shipping operators the difference between HFO and diesel prices for a period not exceeding three years.¹⁶⁶*

¹⁶⁴ Submission 14, p 11.

¹⁶⁵ Submission 14, pp 11, 12.

¹⁶⁶ Submission 14, p 17.

DTMR was of the view that some initial assistance to new entrants could provide good outcomes but that exemptions for pilotage fees and other government charges would not provide significant assistance and that potential market entrants should seek assistance from ports and service providers. DTMR advised:

Although pilotage fees and other government charges for vessel movements are recovered through user pricing, they form a very small proportion of the cost of ship visits compared to other charges such as towage, stevedoring and harbour dues. Infrastructure and service providers for coastal shipping recognise that some initial assistance to new entrants can result in longer term revenue from a successful coastal shipping venture. TMR has encouraged potential market entrants to seek assistance from infrastructure and service providers required for coastal shipping.¹⁶⁷

Captain John Bell recommended that one fee be introduced under a new policy for coastal shipping, 'Combined Total Annual Queensland Ports Fee', which would include all Queensland ports and be similar to annual semi-trailer and prime mover licence fees:

This would demonstrate that governments are serious about avoiding the escalating cost and increasing burden of road funding and traffic congestion.

This new coastal shipping charging initiative will immediately make non-urgent coastal sea freight competitive with road transport charges and level the playing field. It will also create an affordable coastal shipping option, which will attract all line haul transport operators.

So instead of Queensland ports making little or no income from coastal shipping, (except for large bulk and project cargoes); a new and ongoing income stream will be created for ports, while significantly reducing road funding.¹⁶⁸

4.3.3 Rebate on fuel and new fuel standards

Hermes called for the government to provide a rebate on the difference between the price of diesel and the price of heavy fuel:

The additional cost burden imposed by the necessity to burn diesel will severely affect the ability of a new operators to get established.

In today's market, the difference in price between HFO10 and MDO11 is about \$150/tonne. For a ship burning 20 tonnes/day, this is an additional cost of \$3000/day while the vessel is at sea.

...

A rebate by government for that additional cost would be of enormous assistance in enhancing the ability of new operators to get established. We recommend that such rebate remain in place for a maximum of three years.¹⁶⁹

In regard to the new fuel standards being introduced from 1 January 2020 onwards, QPA recommended implementing transitional arrangements to alleviate 'this compliance cost in the short term, removing this impediment on the establishment of viable coastal shipping services'.¹⁷⁰

¹⁶⁷ Submission 28, pp 9-10.

¹⁶⁸ Submission 32, p 15.

¹⁶⁹ Submission 14, p 11.

¹⁷⁰ Submission 8, p 25.

Bioenergy Australia proposed the use of biofuels to meet the requirements of the new fuel regulations, as well as having environmental and economic (job-producing) benefits:

The volumes of biofuels required to supply the shipping sector are large and this presents a fantastic opportunity for the development of a new industry in Australia that would drive local jobs and economic development.¹⁷¹

4.3.4 Shipping as part of an integrated transport system

A number of stakeholders commented on the importance of ensuring shipping becomes part of an integrated/multimodal transport system.¹⁷² QRC advised that this should be the aim of the inquiry and that the definition of 'sustainable' needed to be reviewed:

Essentially we would suggest the aim of a coastal shipping policy should be to deliver a sustainable, integrated, multimodal freight network. It is about looking at the role of coastal shipping in that broader freight task of the logistics chain: where does it make sense to use coastal shipping, when is it your best option and what are the barriers that stop those uses of coastal shipping being sustainable? We had a fairly brief submission with four recommendations. One of those was that since the last parliamentary inquiry into shipping the Sustainable Ports Development Act has been passed and that has legislated a definition of 'sustainable'. In the committee's deliberations about sustainable coastal shipping we would suggest using that same definition that currently applies to ports to cover shipping.¹⁷³

Hermes supported this view and noted that it would need assistance from government:

What we need in Queensland—what we need nationally, but we will talk about Queensland in particular—is an integrated transport system. We have to move cargo within the state and determine how it will move most efficiently. Will it be road, rail or sea? Whether we like it or not, the sea is part of the solution going forward. We have to do something to support coastal shipping, certainly in Queensland. As we have said in our submission, it will need assistance in the initial years because it will be very hard to source customers because of their loyalty agreements.¹⁷⁴

QPA also encouraged the government to ensure policy settings and investment decisions do not distort modal choice:

- *The Freight Action Plan and associated policies should explicitly consider coastal shipping as a legitimate and efficient transport mode*
- *The transport policy framework should not distort modal choice by skewing investment towards road, and to a lesser extent, rail infrastructure networks where it is inefficient relative to coastal shipping*.¹⁷⁵

The focus for industry was to ensure the competitiveness of a sustainable industry. QRC recommended:

... that Queensland's coastal shipping policy should aim to deliver a sustainable integrated, multi-modal freight network. The policy should promote competition in coastal trading and ensure the efficient movement of cargo between Australian ports for all types of freight occurs under fair and reasonable access terms.¹⁷⁶

¹⁷¹ Submission 5, pp 3, 4.

¹⁷² See, for example, Submission Nos, 12, 14 and 26.

¹⁷³ Public hearing transcript, 11 February 2019, Brisbane, p 8.

¹⁷⁴ Public hearing transcript, 25 February 2019, Brisbane, p 9.

¹⁷⁵ Submission 8, p 2.

¹⁷⁶ Submission 26, p 2.

QPA also commented on the link between shipping as part of an integrated transport network and effective competition across transport modes:

An efficient freight transport sector leads to more efficient infrastructure utilisation, lower negative externalities, and increased economic growth and employment outcomes, particularly in regional areas. The efficiency of the freight transport sector is maximised when there is effective competition across transport modes and the lowest cost transport solution is aligned with what is socially and economically desirable for the State.

The objective of the policy framework in the freight transport sector should be to ensure that transport modes are able to compete on a level playing field so that market participants are able to make decisions to maximise the efficiency of the freight sector. This overarching approach is well aligned with existing Queensland Government policy to create a true multi-modal and resilient transport system.

The benefits of a true multi-modal freight transport system are not currently being realised due to the lack of competitiveness of the coastal shipping sector. As discussed in the preceding sections, infrastructure and policy constraints are currently preventing coastal shipping from competing with road and rail. This, in turn, is constraining the efficiency of Queensland's freight transport sector because modal decisions are not necessarily aligned with the objective of minimising economic and social costs.¹⁷⁷

In this regard, QPA identified three actions for the Queensland Government to consider to assist coastal shipping to contribute more effectively to Queensland's growing freight task:

1. *appropriately recognising coastal shipping in freight policies*
2. *addressing impediments to coastal shipping's contribution to the State's transport task through investment that targets port and land based infrastructure constraints*
3. *ensuring policy settings and investment decisions do not distort modal choice.¹⁷⁸*

QPA summarised its position and made the following recommendation:

Logistics chains are typically effective at identifying and exploiting the lowest cost transport solution. It is therefore good policy to align the lowest cost solution with what is socially and economically desirable for the State. In turn, the Queensland Government can ensure that its transport investment decisions are made so as to encourage utilisation of the mode that is most economically and socially desirable.

It is important that investments in road, rail and port infrastructure are appraised having regard to the full economic cost of the utilisation of that infrastructure (including the full capital and maintenance costs incurred in providing the infrastructure and negative externalities associated with road freight transport). Ideally, all levels of government should be focused on reforming the transport policy framework to remove distortions that are leading to inefficiencies in the freight transport sector.

In order to achieve this, the Freight Strategy and Action Plan should explicitly recognise coastal shipping as a legitimate and efficient transport mode, and with it, the scope for coastal shipping to enhance the Queensland economy, primarily through the shifting of a proportion of the freight task from road and rail to lower cost coastal shipping where it is socially and economically efficient to do so.¹⁷⁹

¹⁷⁷ Submission 8, p 29.

¹⁷⁸ Submission 8, p 29.

¹⁷⁹ Submission 8, p 31.

NQBP advised:

*NQBP and its port users and communities are ready for further intrastate shipping trade. If we are to ensure genuine progress towards a sustainable intrastate shipping industry in Queensland, there is a lot more that can collectively be done. Queensland faces significant freight challenges both now and in the future, and road and rail alone will not be able to sustainably address these challenges. Urgent reconsideration of the role of a sustainable intrastate shipping industry should be part of a multimodal freight network.*¹⁸⁰

DTMR advised that having a multimodal network increases competition in the overall freight network, provides security in being able to deliver freight on time, and offers consumer choice:

*With any transport system, like with any system, if you put all your eggs in one basket—focusing on road transport in particular, if you have natural disasters or any other types of events that see network outages you can see whole supply chain falls down, basically. Within the department we do not favour one mode over another in terms of policy. Each mode has its own place. Having a multitude of modes for given freight tasks actually creates a lot of resilience in a total transport network. Coastal shipping would actually supplement a more resilient and responsive transport network in times of natural disasters, for example, or even in the case of rail when there are rail maintenance programs; hypothetically, coastal shipping could pick up some of those types of freight tasks. Coastal shipping could lend itself to particular tasks along the coast that would again give consumers a choice around thinking, 'I don't have to just do this by road or rail'; it provides another competitive player in the market. That helps with competition and it also helps consumers and customers with pricing points and choice. In broad terms, they are some of the benefits.*¹⁸¹

In its report no. 59, *Inquiry into coastal sea freight*, the THLGC recommended:

*... that the Minister for Transport and Main Roads give urgent priority to undertaking a detailed assessment of the best way to integrate a regular coastal shipping service into the transport supply chain and in doing so, assess the viability of a sea freight service based on freight rates, sustainable freight volumes and competitive service delivery in consultation with the shipping industry, Queensland ports and potential freight customers.*¹⁸²

In its response provided in June 2015, the government provided its support for the recommendation and stated:

*An existing program of work is being conducted as a two year study by the Department of Transport and Main Roads. The Sea Freight Action Plan - Coastal Shipping Study is due for completion by June 2015. The study considers the commercial aspects identified in the report's recommendations and will inform freight system planning and operational considerations. These opportunities are also being worked on collaboratively with the Port of Brisbane, Port of Townsville Limited and North Queensland Bulk Ports Corporation and a number of commercial proponents.*¹⁸³

¹⁸⁰ Public hearing transcript, Brisbane, 25 February 2019, p 2.

¹⁸¹ Public briefing transcript, Brisbane, 26 November 2018, p 6.

¹⁸² Transport, Housing and Local Government Committee, Report No. 59, *Inquiry into coastal sea freight*, recommendation 2, p viii.

¹⁸³ Queensland Government, Response to Transport, Housing and Local Government Committee, Report No. 59, *Inquiry into coastal sea freight*, June 2015, p 1.

DTMR provided the following update on the progress of this recommendation:

Following the 2014 Inquiry further work was completed to investigate coastal shipping as advised in the 2015 government response. The Department of Transport and Main Roads has applied the Sea Freight Action Plan as internal policy to inform government considerations. The policy focussed on market opportunities and constraints, enabling ports through effective master planning and infrastructure investment and adopting a collaborative approach between government, the ports and industry to achieve best outcomes.

In 2015, after a three year assessment of the Great Barrier Reef a key government priority was implementing policy to assist in the protection of the Great Barrier Reef. The Reef 2050 Long-Term Sustainability Plan is the overarching framework for protecting and managing the Great Barrier Reef from 2015 to 2050. Port development in the Great Barrier Reef World Heritage Area is now controlled under the Sustainable Ports Development Act 2015 (Ports Act).

Much of the work to develop port planning and ship movement management has been focussed on addressing the actions of the Reef 2050 Long term Sustainability Plan. These actions actively assess all the implications of shipping including coastal shipping.

Port master planning, which is currently being undertaken for the priority ports of Gladstone, Mackay/Hay Point, Townsville and Abbot Point identified under the Ports Act, must take supply chain and logistics requirements into account. Port master planning requires consideration of issues beyond strategic port land including supply chain capacity and connectivity, potential impacts on marine and land-based environments and community values within and surrounding the master planned area.

The Department of Transport and Main Roads has worked closely with coastal shipping proponents and port authorities to facilitate development of trade.

A draft Queensland Freight Strategy has recently been released for targeted industry consultation with this currently scheduled to be finalised in early 2019. The development of a two year rolling Freight Action Plan, after the release of the finalised Queensland Freight Strategy will provide an opportunity to incorporate coastal shipping and committee recommendations which may arise from this Inquiry.¹⁸⁴

NQBP considers that the draft Queensland Freight Strategy provides a good starting point from which to move forward. NQBP stated:

We commend the Department of Transport and Main Roads for the work undertaken today by explicitly recognising the need for a multimodal freight network. To support this, all the freight and transport policies should also specifically identify and discuss intrastate shipping as a legitimate and effective component of this multimodal network. In addition, the Queensland freight action plans that are scheduled to be prepared in 2019 should include an action from the department to undertake a detailed assessment of how a sustainable intrastate shipping industry can be implemented with the government's support.¹⁸⁵

4.3.5 Ports and port infrastructure

Stakeholders provided a number of options relating to ports and port infrastructure that they considered would strengthen the industry, including guaranteed berthing, enhanced port governance, focusing on the 'last mile', strengthening the tourism/cruising industry and enhanced port infrastructure.

¹⁸⁴ Submission 28, pp 19-20.

¹⁸⁵ Public hearing transcript, Brisbane, 25 February 2019, pp 2-3.

4.3.5.1 *Guaranteed berthing*

Priority or guaranteed berthing was raised as an option to strengthen the coastal shipping industry. ANL Container Line Pty Ltd stated:

*There needs to be port facilities developed for coastal shipping offering easy access with guaranteed berthing. This is needed so that coastal vessels don't have to compete with other types of vessels for space in port and thereby able to maintain a reliable schedule.*¹⁸⁶

Hermes also supported the need for guaranteed berthing:

In our discussions with shippers, they have articulated in very clear terms what they require from a shipping service in order to meet their requirements for efficiency and reliability.

Because most businesses do not keep large volumes of inventory, they want their cargoes to arrive on time, every time. On the Brisbane/Townsville shuttle, they want a 7-day service (not a 6-day or an 8-day service). The ship must arrive and depart each of the terminal ports at the same time, on the same day each week, every week.

The service has to run like clockwork and a 7-day service will never be delivered unless the ship gets berth guarantees. If, for example, a ship was to arrive at a port and find that it cannot berth because there is another ship at its berth, it will naturally fall off-schedule and this will cause a domino effect that will adversely affect its customers.

*It is very important therefore, that ports give berthing priorities and berth guarantees to ships operating coastal shuttle services. This is vital. Delays to inventory will harm the domestic economy.*¹⁸⁷

Rio Tinto also suggested berthing prioritisation, advising:

*We also think that the berthing prioritisation of vessels coming into Gladstone could be looked at. At the moment the inbound bauxite vessels are at the bottom of the pecking order. We think this could be rebalanced. We are going to turn the vessels around more quickly and improve their productivity, and that would have a beneficial effect both for the Australian crewed vessels and probably for the port as well.*¹⁸⁸

QPA recommended the Queensland Government should:

*...ensure there is sufficient availability of port-based infrastructure to guarantee scheduled berth availability and to provide common user material handling equipment suited to coastal shipping. This may involve ports investing in berth infrastructure and hardstand equipment at some ports.*¹⁸⁹

¹⁸⁶ Submission 9, p 3.

¹⁸⁷ Submission 14, p 6.

¹⁸⁸ Public hearing transcript, Brisbane, 11 February 2019, p 10.

¹⁸⁹ Submission 8, p 31.

NQBP advised the following in relation to what it has done in this area:

*To facilitate this coastal shipping, NQBP changed its practice and targeted its investments in the trade that I mentioned previously. This included increasing berth diversification and availability. We have negotiated and established port rules which maximise berth utilisation and reduce the time at anchor. In establishing these rules, we have changed the perception that existing port users may have berth priority because their trade justified historical port investments. We also undertook capital works to remove some of the constraints of intrastate shipping. This included installing new navigational lights and new fender systems for the abovementioned RORO trade. These projects were funded by port charges of more than \$10 million in the last financial year and \$18 million for next year. We continue to undertake the maintenance funded through the port charges of \$20 million this year and \$26 million in the coming year.*¹⁹⁰

PBPL also agreed, advising that reliability, consistency and frequency are the key factors of a successful coastal shipping trade. PBPL advised:

*A coastal ship needs to be able to arrive on the same day, same time each week, whatever the logistics call for. To do that, we need our stevedores to ensure that they are able to provide that coastal window.*¹⁹¹

4.3.5.2 Port governance

The MUA recommends that the Queensland Government ‘establishes principles for port government owned corporations and private port owners or lessees’.¹⁹² MUA states:

We submit that current port governance arrangements are exclusionary and are not appropriately structured to capture the expertise of all relevant stakeholders such as shipowners and the workforce in ensuring ports are more strategic, more efficient and more productive.

*In particular we are concerned that the expertise and contributions of the port and port services workforces are not adequately integrated into port governance arrangements.*¹⁹³

In this regard, MUA recommends:

Review port fees, port access and port infrastructure to ensure that they support coastal shipping. The higher cost structure of coastal shipping and unfair subsidies to road and rail should be compensated for by lowering port fees for coastal ships and allowing them berthing priority in order to reduce demurrage costs and ensure a reliable high-quality service. The Queensland government should support similar changes to the three Commonwealth AMSA shipping levies.

*Ensure that port workforces are represented within port governance structures.*¹⁹⁴

QPA suggests that the Queensland Government reduce port based infrastructure constraints by either:

- *investing in berth infrastructure/hardstand equipment at some ports,*
- *mitigating quay-side constraints by implementing appropriate port rules to ensure suitable access to infrastructure*¹⁹⁵

¹⁹⁰ Public hearing transcript, Brisbane, 25 February 2019, p 2.

¹⁹¹ Public hearing transcript, Brisbane, 25 March 2019, p 2.

¹⁹² Submission 30, p 60.

¹⁹³ Submission 30, p 60.

¹⁹⁴ Submission 30, p 60.

¹⁹⁵ Submission 8, p 4.

4.3.5.3 *Port master planning*

Torres Shire Council (TSC) stated that '[p]orts are an integral link in supply chains and, in a capital constrained environment, it is critical that investment decisions are made commercially'.¹⁹⁶ The Torres Cape Indigenous Council Alliance Inc (TCICA) supported this view and recommended:

*Port master planning is needed now to ensure critical infrastructure is in place to support efficient supply chains, increased passenger movements, and greater economic activity, in the Torres Strait and Cape region as a result of the sealing of the Peninsula Development Road.*¹⁹⁷

In its report no. 59, *Inquiry into coastal sea freight*, THLGC recommended that the Queensland Government continue to work with Queensland ports to ensure that port services required for a coastal sea freight service are incorporated into their port master plans and in particular, to ensure that berthing and loading/unloading facilities are guaranteed at each port and that the cost of port services are kept to a minimum.¹⁹⁸

In its response to the report, the government supported the recommendation and advised:

*The Department of Transport and Main Roads is collaborating with Queensland ports to identify port services and land use planning options that will promote the development of container facilities at regional ports. Discussions have also taken place with shipping companies, stevedores, freight customers and logistics companies. Ultimately, investment decisions will be a commercial consideration of Port Authorities and their customers.*¹⁹⁹

DTMR provided the following update on progress on this recommendation:

Queensland ports have advised they are supportive of coastal shipping as it would provide increased trade. As part of their planning they are continually reviewing infrastructure and looking to improve efficiency for all port operations.

Recent infrastructure improvements have been made or are in planning in Townsville, Mackay, Gladstone and Cairns.

Port authorities have been in discussion with proponents of coastal services and can consider inducements or discounts to assist services in their infancy should there be longer term commercial benefit.

*The Department of Transport and Main Roads is also undertaking Master Planning for Priority Ports that will support future growth of ports and their supply chains.*²⁰⁰

4.3.5.4 *Focus on the 'last mile'*

According to some stakeholders, there is a need to address landside constraints including 'inadequate road and rail connections to move freight in and out of port precincts and a lack of suitable roads to support increased use of high productivity vehicles'.²⁰¹

¹⁹⁶ Submission 33, p 3.

¹⁹⁷ Submission 35, p 3.

¹⁹⁸ Transport, Housing and Local Government Committee's Report No. 59, *Inquiry into Coastal Sea Freight*, December 2014, recommendation 7, p viii.

¹⁹⁹ Queensland Government, *Response to Transport, Housing and Local Government Committee's Report No. 59 – Inquiry into Coastal Sea Freight*, June 2015, p 4.

²⁰⁰ Submission 28, pp 23-24.

²⁰¹ Submission 8, p 2.

QPA explained how the 'last mile' impacts the competitiveness of the coastal shipping industry.

*Inefficiencies caused by insufficient land-based infrastructure are a key constraint on the competitiveness of coastal shipping. It is critical the State Government focus on investing in 'last/first mile' road and rail infrastructure to, from and within the ports, to ensure that the efficiency of coastal shipping is maximised, enabling it to compete on a level playing field with road and rail. Access roads around the Port of Mackay to accommodate the movement of hazardous cargoes as well as road train access at the Port of Gladstone are specific examples where infrastructure problems have arisen. Despite some recent upgrades, ongoing land-side access problems need to be addressed.*²⁰²

NQBP also supported the view that it was important to focus on the 'last mile' and provided an update on projects around its ports:

*... coastal shipping is successful because NQBP and the state also focused on the 'last mile' which connects the port to the surrounding land transport network. There is a range of enabling projects that continue including the Vines Creek Mackay bridges, which have been upgraded by the state. This has now been completed. It allowed for the transport of the heavy equipment that I mentioned previously. The state and the federal governments funded stage 1 of the Mackay Ring Road, which is under construction, and stage 2 is under consideration. Lastly, NQBP has decided to support and fund the northern access road for the port of Mackay.*²⁰³

PBPL agreed that the focus needs to be on the last mile aspects of ports because the 'blue water highway' is very easy to maintain.²⁰⁴

4.3.5.5 Strengthen tourism / cruising industry

Several stakeholders argued that strengthening the tourism/cruising industry would benefit Queensland's shipping industry.²⁰⁵

Gladstone Chamber of Commerce and Industry (GCCCI) acknowledged there was scope to developing tourism in Gladstone:

*One of the things we are concerned about is the supply chain. Yes, we deal with small business, but we do recognise that Gladstone is primarily an industry based town and we are obviously looking at other ways to diversify what we do here, including tourism. I think from an Australian point of view, by turning a blind eye to it and not doing anything we are saying that it is okay. I am all for understanding how labour works around the world, but at the same time these are ships and vessels that are moving between local Australian ports. It is not as if they are going backwards and forwards to Singapore; we are dealing with things right here. That poses a concern for me.*²⁰⁶

²⁰² Submission 8, p 31.

²⁰³ Public hearing transcript, Brisbane, 25 February 2019, p 2.

²⁰⁴ Public hearing transcript, Brisbane, 25 March 2019, p 4.

²⁰⁵ Refer public hearing transcript, Gladstone, 18 March 2019, p 7 and 10; Submission 14, p 14; Submission 34, p 2; Submission 36, p 1.

²⁰⁶ Public hearing transcript, Gladstone 18 March 2019, p 7.

When asked about growing tourism in Gladstone, the Mayor, Gladstone Regional Council, stated the following:

*We started off with a couple of ships and now we have up to about 17 and it will continue to grow. I talk my community up, obviously. I love the fact that we have a fantastic community. ... but when they hop off the ships they go, 'Wow! We thought Gladstone was just an industrial place,' but they realise that the southern Great Barrier Reef is just there. There is so much to offer when they go down to Agnes Water and Seventeen Seventy and out to the hinterland and the Boyne Valley. The thing that is going to make our tourism industry and cruise ships work is the fact that they can pull up alongside every single time and the passengers can get off straight on to shore and into our East Shores precinct. When they have had rough seas to the south or to the north, every one of them gets off.*²⁰⁷

GCCI supported expanding Gladstone from an industry-based town to one that also focuses on tourism:

*It is probably a really good point that you raise, because for a long time Gladstone had been stereotyped and was classified as an industrial town. Yes, we are seeing a recovery of resources commodities, which has always been an influencer in Gladstone and a key driver of our local economy. Going forward after that last boom-bust period, we have recognised collaboratively that there is a need to diversify that economy and really drive things like tourism. We are geographically blessed to be at the bottom of the Great Barrier Reef. Not only is that great for shipping; it is also great for tourism. Making sure that we are developing those avenues and businesses is one of the key agenda items for local council and all of the other not-for-profits that are working in that sector.*²⁰⁸

Gladstone Area Promotion and Development (GAPD) advised it had 'invested heavily in this sector of tourism' because it saw the cruise liner industry as being 'the catalyst for many small to medium enterprises evolving including a day trip to the reef'.²⁰⁹

GAPD outlined its vision for the tourism industry around Gladstone as follows:

In summary, the prize which we are working towards is massive with the Whitsundays having over 80 cruise ships visit per year. This year we will have over 34,000 passengers and crew disembark to explore our region and city. Once this day trip to the reef is established we will see the frequency of the visits increase to 30- 40 per annum.

On a different angle once the day trip to Wistari is established the operator is planning to run this service each Friday, Saturday and Sunday allowing us to package their experience with Airlines, Rail and Accommodation to be sold outside the region.

This one activity can be such a massive economic driver for accommodation, dining, car rental, air fares, along with many other aspects of our community.

The opportunity this region has with the cruise industry is quite extraordinary with the possibility in the future to be a hop on hop off port or possibly a turn around port rather than a transit port as it is now.

The ships of the future are bigger, longer, with twice as many passengers so much work needs to be done to enable the port to cope with the length of the ship as well as the air draft.

²⁰⁷ Public hearing transcript, Gladstone 18 March 2019, p 10.

²⁰⁸ Public hearing transcript, Gladstone 18 March 2019, p 11.

²⁰⁹ Submission 36, p 1.

*This port could become the epicentre of cruise liners with its facilities and location. If we can offer the experiences why can get elsewhere why would you go past when you can get the best here, especially regarding the 7 day cruise itinerary from Sydney and Melbourne.*²¹⁰

Weipa Town Authority also highlighted the potential for tourism in Cape York and its connection with the shipping industry:

*The growth of tourism across Cape York presents huge opportunity for intrastate shipping coming into Weipa for both freight and passenger shipping. Passenger shipping could link various northern locations, for example Cairns, Weipa, Darwin and Gove and facilitate the growth of eco, cultural and adventure tourism. Catering for cruise ships, marina developments and marine industry expansion would all be very possible in Weipa.*²¹¹

Ports North stated that they have been in the process of trying to attract more cruise ships for the past 10 years. They advised:

We have excellent relationships with Australian based cruise ships. We annually go to the States, to the major cruise conference, and do a circuit where we promote Cairns. First of all, we promote Queensland and then down into Cairns as a cruise destination.

Our investment over the past decade in cruise facilities in Cairns started with the cruise terminal, then some upgrades to our cruise wharf, culminating in this major project where we are now increasing the capacity of the channel and strengthening our wharf to take the larger cruise ships. That is an important element in terms of the marketing of the destination.

*You cannot beat having a cruise facility in the centre of the city. We certainly have strong support from the community and the Cairns Regional Council in promoting the region as a cruise destination. We are trying to ensure that the experience of the ship is top grade when it comes alongside. We have very good pilots, a supportive harbourmaster to get those ships in, the passenger experience through the terminal, and then a very welcoming city as well as the international promotion that we are doing on cruise shipping.*²¹²

4.3.5.6 Port infrastructure

A number of stakeholders sought changes to port infrastructure to overcome possible constraints to running a viable shipping service and ensuring suitability for various types of ships, including roll-on, roll-off (RORO) ships that are designed to carry wheeled cargo such as cars and trucks.²¹³

QPA called for investment in berth infrastructure/hardstand equipment at some ports²¹⁴ and summarised the matter as follows:

*The infrastructure already exists in Queensland ports to support an enhanced role for coastal shipping in meeting Queensland's intrastate freight task. Port owners are also currently undertaking investments that will facilitate increased quay-side activity, and this could benefit coastal shipping. Examples include the current infrastructure upgrade occurring at the Port of Townsville, including berth upgrades, quayside terminal construction and the construction of a port access road, and the investment in infrastructure necessary to accommodate RORO cargo...*²¹⁵

²¹⁰ Submission 36, pp 2-3.

²¹¹ Submission 34, p 2.

²¹² Public hearing transcript, Cairns, 19 March 2019, p 5.

²¹³ Refer Submission 6, p 8; Submission 8, p 21.

²¹⁴ Submission 8, p 2.

²¹⁵ Submission 8, p 24. NB: any in-text footnote references have been removed. Please refer to original submission for details.

Sea Transport Solutions stated that RORO ships 'should be installed in ALL ports throughout Australia as a priority catalyst for Coastal Shipping, emergency response & defence activities'.²¹⁶ According to Sea Transport Solutions, RORO ships offer 'total carrying flexibility' including the ability to carry semi-trailers and containers, oversized and heavy lift cargo, cars, buses and foot passengers.²¹⁷ In this regard, Sea Transport Solutions called for joint state and federal management of the industry, including investment in RORO terminal infrastructure approvals and funding.²¹⁸

QPA provided evidence of the regional economic benefits of RORO trade:

The growth of roll-on roll-off (RORO) trade at the Port of Mackay provides an example of the regional economic benefits that ensue from growth in regional port activity. The port welcomed its first RORO trade in August 2018 as a result of a \$9.8 million infrastructure upgrade delivered under the State Government's Accelerated Works Program. The upgrade involved replacing the fenders at two wharves within the port and amending the wharf infrastructure so that a RORO ramp can be used to roll cargo on or off a ship, as opposed to lifting heavy vehicles off vessels using a crane.

*Prior to the infrastructure upgrade, RORO vessels could not berth at the Port of Mackay and hence this cargo was being transported significant distances on the road network from southern ports. ... this imposes significant costs on the community through increased road maintenance costs and negative externalities.*²¹⁹

ANL Container Line Pty Ltd also highlighted RORO as a key feature of enhanced shipping operations:

To offer an effective and reliable competition to road and rail then any coastal shipping services would need to offer a sailing at least weekly from Brisbane (or nearby) to a central North Queensland hub say Cairns or Townsville. A likely vessel configuration would feature roll on/roll off to provide faster loading and unloading with the ability to carry trailer cargo.

*This could be the seen as the first step with other ports and additional vessels added as demand develops.*²²⁰

4.3.6 Use of the 'blue highway' over road and rail

To overcome the competition the coastal shipping industry experiences with the road and rail networks, some stakeholders focussed on using the 'blue highway' or 'motorway of the sea' as an alternative. In summary, benefits highlighted include lower road maintenance costs (economic); less susceptibility to natural disasters; reduction in road incidents, congestion and greenhouse gases (safety and environmental); and increase in regional jobs due to more short haul truck journeys and local maritime employment opportunities (employment).

²¹⁶ Submission 6, p 10.

²¹⁷ Submission 6, p 11.

²¹⁸ Submission 6, p 18.

²¹⁹ Submission 8, p 21.

²²⁰ Submission 9, p 3.

Sea Transport Solutions advised that creating Australian 'Motorways of the Sea' (MoS) would reduce deaths and serious injury by \$27/billion per annum, road congestion by \$15 billion per annum and road maintenance by \$8 billion per annum.²²¹ Sea Transport Solutions advised that 'MoS services operating throughout Europe shifted 60% of truck movements off the coastal roads in the first 2 years' and that it required a subsidy for year 1 only.²²² Sea Transport Solutions suggested the project could be subsidised by savings in the present \$50 billion spent on road issues.²²³

QPA summarised its view on the role of the 'blue highway' as follows:

All transport modes; road, rail and sea ('the blue highway'), have a vital role to play in delivering an efficient and reliable multi-modal freight network. A viable intrastate coastal shipping sector can assist governments deliver on key economic, social and environmental objectives where sea provides a lower cost, safer and more environmentally friendly linehaul freight service than alternative modes, particularly road.

...

In addition to improving the efficiency of the freight transport network, coastal shipping also reduces the negative externalities associated with freight transportation. The negative externalities associated with road transport are particularly significant. A competitive coastal shipping sector that shifts freight from the road network to the 'blue highway' will reduce these negative externalities, including accident costs, road congestion and greenhouse gas emissions. Furthermore, enhancing the role of coastal shipping in meeting Queensland's freight task will reduce the pressure on road and rail infrastructure, reducing maintenance costs and enabling major road and rail capital investments to be deferred.²²⁴

In terms of the safety benefits of the 'blue highway', QPA stated:

Coastal shipping is the safest of the freight transport modes. The accident costs associated with road freight transportation, including fatalities, injuries and property damage, are particularly significant. Whilst accidents involving freight trains are far less frequent, the cost of individual events can be significant.²²⁵

QPA summarised from information provided via the Bureau of Infrastructure, Transport and Regional Economics (BITRE) that 'the accident road cost of 1.154 c/tkm is over 150 times the costs incurred by coastal shipping (0.007c/tkm)' and that '[t]his suggests there would be a net saving in accident costs of approximately 1.147 cents for every net tonne kilometre transported by coastal shipping compared to road'.²²⁶ QPA advised:

To put these estimates into context, under the scenario in which 1 million tonnes of freight per annum is shifted from road to sea between Brisbane and Townsville, the reduction in accident costs would be approximately \$30.7 million per annum (i.e. accident costs of \$30.9 million per annum avoided from the reduction in road transport less \$0.2 million per annum²⁰ attributable to coastal shipping).

²²¹ Submission 6, pp 4, 5.

²²² Submission 6, pp 6, 8.

²²³ Submission 6, p 16.

²²⁴ Submission 8, pp 3, 14.

²²⁵ Submission 8, p 14.

²²⁶ Submission 8, p 15. Refer to table 1 in submission 8, p 14 for BITRE statistics.

This suggests that better alignment of our freight network to the demands of customers with the use of coastal shipping is likely to improve road safety outcomes due to less heavy vehicles and reduced interface between trucks and passengers.

Promoting coastal shipping as a safer transport mode will also have broader flow-on benefits in terms of securing the critical skills of our future marine pilots and harbour masters.²²⁷

In terms of the environmental benefits of the 'blue highway', QPA stated:

Minimising the environmental impact of freight transportation is becoming an increasingly important policy issue, particularly with regard to greenhouse gas emissions. As with accident costs, coastal shipping has a distinct advantage over road in terms of its environmental impact.²²⁸

Again, using 2017 – 18 statistics from BITRE, QPA concluded:

... the economic cost of greenhouse gas emissions of 0.57 c/tkm is approximately five times higher than the cost estimate for coastal shipping of 0.12 c/tkm. Based on these estimates, under the scenario in which 1 million tonnes of freight per annum is shifted from road to sea between Brisbane and Townsville, the economic cost attributable to carbon emissions would be reduced by approximately \$12 million per annum.²²⁹

QPA also provided evidence regarding the impact of the 'blue highway' on reducing road congestion:

Sustained growth in Queensland's population and freight transport task is leading to significant congestion on the State's road network. It is estimated that the average cost of excessive congestion in the South East Queensland metropolitan area is approximately \$1.2 million per day. Whilst the cost of road congestion is greatest in urban areas, it is increasingly becoming an issue in major regional centres and major roads. Enhancing the role of coastal shipping in meeting the intrastate freight task will assist in alleviating the pressure on the road network.²³⁰

In regard to the capacity of an increase in the use of the 'blue highway' to reduce road capital and maintenance expenditure, QPA advised:

In addition to the direct cost savings and reduction in road accident costs, urban congestion, and environmental costs, another key benefit from the development of a competitive coastal shipping industry is the reduction (or deferral) in road infrastructure maintenance and investment costs.

The 'Blue Highway' does not require the same infrastructure investment or maintenance that land transport infrastructure requires. All governments are under increasing budgetary pressure and there is an increasing need to demonstrate the value for money for all types of expenditure, including spending on infrastructure. In this regard, coastal shipping requires the lowest level of national infrastructure development.

The State Infrastructure Plan (SIP) outlines the Queensland Government's strategic direction for planning and delivery of infrastructure in Queensland. An updated four-year plan was released in 2018 which shows road investment is significant, estimated at approximately \$21.7 billion over the next four years to 2021-22.

²²⁷ Submission 8, p 15. NB: any in-text footnote references have been removed. Please refer to original submission for details.

²²⁸ Submission 8, p 15.

²²⁹ Submission 8, p 16. Refer to table 2 in submission 8, p 16 for BITRE statistics. NB: any in-text footnote references have been removed. Please refer to original submission for details.

²³⁰ Submission 8, p 17. NB: any in-text footnote references have been removed. Please refer to original submission for details.

More specifically, the Queensland Government's 2018-19 Capital Statement provides for \$128.5m of funding as part of the State Infrastructure Fund for upgrades to the Bruce Highway. The State Government indicated that it is essential to maintain and upgrade the Bruce Highway to ensure freight, travel and commuter transport is safe and efficient. The Queensland Government is also working with the Australian Government to deliver the Bruce Highway Upgrade Program.

...

Switching freight from road to coastal shipping would be expected to alleviate (or perhaps defer) the need for some parts of this expenditure program, providing governments with greater flexibility to pursue other policy commitments.

In addition to the direct cost savings to government, shifting freight tonnages from road to coastal shipping will also enable funds to be used to target strategic investments in the freight transport network, such as improving intermodal infrastructure.²³¹

Weipa Town Authority expressed the view that using the 'blue highway' would provide an opportunity for Cape York to become a transport hub, which could lead to developing the local economy:

There is an opportunity to further develop Weipa as the main Cape York transport hub, with connections to major cities and also transport 'spokes' in the smaller coastal communities which cannot be accessed by large shipping. The development of 'shipping highways' around the northern coast line where all remote coastal communities can benefit from a link to other parts of Australia will also encourage greater opportunities for these communities to develop new and expanded business and industries, which are currently not considered viable.²³²

Although DTMR acknowledged that increased use of shipping 'potentially reduces congestion on the roads' and 'is generally accepted that there are lower carbon emissions per tonne than there would be by road transport', it stated that there were also challenges for the industry:

There is a relatively low consumption of consumables in our regional centres. That means there is limited availability of a regular base load. In order to fulfil demand or be a viable alternative, a regular service would have to be provided at the same time each week or very regularly and predictably. A lack of a base load or base demand is a significant issue in establishing a viable alternative to road transport. Also the reverse trade is really important. If you are containerising freight and taking it in one direction, you do not want to be constantly dropping containers in one place and then having to bring them back by road, for example. You want to fill them and bring them back. The trade has to be balanced in both directions. That is an important consideration.

²³¹ Submission 8, p 17. NB: any in-text footnote references have been removed. Please refer to original submission for details.

²³² Submission 34, p 1.

*For it to be viable, there obviously has to be a competitive advantage financially compared to the other modes. In our previous work we had maintained that that is difficult in the short term to establish given those other things we had talked about in terms of the relatively low base demand and the need for a frequent service that is just in time, reliable and consistent. It is also competing with non-refrigerated, longer distance, non-time-critical products. We find around the state that time-critical products are delivered primarily on the road by trucks—those refrigerated products. We do not have refrigerated trains generally. Coastal shipping would be competing more with the rail sector, which it could do quite well provided that there was sufficient base load for it to be viable. It would have to be relatively full for it to be comparable from a cost perspective. It is like a hotel and having so many beds full: if only 10 per cent is full it is not going to be viable.*²³³

4.3.7 Growth of other marine-related industries

Several stakeholders noted that growth in the shipping industry would have a flow-on effect in growth in other marine-related industries. QPA stated:

*Increasing the role of coastal shipping in meeting Queensland's intrastate freight task will have positive flow-on impacts on the Queensland port sector and related value adding service industries.*²³⁴

Weipa Town Authority advised:

*With increased shipping comes the opportunity for marine related industries to be considered, whether it is resupply, repairs and maintenance or major works requiring haul out. Crew transfers and the opportunity for shore leave is also possible. Weipa is currently undertaking work to expand the amount of available industrial land. There are real opportunities in Weipa for marine support industries to grow, as intrastate shipping grows.*²³⁵

QPA provided statistics on the impact of increased shipping in regional areas:

Ports provide an important regional presence that extends beyond the vital trade based linkages they provide for communities to encompass their role as a significant local employer, including in the context of any new investment. For example, an increase in the volume of intrastate freight being transported via coastal shipping will lead to increased demand for cargo handling at regional ports and for related services such as stevedoring, cargo storage, freight consolidation centres, and landside transport management. This will create new investment and employment opportunities in these related service industries, particularly in regional areas. According to Ports Australia estimates, around 44% of employees in the maritime sector are employed in regional areas (i.e. outside of capital cities), compared with the average of 33% across all industries.

*The importance of the role played by ports in regional economies is demonstrated by the flow-on impacts attributable to major capital projects that lead to an increase in port activity.*²³⁶

²³³ Public briefing transcript, Brisbane, 26 November 2018, p 6.

²³⁴ Submission 8, p 20.

²³⁵ Submission 34, p 2.

²³⁶ Submission 8, p 20. NB: any in-text footnote references have been removed. Please refer to original submission for details.

QPA used the 2017 Townsville Port Expansions Project as an example to support this view:

*The Coordinator General was satisfied that port expansion at Townsville would provide significant economic opportunities in the region, with the project's Environmental Impact Statement (EIS) estimating a total increase in gross regional product in Townsville of \$1.6bn (to 2025) and \$6.6bn for Queensland (to 2040). Port expansion was estimated to create around 2,300 full time equivalent (FTE) employees per annum at the height of construction activity with a substantial increase in the labour force in Queensland once the expanded port was operating.*²³⁷

QPA provided further advice:

*The Australian Logistics Council has previously estimated that for every 1% increase in efficiency in the Australian logistics supply chain (which incorporates road, rail, sea ports and intermodal terminals), GDP will be boosted by \$2bn. Similarly, the NSW Government has previously estimated that a 1% increase in freight efficiency could save the national economy \$1.5bn.*²³⁸

QPA concluded:

*A strengthened coastal shipping sector will create opportunities for regional ports to attract new investment from a broader range of customers, creating a stronger, more diverse port community that adds considerable supply chain value in regional Queensland, including by enabling regional economies to become better connected to global supply chains. This will have a positive impact on the competitiveness of local suppliers and the prosperity of regional economies.*²³⁹

4.3.8 Enhanced leadership and a clear vision for the shipping industry

Several stakeholders called on the Queensland Government to enhance leadership and the vision around intrastate shipping. Captain John Bell recommended that the 'Queensland Coastal Shipping Commission' be created to focus on regional employment and financial reforms to port business models, while making a profit to cover all costs. Captain Bell stated that without 'urgently needed leadership', it would be a challenge to rebuild Australia's coastal shipping industry.²⁴⁰

ANL Container Line Pty Ltd stated that there needed to be a 'vision' for the industry in Queensland:

*There needs to be a vision for coastal shipping in Queensland that spans all sides of politics. A vision that recognises the strategic benefits in time of crisis, recognises the efficiency and carbon friendly footprint, recognises the safety aspect of moving freight off the already crowded road network, recognises the great economic benefit compared to ever increasing demand for spending on road and rail networks, recognises the importance of developing maritime expertise and training opportunities.*²⁴¹

²³⁷ Submission 8, pp 20-21. NB: any in-text footnote references have been removed. Please refer to original submission for details.

²³⁸ Submission 8, p 21. NB: any in-text footnote references have been removed. Please refer to original submission for details.

²³⁹ Submission 8, p 21.

²⁴⁰ Submission 32, pp 2, 3.

²⁴¹ Submission 9, p 3.

Hermes recommended that the Queensland Government strengthen the role of MSQ, enhancing its leadership role, as well as provide additional resources for it.

If the government is serious about supporting the establishment and growth of a coastal shipping industry it has to do one of two things:

- *either bolster the knowledge, experience, energy and enthusiasm within MSQ and provide it with appropriate leadership, or*
- *establish a Queensland Council for Maritime Commerce (or similar) whose members have the collective expertise to:*
 - *commission an analysis of the maritime business that currently exists in Queensland and determine the support it needs to grow and develop*
 - *commission an analysis of the maritime business opportunities which are currently lost to other states or other countries*
 - *develop a strategic plan for attracting maritime business to Queensland*
 - *oversee the development of maritime business in Queensland*
 - *commission an analysis of Queensland's intrastate, interstate and overseas cargo flows and the comparative costs of land and sea based transport modes*
 - *make recommendations for attracting sea transport operations to Queensland*
 - *oversee the development of sea transport (intrastate, interstate and overseas) in Queensland.*²⁴²

Ports Australia called for the Queensland Government to:

*... advocate at Transport Ministerial Councils and to the Federal Government the value of increased coastal shipping within and across jurisdictions to support Queensland business export state goods and to reduce end costs for the community.*²⁴³

Marine engineer Peter Roots suggested that a sea transport plan be implemented to overcome some of the barriers the industry currently experiences:

*We have an extensive coast line where the vast majority of the population live and sufficient port facilities that a plan with ships and Ro-Ro vessels could surely be sustainable as long as it is achieved with Australian Registered vessels.*²⁴⁴

CSL Australia noted that any change to shipping policy needed stakeholder involvement:

*All stakeholders should be involved in any change to shipping policy at a state and federal level. The commercial driver of Australian shipping is the level of competitiveness surrounding the operating cost base of vessels and shore-based activities. The end user of shipping services, the cargo owner or receiver, will determine the market for shipping services and the level of tolerance for cost in their supply chain. These stakeholders are essential to shipping policy discussions, together with ship owners and operators, port service providers and maritime personnel.*²⁴⁵

²⁴² Submission 14, p 16. NB: any in-text footnote references have been removed. Please refer to original submission for details.

²⁴³ Submission 25, p 4.

²⁴⁴ Submission 3, p 4.

²⁴⁵ Submission 11, p 2.

4.3.9 Coastal cargo mandates

Captain John Bell recommended the Queensland Government develop mandates about coastal cargoes, including heavy haulage, dangerous goods, reefer cargo and traditional containerised freight, to strengthen the industry. In regard to heavy haulage, Captain Bell recommended:

The Queensland Government mandate that all out-of-gauge and over-weight road freight to Northern and Central Queensland must be sea freighted.

The only out-of-gauge and over-weight that is road freighted will be for trucking inland to and from nearby regional ports, (which has previously occurred in Western Australia).²⁴⁶

In regard to dangerous goods, Captain Bell recommended the Queensland Government:

... mandate that dangerous goods (DGs) can only be trucked from the nearest regional port to mine-sites, especially as there is a history of serious safety concerns.²⁴⁷

Captain Bell advised that creating mandates around reefer cargo would be 'very lucrative' and build a 'weekly sea freight market' to significantly increase 'in shore-side regional employment by initiating a base load of refrigerated meat containers'.²⁴⁸ Captain Bell added:

Additional employment will be created to build, operate and maintain new port infrastructure for cold storage and snap freezing cold rooms in Townsville, at Mackay, at Rockhampton and potentially also in Gladstone for a mooted new abattoir.

Initiating new regional, snap freezing cold storage at regional abattoirs will enable on-site packing and product mixing of refrigerated containers to order.

Importantly, this will eliminate expensive triple handling and expensive and unnecessary land transport costs, (for packing refrigerated containers at the abattoir, unpacking in Brisbane into a cold store, then repacking to fill orders in export containers).²⁴⁹

In regard to the benefits of creating a mandate on traditional containerised freight, Captain Bell advised:

Reliable deliveries of same day, every week, containerised sea freight to each regional port, immediately opens the door to coastal shipping for non-urgent goods to regional cities and to surrounding rural communities.

But this will only succeed, if sea freight is combined with door-to-door deliveries by local (and not national or state) trucking companies, as already occurs with some rail freight.²⁵⁰

QPA recommended:

Appropriately recognising the scope for coastal shipping to enhance the Queensland economy, primarily through shifting of a proportion of the freight task to lower cost coastal shipping.²⁵¹

²⁴⁶ Submission 32, p 9.

²⁴⁷ Submission 32, p 10.

²⁴⁸ Submission 32, p 11.

²⁴⁹ Submission 32, p 11.

²⁵⁰ Submission 32, p 12.

²⁵¹ Submission 8, p 2.

In regard to non-time sensitive goods and the use of different transport modes, Ports Australia called for the Queensland Government to:

... draft state freight policies recognising coastal shipping as a viable option for non-time sensitive goods. In doing so, ensure a balanced investment approach across the different transport modes based on the efficient and cost-effective movement of freight. This would potentially see the entire Queensland ports network utilised effectively, including some small regional ports such as Bundaberg, Mackay and Lucinda, which have the infrastructure but are significantly under-utilised resulting in the community paying a premium of inefficient movement of freight.²⁵²

4.3.10 Weekly shuttle service between Brisbane and Townsville

To stimulate the intrastate coastal shipping industry, Hermes provided the following example of the introduction of a weekly shuttle service between Brisbane and Townsville:

We estimate that approximately 1.9 million tonnes/annum moves between Brisbane and Townsville and our target market is 25% of the (30%) non time-critical cargo. This translates, initially, into an exchange of approximately 360 teu²⁵³ on each port visit (assuming an average load of 15 tonnes/teu).

In order to secure these cargo volumes in an environment where shippers will not abandon their current arrangements, we have had to adopt a number of innovative strategies that are, for the time being, commercial-in-confidence.

Nevertheless, the reality is that, certainly during the initial phases of our operations, we cannot source sufficient cargo to generate a profit. This, of course, will inhibit further investment and the funding of additional shipping services.

The company's key focus has to be on its operations. We must show the market that we are capable of maintaining a weekly schedule while assuring reliability, proper care of cargo and cost competitiveness. This is the only way we can generate the sort of confidence required to attract more cargo. This will naturally take some time but we expect a steady increase in freight volumes during our first three years of operation. After that, we expect volumes to increase at a slower rate.

Our projections show that we will lose approximately \$6.6 million in our first year of operations, \$2.7 million in our second year and start to make a profit in year three. If we can generate steady increases in freight volumes, we are confident of sourcing the investment necessary to fund our expansion into other coastal shipping services.²⁵⁴

4.4 Review of shipping in Torres Strait and unique challenges

Stakeholders raised a number of specific issues in regard to the shipping industry in the Torres Strait. TCICA stated that '[a] sustainable and reliable intrastate shipping industry is critical to TCICA member councils'.²⁵⁵ The TSC advised that the efficiency of the industry is 'driven by several direct and interrelated factors: no competition; scale; and investment'.²⁵⁶ These are discussed in detail below.

²⁵² Submission 25, p 3.

²⁵³ 'teu' stands for Twenty-Foot Equivalent Unit which can be used to measure a ship's cargo carrying capacity. The dimensions of one teu are equal to that of a standard 20 foot shipping container.

²⁵⁴ Submission 14, p 7.

²⁵⁵ Submission 35, p 1.

²⁵⁶ Submission 33, p 2.

4.4.1 Current shipping industry in the Torres Strait

Councillor Sabatino, Torres Strait Island Regional Council (TSIRC), advised the committee:

Our 15 communities are located within an area that consists of 42,000 square kilometres of ocean. Our waterways are our national highways. Shipping is our lifeblood and our communities have complete reliance on it. If shipping or freight is not available to our region then what will life in our communities be? The majority of our fundamental services have reliance on shipping—for example, our electricity generation and essential infrastructure such as desalination for drinking water is currently operated using diesel fuel. This is a critical item that is restricted to sea freight.²⁵⁷

TSC highlighted the importance of a regular, affordable and sustainable shipping industry in the Torres Strait:

The Torres Strait region will always be reliant on shipping services. As an island region, marine transport supports all life and commerce within the Torres Strait, with vessels ranging from large freight carriers to small dinghies, forming a vital network of freight and passenger transport. The vast majority of freight volumes moving in and out of the Torres Strait are by sea. The Torres Strait shipping link and its connectivity with land freight infrastructure and logistics is vital. The cost and frequency of sea access is critical for the sustainability of the Torres Strait Island communities.²⁵⁸

DTMR also acknowledged the vital role shipping plays in Far North Queensland:

The coastal shipping effort in Far North Queensland is vital to local communities and a range of vessels are used to service different communities.²⁵⁹

Sea Swift advised the committee that they have been a local shipping entity for 30 plus years, employing approximately 480 employees across North Queensland and the Northern Territory. Sea Swift run a range of vessels from small tugs to container vessels.²⁶⁰

Sea Swift vessel, *Trinity Bay*, departing Cairns on its regular scheduled route



Sea Swift vessels in Cairns



Figure 3 depicts the areas serviced by Sea Swift.

²⁵⁷ Public hearing transcript, Cairns, 19 March 2019, p 8.

²⁵⁸ Submission 33, p 2.

²⁵⁹ Submission 28, p 8.

²⁶⁰ Public hearing transcript, Cairns, 19 March 2019, p. 1.

Figure 3: Areas and routes serviced by Sea Swift



Source: Sea Swift, 'About us', <https://www.seaswift.com.au/about-us/about-sea-swift>.

Sea Swift advised that they currently provide a monopoly service to North Queensland ports as the last competitor failed in mid-2008. Sea Swift confirmed that other competitors are able to enter the market, and they have had multiple competitors over the last 20 years.²⁶¹

Sea Swift advised that they service Horn Island and Thursday Island northbound twice a week. One of those vessels is a 130 teu and the other is a 125 teu with the ports on those islands being capable of taking those vessels alongside. They operate a spoke-and-hub operation to the outer islands using smaller craft.²⁶²

In terms of commercial shipping operators in the Torres Strait, TSC advised the following:

One commercial shipping company (Sea Swift) based in Cairns operates a fleet of cargo and other vessels servicing the freight and, to a lesser extent, passenger needs of the Torres Strait and the Cape York Peninsula. All sea freight services for the ports of Horn Island, Thursday Island and the outer Torres Strait Island communities (OTSI) are provided by this company. Two main line haul vessels depart Cairns once each week to deliver cargo to Horn Island, Thursday Island and Bamaga. Subject to weather conditions and capacity freight movements, ex-Cairns, are normally able to be completed within seven days to even the OTSI, and within four days to the Port Kennedy area.²⁶³

The TSIRC confirmed that the only regular scheduled freight service for the OTSI is provided by Sea Swift and that TSIRC has used Weipa Hire Pty Ltd trading as Carpentaria Contracting for charter freight services.²⁶⁴

²⁶¹ Public hearing transcript, Cairns, 19 March 2019, p 3.

²⁶² Public hearing transcript, Cairns, 19 March 2019, p 4.

²⁶³ Submission 33, p 2.

²⁶⁴ Submission 31, p 4.

TSIRC advised that Toll Marine Pty Ltd started providing services to the OTSI in 2014 and ‘competed vigorously for customers’ business’. However, Sea Swift acquired Toll Marine in 2016 ‘with authorisation from (and on conditions set by) the Australian Competition and Consumer Commission (ACCC) tribunal’.²⁶⁵ TSIRC advised further:

*In 2016, MIPEC Pty Ltd (MIPEC) started operating in the OTSI. TSIRC engaged both Sea Swift and MIPEC as preferred suppliers. In September 2017, MIPEC assigned its contract to a new company, Arafura Blue Marine Pty Ltd (Arafura Blue). TSIRC procedure freight and fuel from Arafura Blue from September 2017 until November 2017, when TSIRC resolved to appoint Sea Swift as its sole supplier. Arafura Blue has since gone into liquidation.*²⁶⁶

DTMR provided the following information in relation to the operation of shipping operators in the Torres Strait:

Sea Swift is the main company providing shipping services to island and remote communities in Far North Queensland. Sea Swift is Australia's largest privately-owned shipping company.

It operates in Northern Australia, mainly servicing remote and regional communities in Far North Queensland and the Northern Territory. Across Northern Australia the company has nine depots and has a fleet of approximately 30 vessels.

Across Far North Queensland the company operates a range of services to communities including:

- *scheduled liner service twice weekly to Thursday Island, Horn Island, Seisia (once a week) and Weipa (once a week). This includes a weekly passenger cruise from Cairns to Thursday island and return*
- *landing barge service weekly to Torres Strait islands from Horn Island (transshipping cargo from the liner service)*
- *cross harbour tug and barge service between Thursday Island and Horn Island*
- *landing barge service to Torres Strait islands is augmented when required by tug and barge*
- *landing barge service weekly from Weipa to Aurukun*
- *landing barge service when required to Skardon River*
- *tug and barge services from Townsville and Cairns to Torres Strait, Weipa, Skardon River – (mainly machinery and construction materials)*
- *tug and barge service on demand Cairns/Weipa/Karumba to Mornington Island – (mainly machinery and construction materials)*
- *tug and barge service on demand from Hey River supporting de-mobilisation of port of Amrun construction*
- *tug and barge services to Great Barrier Reef islands such as Dunk and Bedarra*
- *landing barge services to Fitzroy, Green and Lizard Islands*
- *tug and barge services on demand to Cape Flattery.*

²⁶⁵ Submission 31, p 4.

²⁶⁶ Submission 31, p 4.

In respect to the Cairns-Thursday Island route, it is worth noting that there have been attempts by competitors to serve the route, but these attempts have been short lived because there is insufficient trade to sustain competition. Seaswift also operate numerous services in the Northern Territory from its Darwin depot.

Carpentaria Contracting is a smaller niche company that operates a tug and barge log carrying service from Hey River (Weipa) to Cairns. Logs are then transported by road to Maroochydore. The company also operates a tug and barge service on demand between Cairns and Torres Strait/Weipa/Aurukun.

Carpentaria Fuels operates a weekly landing craft service from Karumba to Mornington Island carrying supplies and fuel.²⁶⁷

TSIRC explained how it uses sea freight services, the cost, and why charter services are not a suitable alternative to scheduled services:

TSIRC utilises sea freight services for the delivery of Council freight to all of the 15 communities within its local government area. During FY17/18, TSIRC's total spend on freight was \$2,334,391.

As part of its Engineering Services function, TSIRC operates a civil works team which moves from island to island performing road and remedial works on Council infrastructure; TSIRC requires a regular barge service to transport goods that it purchases on a recurring basis, such as fuel, food, building materials, and general plant and equipment necessary for essential community services. The regular barge service may also carry larger, ad hoc Council purchases such as bulldozers, trailers and small boats (commonly referred to as tinnies).

Charter services are not a suitable alternative for scheduled services for TSIRC. TSIRC's regular freight requirements are not sufficient to fill a whole barge, and are often time sensitive so it is usually not feasible for TSIRC to hold back items until it had sufficient freight volumes to justify the charter of a barge.

TSIRC purchases all its fuel supplies from Sea Swift. Sea Swift both sells and delivers the fuel to TSIRC in intermediate bulk containers (IBCs), at a total price that includes delivery. TSIRC also purchase gas bottles from Sea Swift for resale to community residents, and empty bottles are collected by Sea Swift for return freight.²⁶⁸

4.4.2 Lack of competition

As noted above, there is only one commercial operator providing a freight service to the OTSI. Stakeholders advised this leads to a lack of competition within the industry, decreased economies of scale, and a higher cost of living for the communities.

TSIRC noted the benefits of having two commercial shipping operators:

The competition between Sea Swift and Toll Marine also provided the option of having access to another regular freight service. The total number of services from Cairns to Horn Island increased from two services per week to three and service from Horn Island to the OTSI (except Ugar) increased from one service per week to two. This improved flexibility. Due to the additional deck space available (because of the increased number of services operating), TSIRC could move freight from Cairns more quickly. Customers were also less likely to have to wait for weeks to ship large items such as a car: when there were fewer services such items were less likely to fit on the barge.

²⁶⁷ Submission 28, p 8.

²⁶⁸ Submission 31, p 3.

Competition between Toll Marine and Sea Swift led to benefits to TSIRC (lower fuel prices and more frequent freight services), directly resulting in better services being provided to TSIRC's local government area. By having two scheduled freight operators in the OTSI, community members and Council experienced service levels that were missing from the Torres Strait for many years.

Another benefit was that TSIRC becomes more sustainable into the future. TSIRC operates on funding primarily from the State and Federal Governments. The revenues that TSIRC is able to generate itself are low, due to the low socio-economic status of the majority of the population in the OTSI. The cost savings or efficiencies created through competition were beneficial to the region and the communities residing within them by making freight services more frequent and affordable.²⁶⁹

TSIRC noted the following as potential barriers for new entrants to the shipping industry in the Torres Strait:

To provide the service levels required by TSIRC for scheduled freight services, the key service requirements are:

(a) reliability of delivery, which requires the provider to have back up vessels in case one breaks down; and

(b) availability of sufficient deck space to facilitate on-time delivery of large and bulk items.²⁷⁰

In this regard, TSIRC advised that it supported 'measures to encourage competition in the freight industry servicing Torres Strait, to increase the options available to both TSIRC and the community'.²⁷¹

TSIRC advised:

Going back to the impediments, there are monopolies in play out there—CEQ, IBIS, Ergon. They are all under contract with Sea Swift. It is very hard for anybody else on the ground—I have a small business—to compete. I am paying for IBIS or CEQ's discount. The big boys get the discounts and the locals pay the full rate. It is a real impediment to economic development.²⁷²

4.4.3 Challenges faced by remote communities

4.4.3.1 Cost of living

Several stakeholders highlighted the connection between a lack of competition in the shipping industry in the Torres Strait and a high cost of living.²⁷³

TSC advised:

Shipping to our Shire is effectively through a virtual monopoly (Sea Swift) and the absence of a regulated competitive intrastate shipping industry is a terrible break on our economic development. It profoundly compounds the terrible cost of living experienced by our communities and unquestionably reduces prosperity and good health in our region.²⁷⁴

²⁶⁹ Submission 31, p 4.

²⁷⁰ Submission 31, p 5.

²⁷¹ Submission 31, p 6.

²⁷² Public hearing transcript, Cairns, 19 March 2019, p 13.

²⁷³ Refer Submission Nos 33, 34 and 35.

²⁷⁴ Submission 33, p 3.

TCICA advised that health outcomes for Aboriginal and Torres Strait Islander and the non-Indigenous population were affected by the cost of shipping:

Access to affordable fresh produce is vital to the health and wellbeing of Torres Strait and Cape communities. Food supply issues including quality, variety and cost of fresh fruit and vegetables are key factors in determining food security in Indigenous communities, and contribute significantly to the disparity in health outcomes between Aboriginal and Torres Strait Islander people and the non-Indigenous population. Lowering the cost of shipping fresh produce to communities will help ensure better health outcomes for people living in the Torres Strait and Cape region.²⁷⁵

Weipa Town Authority also recognised the impact of a non-competitive shipping industry on the cost of living:

With more shipping being able to access coastal communities it would be hoped that increased competition would also flow to more competitive pricing for goods and services. For example, communities across Cape York rely heavily on fuel being bulk transported by road. An expansion to fuel shipping should help to provide fuel at lower prices.²⁷⁶

4.4.3.2 Cost of maintaining port/shipping infrastructure for councils

TSIRC raised the issue of the cost to councils of maintaining port infrastructure. TSIRC noted that it represents 15 communities all of which are located within the OTSI. TSIRC owns jetties, wharves and barge ramps across its local area and issues permits to commercial users of this infrastructure. TSIRC charges commercial operators fees for use of the infrastructure.²⁷⁷

However, TSIRC notes that it is unable to raise further revenue for maintenance through a rates base as there is no ordinary freehold title in its local government area. TSIRC is therefore 'reliant on State and Federal Government funding to allow TSIRC to maintain essential services and deliver improvements to the OTSI', which includes a range of services such as housing, water and sewerage, waste, childcare, planning, environmental health, road, airport and port services.²⁷⁸

TSIRC advised that the cost of maintaining port infrastructure, including marine landings, in this remote region is 'astronomical compared to urban and regional centres'.²⁷⁹ TSIRC added:

Upgrading just one wharf, for example, costs around \$2.5 million, and TSIRC services 15 island communities. The snowball effect of chronic underfunding means that marine and other transport facilities are not being renewed and replaced in a timely manner to keep up with asset maintenance and disability access upgrade requirements.

The recently completed Hammond Island wharf project, funded by the Queensland and Commonwealth Governments and TSIRC, cost over \$6m. This project provided a community wharf suitable for public transport for the entire Hammond Island community, to meet the requirements of the Disability Discrimination Act 1992 (Cth).²⁸⁰

²⁷⁵ Submission 35, p 1.

²⁷⁶ Submission 34, p 2.

²⁷⁷ Submission 31, p 1.

²⁷⁸ Submission 31, p 1.

²⁷⁹ Submission 31, p 1.

²⁸⁰ Submission 31, p 1.

Sea Swift also commented on this issue advising:

The Torres Strait is our Achilles heel and that is run by the council. It was under the banner of Queensland Transport. It got divested some years ago and, basically, all that infrastructure has been left to run down. It has had very little maintenance on it. It is a struggle for our landing craft to get on to some of those islands. It is more wear and tear on our vessels and more wear and tear on the plant and equipment that we use to distribute to those islands.²⁸¹

As noted above in section 4.3.5, both TSC and TCICA called for port master planning to make commercially-viable investment decisions and to ‘ensure critical infrastructure is in place to support efficient supply chains, increased passenger movements, and greater economic activity’.²⁸²

TSC also highlighted that Sea Swift had a ‘significant footprint on the port infrastructure on both Horn Island and Thursday Island’ and that ‘[a] lack of common use port infrastructure hampers the expansions of commercial shipping services away from a single freight service provider’.²⁸³ TCICA shared this view and recommended:

... ongoing support by the Queensland Government to facilitate the development of common user infrastructure at ports, and a commitment to working with potential proponents to reduce regulatory impediments to new intrastate shipping infrastructure and opportunities.²⁸⁴

TSIRC highlighted the issue of Sea Swift changing its major route to be Cairns to Weipa with a stop off in the Torres Strait. They advised that this has caused issues in terms of deck space with some items being off-loaded. TSIRC explained that this becomes particularly critical for essential items when they are waiting on a delivery. TSIRC advised:

We operate on a three-weekly to four-weekly cycle, particularly with fuel and essential items like that. It could be key plant and equipment or basic machinery that we need to fix one of our desalination plants. They are things that we need straightaway. We do not know until it is offloaded and by then it is far too late and we are then stuck on another four-week cycle.²⁸⁵

With regard to fuel to run generators, TSIRC advised that they have had issues with sufficient supply:

When there are water shortages or fuel shortages to run plant, we face the issue of having to actually shut off water from 10 pm to 6 am. People have no water. Just to give you an idea around the power issues—and obviously that is Ergon, as Councillor Sabatino said—if fuel is not made available for power and the power is cut off, it affects all of our housing equipment because it is run by electricity. For example, you cannot flush the toilet because the pump will not work. All those basic, essential housing needs do not work without power.²⁸⁶

²⁸¹ Public hearing transcript, Cairns, 19 March 2019, p 5.

²⁸² Submission 35, p 3.

²⁸³ Submission 33, p 3.

²⁸⁴ Submission 35, p 3.

²⁸⁵ Public hearing transcript, Cairns, 19 March 2019, p 11.

²⁸⁶ Public hearing transcript, Cairns, 19 March 2019, p 11.

In its report no. 59, *Inquiry into coastal sea freight*, THLGC also recommended that the Queensland Government work with relevant Queensland ports and potential commercial investors to facilitate the funding of any common use infrastructure required in order to establish a viable coastal sea freight service in Queensland.²⁸⁷ In its response to the report, the government supported working with the private sector to facilitate the development of common user infrastructure at regional ports, through commercial dialogue with port managers and coastal shipping proponents²⁸⁸. DTMR has provided the following update:

The Department of Transport and Main Roads continues to hold regular meetings with government owned corporation ports and the Port of Brisbane on a wide range of shipping and logistics issues.

*Industry and government forums have also been held with the Ports of Townsville, Mackay and Bundaberg on supply chain issues and solutions.*²⁸⁹

TSC and TCICA advised that the inability to provide the correct infrastructure has impacted on the regions ability to expand into further industries, including tourism. TSC Mayor Malone advised:

*We have had six cruise ships scheduled last year and this year, but most of them have to be cancelled during this time of the year because they cannot port. Council has had opportunities to work with communities for small business opportunities, and that is progressing well, but unfortunately with the ships unable to dock we have lost the business and people coming to our shores.*²⁹⁰

TCICA also advised:

*... the need for common user port infrastructure to help facilitate competition. With current port infrastructure at Horn Island and Thursday Island almost exclusively used by Sea Swift, there is very limited port access available to potential new commercial shipping operators.*²⁹¹

4.4.3.3 Compliance issues

TSIRC raised the following compliance issues for consideration:

TSIRC experiences various compliance issues that are attributable to, or exacerbated by, the high cost of freight in the region, including:

(a) a lack of secure, designated drop-off areas at each barge landing, resulting in unregulated drop-off procedures, congestion and potential safety issues

(b) contractors dumping excess materials on local government-controlled areas to avoid the cost of shipping these materials off the island

*(c) a build-up of car bodies in communities because the cost of shipping vehicles off the island at the end of their useful lives is prohibitive.*²⁹²

²⁸⁷ Transport, Housing and local Government Committee's Report No. 59, *Inquiry into Coastal Sea Freight*, December 2014, recommendation 3, p viii.

²⁸⁸ Queensland Government, *Response to Transport, Housing and Local Government Committee's Report No. 59 – Inquiry into Coastal Sea Freight*, June 2015, p 3.

²⁸⁹ Submission 28, p 23.

²⁹⁰ Public hearing transcript, Cairns, 19 March 2019, p 16.

²⁹¹ TCICA, correspondence dated 2 April 2019, p 2.

²⁹² Submission 31, pp 5-6.

4.4.4 Government freight subsidies

Due to the lack of competition, the barriers to entry for new entrants, and the difficulty for councils to raise revenue from a rates base, several stakeholders have focused on freight subsidies as a way of reducing the high cost of living for people in these communities. At present, DTMR does not have any direct sea freight subsidies in place.²⁹³

TSIRC reported that its total spend on sea freight services for the delivery of council freight to all of the 15 communities within its local government area during the 2017-18 financial year was \$2,334,391.²⁹⁴ This is the reason why TSIRC 'continues to advocate the need for freight subsidies to reduce cost-of-living pressures for our constituents and support economic growth for the Torres Strait region'.²⁹⁵

TCICA also commented on the matter of freight subsidies:

*Torres Strait communities have be[en] raising the issue of freight subsidies for many years as a way to reduce costs for island communities. Consideration of a state-funded freight subsidy to remote island communities was also a recommendation of the Inquiry into Coastal Sea Freight in 2014, although not supported by the government at the time. It should be noted that at that time there was more than one intrastate shipping operator in the region however this is no longer the case. Torres Strait and Cape communities continue to suffer high living costs and the associated health impacts, new businesses struggle to remain competitive, and local governments are forced to allocate more and more of their tightly constrained budgets toward operational costs.*²⁹⁶

In this regard, TCICA recommends:

*...the Queensland Government commits to a freight subsidy for remote and island communities to help drive down costs and provide a more favourable environment for competition in the market. This will help increase the viability of new business opportunities, lower living costs, improve health and wellbeing outcomes, and assist councils to be more sustainable.*²⁹⁷

It is noted that in the THLGC Report No. 59, *Inquiry into Coastal Sea Freight*, recommended against any direct, long-term or permanent sea freight subsidy being provided by the Queensland Government on the basis that a regular shipping service should only be established if it is deemed to be economically viable in the medium to long term.²⁹⁸ The government of the time supported the recommendation, and DTMR has provided an update as follows in relation to freight subsidies:

Freight subsidies are costly to administer and should be avoided, given their potential to distort existing freight markets. Support to emerging coastal shipping proponents will be addressed through commercial dialogue with government owned port managers.

*The Department of Transport and Main Roads does not have any direct sea freight subsidies in place. The Department of Transport and Main Roads ceased the North Coast Rail Line subsidy component of the Regional Freight Transport Services Contract with Aurizon in mid-2017. This rail subsidy was recognised as a possible barrier to coastal shipping during the 2014 inquiry.*²⁹⁹

²⁹³ Submission 28, p 21.

²⁹⁴ Submission 31, p 3.

²⁹⁵ Submission 31, p 6.

²⁹⁶ Submission 35, p 2.

²⁹⁷ Submission 35, pp 2-3.

²⁹⁸ Transport, Housing and local Government Committee's Report No. 59, *Inquiry into Coastal Sea Freight*, December 2014, recommendation 6, p viii.

²⁹⁹ Submission 28, p 21.

With regard to available subsidies, the committee noted that Toll Group operates a regular service between Tasmania and Melbourne. This service comes under the Tasmanian Freight Equalisation Scheme. Toll Group explained:

To make it viable for customers in Tasmania to export their goods there is a subsidy available to them, which is the Tasmanian Freight Equalisation Scheme. It is intended to make it viable to move things on ships, as that is the only way apart from air freight, which is prohibitively expensive for most exporters. As much of the cargo that comes from Tasmania tends to be quite heavy, it is a necessary component of making this sector viable. In terms of moving things from Tasmania to mainland Australia and return, it is absolutely critical.³⁰⁰

The objective of the scheme is to provide Tasmanian industries with equal opportunities to transport goods at a cost that is similar to the freight costs of road or rail. Toll Group advised:

If you think about the amount of subsidies that goes into rail and road through direct government funding, the aim is to level the playing field between what Tasmanians face in shipping their goods across the Bass Strait compared to mainland Australia.³⁰¹

4.4.5 Integrated freight strategy

TSC advised that the region required an integrated freight strategy; otherwise, it risked 'inefficient decision making in relation to road and rail corridors, connectivity to ports and duplicated infrastructure'.³⁰² TSC recommended:

... an upgrade of the port facilities and freight handling capacity at Seisia wharf for sea freight from Cairns to Seisia and the Horn Island and Thursday Island wharves for distribution to Horn Island, Thursday Island and the OTSI is warranted as part of an integrated freight strategy.³⁰³

4.4.6 Coastal Sea Freight Service

In its report no. 59, *Inquiry into coastal sea freight*, THLGC recommended:

...the Legislative Assembly note the considerable benefits a regular coastal sea freight service would provide to the Queensland economy, including providing an environmentally sustainable alternative to road and rail freight, reducing road congestion, improving safety, reducing road maintenance cost, providing resilience to the transport supply chain in times of natural disaster and flow on benefits to the dive tourism and defence sectors.³⁰⁴

TSC requested that the committee consider the recommendation as the 'establishment of a regular coastal sea freight service could foster diversity in commercial shipping service providers to the Torres Strait and Cape York thus providing the flow of economic benefits to the whole region'.³⁰⁵ TSC stated:

Furthermore, a commercially operated coastal shipping service that achieves interoperability between freight modes and reduces supply chain costs to the regions businesses and residents could have positive impacts on the region's economy.³⁰⁶

³⁰⁰ Public hearing transcript, Brisbane, 1 April 2019, p 3.

³⁰¹ Public hearing transcript, Brisbane, 1 April 2019, p 3

³⁰² Submission 33, p 3.

³⁰³ Submission 33, p 3.

³⁰⁴ Transport, Housing and Local Government Committee, report no. 59, *Inquiry into coastal sea freight*, December 2014, recommendation 1, p viii.

³⁰⁵ Submission 33, p 3.

³⁰⁶ Submission 33, p 3.

5 Queensland's contribution to, need for and improving the Australian inter-state shipping industry

Term of reference (c) states that the committee should consider:

Queensland's contribution to, and the need for, an Australian inter-state shipping industry, and identify ways in which Queensland could contribute to improving the Australian inter-state shipping industry.

5.1 Role of coastal shipping during natural disasters

Due to its large coastline, dispersed population and regional centres and the climatic conditions Queensland experiences throughout the year, some stakeholders have noted that Queensland is in a unique position to contribute to an Australian inter-state shipping industry. ANL Container Line Pty Ltd advised:

*All the suitability criteria for coastal shipping around Australia as a whole, equally apply for coastal shipping within Queensland. In addition to the large coastline, distributed population and industrial centres, Queensland has some unique features that amplify the attractiveness of coastal shipping. The climatic variation in the State can be extreme with major flooding and devastating cyclones on a regular basis. These high impact events highlight the reliance on the road and rail networks connecting North Queensland which are severely curtailed or even shutdown. There is simply no back up plan which leaves substantial population centres in North Queensland exposed in these times of crisis.*³⁰⁷

Ports Australia also highlighted the importance of Queensland policy makers ensuring a robust transport network in Queensland due to its susceptibility to natural disasters:

*Unlike any other state, Queensland policy makers also have the added responsibility of ensuring the freight network can withstand the regular natural disasters that affects the community. Road and rail closures impact the ability of communities to be services while also temporarily shutting down our valuable export market that cannot reach our ports.*³⁰⁸

Ports Australia provided the following information in regard to the cost of natural disasters to Queensland:

*According to a report by IAG in November 2017 the total economic cost for Queensland over a ten-year period, has averaged \$11 billion per year and is forecast to reach \$18 billion per year by 2050. Coastal shipping offers a more reliable service during natural disasters that ensures the functionality of Queensland communities while also providing an avenue to provide natural disaster relief services.*³⁰⁹

Cairns Regional Council highlighted the importance of the shipping industry during natural disaster events:

*It is critical from a connectivity point of view, particularly during those periods of flooding, cyclones and natural disasters. It provides connection not only to the Torres Strait, where there is no land transport, but also to some of the communities on the cape and around through into the gulf when you do have road closures during flooding.*³¹⁰

³⁰⁷ Submission 9, p 3.

³⁰⁸ Submission 25, p 3.

³⁰⁹ Submission 25, p 3.

³¹⁰ Public hearing transcript, 19 March 2019, Cairns, p 7.

5.2 Role of coastal shipping in meeting national freight task

MIA advised that there were 'clear advantages to be gained from increasing the role of coastal shipping in meeting the national freight task'.³¹¹ MIA explained further:

Numerous previous studies have identified the need for shipping to do more in terms of meeting the growing transport requirement.

Should additional intra-state shipping services develop the degree of modal shift that is likely is difficult to quantify given the inherent advantages / disadvantages of the various modes. Previous analysis has indicated that the scope for modal shift to sea is very low at between 2-4% however, the scope for modal shift and competition between modes within Queensland may be greater than previously identified.

*Coastal shipping certainly has many advantages in supporting future freight growth within Queensland. How that is structured and who provides such service would determine the ultimate benefits that might be realised.*³¹²

Weipa Town Authority also expressed the view that intrastate shipping had a role to play in the interstate and international shipping industry:

Increased intrastate shipping will also have a flow on effect for the interstate and international shipping industry. Weipa has a harbour that has played a significant part in the economy of this State and as the only deep water western facing harbour it offers the opportunity for shipping products to other States and new overseas locations. This harbour does not have the limitations or the restrictions that shipping encounters by having to traverse the Torres Strait and the Great Barrier Reef, such incredibly significant environmental areas.

*With increased shipping around the coast line and the increased strategic importance of the region, it is anticipated that an increase to border protection and possibly defence would occur. An increase to federal and defence infrastructure spending flowing into the region will undoubtedly create huge long term economic and labour market benefits.*³¹³

DTMR identified opportunities for expanding interstate shipping:

*Container carriage of dry bulk cargoes offers potential benefits to shippers including the safe secure storage of the cargo in transit and reduced reliance on centralised bulk handling infrastructure which increases the supply of transport providers. The benefits of using containers for dry bulk carriage could mean this is an opportunity for expanding of interstate shipping.*³¹⁴

Queensland port authorities and managers are continually engaged in business development and the opportunity to increase port throughput from expansion of interstate trade is one they do consider.

...

³¹¹ Submission 29, p 4.

³¹² Submission 29, pp 4-5. NB: any in-text footnote references have been removed. Please refer to original submission for details.

³¹³ Submission 34, p 2.

³¹⁴ Submission 28, p 10.

*Should expanded or new trade such as containerised dry bulk result in increased demand for interstate shipping, the expansion could stimulate ship operators to acquire more efficient, trade specific ships to support the trade. This could reduce handling and transit times and drive increased competition. Expansion of bulk carriage in containers may be a suitable avenue to improve the Australian interstate shipping.*³¹⁵

5.3 Australian crewed ships versus foreign crewed ships – impact on local economies

The issue of Australian versus foreign crewed ships is discussed further in section 7.5. However, the committee heard evidence relating to the difference of the impact on local economics when Australian crewed and foreign crewed ships visit port towns in terms of money into the local economy.

The GCCI acknowledged that it ‘did not have any data around that’ but stated, in reference to foreign crewed ships that ‘[c]onsidering they do not get paid in the first place, they would not have a lot of money to spend here’.³¹⁶ GCCI added:

*... from a common-sense point of view you are looking at someone that potentially earns roughly \$900 a month on those ships. They have very limited time in our particular port—maybe a day or maybe up to a week—and if given time they do spend a fair bit of that at Mission to Seafarers and what have you, so the discretionary spend would be fairly low.*³¹⁷

GCCI then compared that with a locally employed crew member:

*If we look at someone who is employed here in the local economy, as I was talking about before, with your supply chain and how that works, most people would buy their groceries here on a regular basis. They are going to be getting clothes and those sorts of things—the staples of living. If they have children, they are going to be out there in the school. There are all of those employment things that happen. I cannot see that there would only be a small difference between the two ...*³¹⁸

Seafarer Matt Leach agreed advising:

*Australian Seafaring Workers use their wages to support their families, pay tax within Australia and spend their money within their local communities.*³¹⁹

In relation to a question about a boom-bust economy in Gladstone and the impact of having locally crewed ships, GCCI explained further:

It certainly is going to have a positive impact because we have people here. They have their children here. More than likely those children will grow up and will be skilled and can flow into those industries. Then there is also the opportunity with Gladstone being a naturally deep harbour. Why isn't Gladstone a training facility for these sorts of industries? I know that Cairns has a facility, as does Tasmania. Why not Gladstone? I think that is something that is an opportunity. If we can get everyone together collectively, there is an opportunity for that too. Certainly, having those sorts of crews here will help.

³¹⁵ Submission 28, p 10.

³¹⁶ Public hearing transcript, Gladstone, 18 March 2019, p 8.

³¹⁷ Public hearing transcript, Gladstone, 18 March 2019, p 8.

³¹⁸ Public hearing transcript, Gladstone, 18 March 2019, pp 8-9.

³¹⁹ Submission 23, p. 4.

From a boom-bust perspective, shipping is something that continues all of the time. Yes, we do see those little bits of a spike and things like coal prices and what have you fluctuate. The boom and bust that we have seen previously with Gladstone has been because we have that one industry and then that is it. I feel now that we do have a good foundation for long-term, sustainable growth.³²⁰

³²⁰ Gladstone Chamber of Commerce and Industry, public hearing transcript, Gladstone, 18 March 2019, p 9.

6 Opportunities for supporting a regular intrastate shipping service

Term of reference (d) states that the committee should consider:

Opportunities for future common user port infrastructure, and any adjustments to the provision of port services, to support the viability of a regular intrastate freight shipping service.

Several stakeholders discussed the matter of common user port infrastructure as an option for supporting the viability of a regular intrastate freight shipping service.

DTMR commented on the role of developing common user port infrastructure to overcome competition with the road and rail network:

Contestability, again, is a matter of horses for courses in terms of what the product is, what volumes are involved and what the specialised handling requirements are. An assumption that is often made around the freight industry is that there is homogeneity, which there is not. The trucking industry, for example, is an incredibly diverse and heterogenous industry which often requires very specialised vehicles to move particular goods, particularly consumer items, household items and food items. There are also safety issues regarding the movement of some goods, as we have seen in the overmass/oversize area.³²¹

DTMR added:

Again, the way that ports operate there sometimes can be some inefficiencies with respect to the infrastructure and how the infrastructure has been funded historically. There have been some historical inefficiencies, when we look at those ports that have infrastructure which is specifically set up for bulk infrastructure and how containerised can be applied. There are issues with respect to the size of the vessels. As I referred to before, there is the channel-widening project that is happening in Townsville which is looking at the opportunity to address those inefficiencies. There are also issues around how berths are established at ports which can create some limitations. In addition to berths and the channel capacity, there is an opportunity for intermodal connectivity and that really differs a lot from port to port. Much of that has been around historical legacies and the key economic drivers of those particular regions as reflected in the port configuration.³²²

QPA commented on the importance of port-based infrastructure in guarantee scheduled berth availability and recommended the Queensland Government should:

... ensure there is sufficient availability of port-based infrastructure to guarantee scheduled berth availability and to provide common user material handling equipment suited to coastal shipping. This may involve ports investing in berth infrastructure and hardstand equipment at some ports.³²³

PBPL added that its use of common user berths provided guaranteed availability:

... in Brisbane we can do that with what we call our common user berths, so we can guarantee a berth, but that does not happen in some of the other ports simply because they do not have the infrastructure to be able to insist on those priority rules. If a cargo owner does not have reliability to move that cargo—say, it will be here on Tuesday at nine o'clock—they will go to the most reliable option which currently is the road sector. Reliability is key to this. Consistency and frequency are also pillars that we need to address to ensure successful coastal trade.³²⁴

³²¹ Public briefing transcript, Brisbane, 26 November 2018, p 4.

³²² Public briefing transcript, Brisbane, 26 November 2018, p 4.

³²³ Submission 8, p 31.

³²⁴ Public hearing transcript, Brisbane, 25 March 2019, p 2.

NQBP advised it was ‘opening our ports for common users’³²⁵ while Ports North advised ‘[o]ur facilities are developed so that they would cater for whatever the use of the ship’.³²⁶

TSC expressed concern about how a lack of common user port infrastructure restricts commercial shipping services. TSC stated that Sea Swift had a ‘significant footprint on the port infrastructure on both Horn Island and Thursday Island’ and that ‘[a] lack of common use port infrastructure hampers the expansions of commercial shipping services away from a single freight service provider’.³²⁷ TCICA shared this view and recommended:

*... ongoing support by the Queensland Government to facilitate the development of common user infrastructure at ports, and a commitment to working with potential proponents to reduce regulatory impediments to new intrastate shipping infrastructure and opportunities.*³²⁸

Bioenergy Australia also commented on future common use of port infrastructure in regard to fuel supply:

*I did have one other comment to the point about the opportunities for future common use of port infrastructure, and it is right in terms of the response that was submitted that it is possible with a lot of these fuels that they can drop in to the existing infrastructure. The challenge of course is a lot of that infrastructure is owned typically by oil companies that have a vested interest in maybe not allowing other fuels from other sources coming in. A point to consider is ensuring some form of open access arrangement to that infrastructure, and this is something that the industry has been trying to work through with the airports because they have the same situation with regard to the JUHIs that supply fuels to the airports. If you control that infrastructure, even if you have product that can be used, you cannot actually use it because the people who own and control it will not let you use it. I think it is an interesting point and if you want to sustain this it is good to ensure that either access or government owned infrastructure is available to help get the product that last mile to market.*³²⁹

³²⁵ Public hearing transcript, Brisbane, 25 February 2019, p 3.

³²⁶ Public hearing transcript, Cairns, p 4.

³²⁷ Submission 33, p 3.

³²⁸ Submission 35, p 3.

³²⁹ Public hearing transcript, Brisbane, 11 February 2019, p 6.

7 Working conditions and safety practices on coastal shipping vessels

Term of reference (e) states that the committee should consider:

Working conditions and safety practices on current coastal shipping vessels, comparing international vessels to Australian vessels

7.1 Maritime workforce data

The OIR advised the committee that the size of the maritime ports workforce in Queensland, based on 2016 ABS census data, is relatively small. OIR advised that, at the time of the census, water freight transport employed 315 people who are most likely to be Australian citizens who work the interstate and interstate trade as international flagged ships have few Australian crew and are not included in the census data.³³⁰

With regard to other services, OIR advised the following data:

- Port and water transport terminal operations – 1,935 employees
- Stevedoring services – 723 employees
- Other water transport services – 938 employees³³¹

OIR noted that the other water transport services category includes lighterage services, navigation service, pilotage services, marine salvage, ship registration and agency services, towboat and tugboat operations and water vessel towing services.³³²

OIR advised the census figures are not able to be divided into intrastate or interstate shipping or domestic or export international shipping. OIR stated:

*I speculate that the low census figures are due in part to the use of foreign flag vessels and foreign crews to carry out operations in other forms of coastal shipping and trade in Australia.*³³³

Maritime Industry References Committee (MIRC) issued the Maritime Skills Forecast 2018 in April 2018. The report notes:

The Maritime industry is an intrinsic part in the Australian economy in the provision of importation and export of goods, as well as tourism and other valued added activities. The Australian Maritime industry has an estimated annual revenue of \$5.76 billion. Over 95 per cent of Australian exports are carried by sea and 10 per cent of the world's cargo passes through Australian ports.

*As demand for these activities will continue to increase into the future, the industry will be met with wide-ranging challenges and opportunities to ensure it is able to cope with the rapid changes faced. These challenges include the development of new technologies and innovations, and the ever-increasing complexity of communication systems used to track/monitor vessels at sea and arriving into ports. With a wave of new systems being developed, ensuring the integrity of cyber security will be a significant challenge.*³³⁴

...

³³⁰ Public briefing transcript, Brisbane, 29 January 2019, p 1.

³³¹ Public briefing transcript, Brisbane, 29 January 2019, p 1.

³³² Public briefing transcript, Brisbane, 29 January 2019, p 1.

³³³ Public briefing transcript, Brisbane, 29 January 2019, p 1.

³³⁴ Maritime Industry Reference Committee, *Skills Forecast 2018 – Maritime*, April 2018, p 3.

*The Maritime industry will continue to face increased workforce pressures, including competition from skilled international workers competing for local jobs and access to training. The ageing workforce is also a continued area of concern. Succession planning will be vital to maintain a robust and sustainable industry into the future.*³³⁵

Figure 4 contains a chart providing an overview of the maritime workforce in Australia published in the *Maritime Skills Forecast 2018* and Figure 5 contains details of the maritime industry age profile. It should be noted that the report contains the following qualification:

Note: Training data and AMSA active certification figures suggest a considerably larger workforce than the Census reports. Total VET Activity data records approximately four thousand commencing enrolments in the Maritime industry per year which, for an industry that requires recertification every five years, would suggest a workforce that is at least 35 per cent larger than the Census total. An even greater divergence is present when comparing Census and AMSA active certification data, but this dataset does not exclude retirees, students and the unemployed, nor contributions from related industries such as Fishing, Port Operations and Search and Rescue.

*As such, workforce figures for the Maritime industry should be taken as representative rather than total, even in a Census year.*³³⁶

Figure 4: Maritime workforce at a glance as at 2016 census

WORKFORCE BY STATE/TERRITORY



Tasmania has the highest number of Maritime workers per capita and has more workers in the industry than South Australia, despite having less than a third of the South Australia's population.

Source: Australian Bureau of Statistics (2017) 2016 Census – Employment, Income and Education. Australian Government.

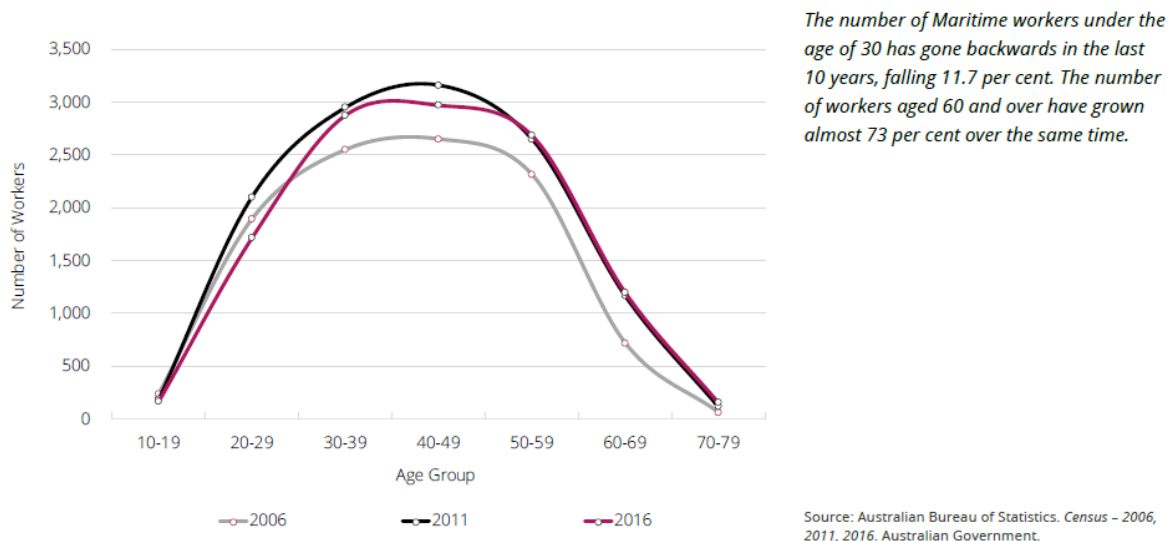
Source: Maritime Industry Reference Committee, *Skills Forecast 2018 – Maritime*, April 2018, p 20.

³³⁵ Maritime Industry Reference Committee, *Skills Forecast 2018 – Maritime*, April 2018, p 3.

³³⁶ Maritime Industry Reference Committee, *Skills Forecast 2018 – Maritime*, April 2018, p 20.

Figure 5: Maritime Industry Age Profile – 2001 to 2016

MARITIME INDUSTRY AGE PROFILE – 20016 TO 2016



Source: Maritime Industry Reference Committee, *Skills Forecast 2018 – Maritime*, April 2018, p 21.

MIRC conducted a survey to seek feedback on current skills shortages and the reasons for the shortages, as perceived by industry stakeholders. Figure 6 details the outcomes from the survey.³³⁷

Figure 6: Top five Maritime Industry Occupations

MARITIME SKILL SHORTAGES

Over 75 per cent of employers reported experiencing a skills shortage in the last 12 months. A review of that data suggests the shortage is primarily for Domestic Commercial Vessel occupations, principally those as:

1. Marine Engine Drivers
2. Small vessel (<35m) Masters
3. Deckhands
4. Managers
5. Educators, Trainers and Assessors

REASONS FOR SHORTAGE

Employers identified the following reasons for the shortage with the most frequent response listed first.

1. Cost/time to achieve the required qualification
2. Ageing workforce / current staff retiring
3. Geographic location of the vacancy
4. Competition from other organisations / industries
5. Wages / salaries considered too low

Source: Maritime Industry Reference Committee, *Skills Forecast 2018 – Maritime*, April 2018, p 24.

MIRC identified the following workforce supply side challenges and opportunities:

- ageing workforce
- competition for skilled workers
- international/national workplace trends
- access to training³³⁸

³³⁷ Maritime Industry Reference Committee, *Skills Forecast 2018 – Maritime*, April 2018, p 24.

³³⁸ Maritime Industry Reference Committee, *Skills Forecast 2018 – Maritime*, April 2018, pp 26-27.

With regard to the ageing workforce, MIRC stated:

*Australia's Maritime workforce is one of the oldest in the country, with 49 per cent of workers 45 years or older. In the short to medium term, the ability to successfully attract, train and retain young workers will be critical in meeting the skills' needs of the industry.*³³⁹

The OIR commented on the MIRC report advising:

*I am also aware of the 2018 skills forecast of the Maritime Industry Reference Committee, which reports that Queensland employs 2,604 maritime workers, accounting for 22.6 per cent of these employees in Australia. These maritime industry workers include marine transport professionals, deckhands, transport and dispatch clerks, supply and distribution managers and account clerks. I do have the number of pilots and transfer crews employed at government owned corporations ports, which totals 87: 33 pilot and 17 transport crew in the Gladstone port; 15 in North Queensland bulk ports; 10 at the port of Townsville; and 10 by Ports North.*³⁴⁰

7.2 Maritime Labour Convention

The MLC, 2006, is an international labour convention adopted by the ILO. It provides international standards for the global maritime industry.³⁴¹ The MLC came into force on 20 August 2013 and established minimum working and living standards for seafarers on ships operated by the 82 ILO member states.³⁴²

The MLC has been implemented primarily through the *Navigation Act 2012* (Cwlth) and supported by *Marine Order 11 (Living and working conditions on vessels) 2015*. Marine Order 11 contains regulations that address the following:

- maritime labour certificates
- interim maritime labour certificates
- recruitment and placement
- complaints
- engagement and working conditions of seafarers
- provisions
- health
- accommodation – use and vessel plans/design and construction/working spaces
- welfare of seafarers
- accommodation – sanitary and laundry facilities/hospital facilities.³⁴³

³³⁹ Maritime Industry Reference Committee, *Skills Forecast 2018 – Maritime*, April 2018, p 26.

³⁴⁰ Public briefing transcript, Brisbane 29 January 2019, pp 1-2.

³⁴¹ International Labour Organization, 'Basic facts on the Maritime Labour Convention 2006', https://www.ilo.org/global/standards/maritime-labour-convention/what-it-does/WCMS_219665/lang--en/index.htm.

³⁴² International Labour Organization, 'BMLC, 2006: What it is and what it does', <https://www.ilo.org/global/standards/maritime-labour-convention/what-it-does/lang--en/index.htm>.

³⁴³ Maritime Industry Reference Committee, *Skills Forecast 2018 – Maritime*, April 2018, p 20.

7.2.1 Australian Maritime Safety Authority role in relation to Maritime Labour Convention

AMSA is the authority responsible for regulating the MLC and its requirements in Australia. AMSA's website states that:

*We are responsible for seafarer health and safety issues on prescribed vessels engaged in trade on international or interstate voyages. We inspect vessels, create domestic safety programs, and process complaints under the Maritime Labour Convention.*³⁴⁴

AMSA confirmed that the port state control program implements the requirements of the convention. AMSA advised:

*One of the requirements is that there has to be adequate food and water for seafarers on board. Should we get any reports of that not being adequate, we will take action to make sure that is rectified.*³⁴⁵

...

*We now have the ability to regulate and enforce rates of pay, food, maximum time on board and other working and living conditions such as food and we have done that a number of times. We certainly cannot do this completely by ourselves so people like welfare providers and the International Transport Workers' Federation, we work very closely with all of those organisations to make sure that crews on ships coming to the Australian coast are fed and looked after.*³⁴⁶

AMSA stated:

AMSA monitors compliance with the minimum requirements of the MLC through its port and flag State inspection regimes of foreign and Australian flag vessels.

In 2018, AMSA received a total of 177 complaints (compared to 146 in 2017) relating to alleged breaches of the MLC. These complaints originated from a number of sources, including seafarers themselves, other government agencies, seafarer welfare groups, seafarer representative bodies, ship pilots and members of the public with a vested interest in the welfare of seafarers. Following investigations of the complaints received, deficiencies were issued against 30 vessels and 19 vessels were detained for MLC related breaches arising from the investigation of complaints and programmed initial PSC inspections.

AMSA advised that under their legislation they have the ability to ban ships. AMSA advised:

*Over the last five and a half years we have banned 13 ships and I think probably all bar two of those for some level of working and living conditions.*³⁴⁷

7.2.2 Wages of seafarers under the Maritime Labour Convention

The ILO established a mechanism for setting the minimum monthly wage for able seafarers by establishing the Subcommittee on Wages of Seafarers commencing in 2014.³⁴⁸ The Subcommittee met in November 2018 and agreed to update the ILO minimum monthly wage for an able seafarer to:

- US\$618 as of 1 July 2019
- US\$625 as of 1 January 2020

³⁴⁴ Australian Maritime Safety Authority, 'Seafarer safety', <https://www.amsa.gov.au/vessels-operators/seafarer-safety>.

³⁴⁵ Public hearing transcript, Brisbane, 29 April 2019, p 2.

³⁴⁶ Public hearing transcript, Brisbane, 29 April 2019, p 2.

³⁴⁷ Public hearing transcript, Brisbane, 29 April 2019, p 2.

³⁴⁸ International Labour Organization, 'ILO body adopts new minimum monthly wage for seafarers', https://www.ilo.org/moscow/news/WCMS_246379/lang--en/index.htm.

- US\$641 as of 1 January 2021.³⁴⁹

The current minimum monthly basic wage figure for an able seafarer is US\$614.³⁵⁰

7.3 Occupational health and safety and industrial relations

In regard to workplace health and safety and electrical safety, OIR advised that Workplace Health and Safety Queensland (WHSQ) administers and enforces the legislation in Queensland. For intrastate shipping, WHSQ shares responsibility with AMSA for safety on shipping vessels.³⁵¹ WHSQ has a memorandum of understanding with AMSA, which provides guidance on the separation of responsibilities between the two jurisdictions and the mechanisms for determining responsibility where the divisions may not be clear.³⁵²

With regard to incidents notified to WHSQ in the water transport industry category, OIR advised that there had been a total of 92 incidents between 1 July 2013 and 10 January 2019 in Queensland waters. OIR advised:

There were 56 in water freight transport and 36 in water transport passenger operations. Of the 92 events notified, four were fatalities that occurred in freight and 38 were complaints received about health and safety conditions in a workplace. In addition to those events reported, during the period 1 July 2013 to 10 January 2019 there was a total of 245 events notified to Workplace Health and Safety Queensland in the water transport services support industries, which include stevedoring, port and water transport terminal operations, and other water transport services. Of those 245 events notified, two were fatalities and 33 were complaints received about health and safety conditions in the workplace. During 1 July 2013 to 11 December 2018, a total of five notices were issued, including four improvement notices and one prohibition notice in the maritime industry.³⁵³

OIR advised that WHSQ is responsible for ensuring that operators of domestic commercial vessels (DCV) provide safe work places. Under the *Marine Safety (Domestic Commercial Vessel) National Law Act 2012* (Cwlth), a DCV vessel is defined as a vessel that is used in connection with commercial, government or research activity and operates within 200 miles of the coast.³⁵⁴

7.3.1 Workers' compensation

OIR also advised that workers compensation and rehabilitation arrangements for seafarers as part of the Australian maritime industry is administered by the Seafarers Safety, Rehabilitation and Compensation Authority (Seacare). The national scheme covers occupational health and safety, rehabilitation and workers compensation arrangements for seafarers employed on ships registered in Australia and engaged in interstate or international trade or commerce. Ships engaged in intrastate trade are covered by legislation in the state in which they operate. In Queensland, intrastate seafarer entitlements are covered by the *Queensland Workers' Compensation and Rehabilitation Act 2003*.³⁵⁵

³⁴⁹ International Labour Organization Subcommittee on Wages of Seafarers of the Joint Maritime Commission, *Final report: Updating the minimum monthly basic pay or wage figure for able seafarers*, November 2018, p 11.

³⁵⁰ International Labour Organization Subcommittee on Wages of Seafarers of the Joint Maritime Commission, *Final report: Updating the minimum monthly basic pay or wage figure for able seafarers*, November 2018, p 11.

³⁵¹ Public briefing transcript, Brisbane, 29 January 2019, p 2.

³⁵² Public briefing transcript, Brisbane, 29 January 2019, p 3.

³⁵³ Public briefing transcript, Brisbane, 29 January 2019, p 3.

³⁵⁴ Public briefing transcript, Brisbane, 29 January 2019, p 2.

³⁵⁵ Public briefing transcript, Brisbane, 29 January 2019, p 3.

With regard to claims incidence rates, OIR advised:

*Water freight has a claims incidence rate of 11.8 per 1,000 employees. This compares to road freight of 34.9 and rail freight of four. It is important to note that water freight transport claims are volatile as there are very low claim numbers. We get about 10 to 13 claims a year.*³⁵⁶

QIR confirmed that crew on foreign flagged vessels would not have access to Australian workers compensation.³⁵⁷

MIA suggested to the committee that the Seacare scheme should be abolished and workers compensation coverage be provided by Queensland. MIA advised:

*... there is a group of maritime workers that would be better off if certain changes were made. The Queensland workers compensation scheme is a superior scheme to that which covers a subset of seafarers, being those nominally engaged in inter-state and international trades, known as the Seacare scheme. Consistency in the workers compensation rights for all Queensland maritime workers would be desirable to better protect workers and avoid any confusion about which scheme an individual is covered by depending on the vessel they work on or the voyage they are undertaking on any given day.*³⁵⁸

7.3.2 Fair Work Act 2009

The *Fair Work Act 2009* (Cwlth) (FW Act) provides for minimum terms and conditions of employment including:

- the 10 National Employment Standards (NES), which apply to all national system employees
- the National Minimum Wage
- rules for making enterprise agreements
- rules for using individual flexibility arrangements
- termination of employment protections
- record-keeping and pay slips obligations
- protections for workplace rights and freedom of association
- transfer of business rules
- right of entry requirements (including privacy laws to protect personal information).³⁵⁹

The FW Act applies to any fixed platform and some ships operating in Australian territorial waters, the Australian Exclusive Economic Zone (AEEZ) or waters above the Continental Shelf (collectively referred to as 'Australian waters'). The FW Act will apply to a ship operating in Australian waters if it is one of the following:

- a ship registered on the Australian General Shipping Register (AGSR), administered by AMSA
- a ship that supplies, services, or operates in connection with, a fixed platform and operates to and from an Australian port

³⁵⁶ Public briefing transcript, Brisbane, 29 January 2019, p 3.

³⁵⁷ Public briefing transcript, Brisbane, 29 January 2019, p 5.

³⁵⁸ Submission 29, p 8.

³⁵⁹ Fair Work Ombudsman, 'Maritime industry – workplace rights and entitlements', <https://www.fairwork.gov.au/how-we-will-help/templates-and-guides/fact-sheets/rights-and-obligations/maritime-industry-workplace-rights-and-entitlements>.

- a ship operated or chartered by an Australian employer³⁶⁰ and uses Australia as a base
- a majority Australian-crewed ship^{361, 362}

The FW Act does not apply to:

- foreign-flagged ships (other than some licensed ships or a majority Australian-crewed ship) exercising a right of innocent passage or transit passage through Australian waters
- ships registered on the Australian International Shipping Register (AISR), which are engaged in international trading.³⁶³

The FW Act also applies to ships engaged in coastal trading³⁶⁴ (including foreign-flagged ships) if they:

- are operating under a general, transitional or emergency licence, or
- are operating under a temporary licence and have
 - made at least two other voyages under either a temporary licence or single voyage permit in the last 12 months, or
 - held a continuous voyage permit in the previous 15 months.³⁶⁵

OIR confirmed that the Commonwealth has responsibility for private sector industrial relations through the operation of the FW Act. This occurred following the transfer of constitutional powers over corporations in 2004 and Queensland referred its residual private sector industrial relations jurisdiction to the Commonwealth in 2009.³⁶⁶

OIR advised:

*Other than Australian flagged shipping using Australian crew, the Fair Work Act has very limited operation.*³⁶⁷

³⁶⁰ Australian employer means an employer who is an Australian trading or financial corporation; is the Commonwealth or a Commonwealth authority; is a body corporate incorporated in a Territory; carries on an activity in Australia or Australian waters and whose central management and control is in Australia; or employs a crew member on a majority Australian-crewed ship.

³⁶¹ Majority Australian-crewed ship means the majority of the crew are residents of Australia and the operator: is a resident of Australia; has its principal place of business in Australia; or is incorporated in Australia

³⁶² Fair Work Ombudsman, 'Maritime industry – workplace rights and entitlements', <https://www.fairwork.gov.au/how-we-will-help/templates-and-guides/fact-sheets/rights-and-obligations/maritime-industry-workplace-rights-and-entitlements>.

³⁶³ Fair Work Ombudsman, 'Maritime industry – workplace rights and entitlements', <https://www.fairwork.gov.au/how-we-will-help/templates-and-guides/fact-sheets/rights-and-obligations/maritime-industry-workplace-rights-and-entitlements>.

³⁶⁴ Coastal trading involves the movement of passengers or cargo between Australian ports for commercial purposes. Ships engaging in coastal trading are licenced under the *Coastal Trading (Revitalising Australian Shipping) Act 2012*.

³⁶⁵ Fair Work Ombudsman, 'Maritime industry – workplace rights and entitlements', <https://www.fairwork.gov.au/how-we-will-help/templates-and-guides/fact-sheets/rights-and-obligations/maritime-industry-workplace-rights-and-entitlements>.

³⁶⁶ Public briefing transcript, Brisbane, 29 January 2019, p 2.

³⁶⁷ Public briefing transcript, Brisbane, 29 January 2019, p 2.

7.3.3 Seagoing Industry Award 2010

The Seagoing Industry Award 2010 covers employers which are engaged in the seagoing industry and their employees. It also covers any employer which supplies labour on an on-hire basis in the industry and employers which provide group training service for trainees engaged in the industry. The award does not cover:

- (a) *employees who are covered by a modern enterprise award, or an enterprise instrument (within the meaning of the Fair Work (Transitional Provisions and Consequential Amendments) Act 2009 (Cth)), or employers in relation to those employees;*
- (b) *employees who are covered by a State reference public sector modern award, or a State reference public sector transitional award (within the meaning of the Fair Work (Transitional Provisions and Consequential Amendments) Act 2009 (Cth)), or employers in relation to those employees;*
- (c) *an employee excluded from award coverage by the Act;*
- (d) *employers covered by the following awards:*
 - i) *the Coal Export Terminals Award 2010;*
 - ii) *the Dredging Industry Award 2010;*
 - iii) *the Marine Towage Award 2010;*
 - iv) *the Maritime Offshore Oil and Gas Award 2010;*
 - v) *the Port Authorities Award 2010;*
 - vi) *the Ports, Harbours and Enclosed Water Vessels Award 2010;*
 - vii) *the Stevedoring Industry Award 2010; or*
- (e) *maintenance contractors covered by the Manufacturing and Associated Industries and Occupations Award 2010.³⁶⁸*

The Fair Work Ombudsman has the capacity to litigate in some circumstances to enforce workplace laws.³⁶⁹ The following is an example of action under taken by the Fair Work Ombudsman in February 2017:

The Fair Work Ombudsman has recovered \$100,649 for ten seafarers from the Philippines who were underpaid while working in Australian waters.

The underpayments occurred during voyages that the foreign-flagged vessel conducted in the Australian Exclusive Economic Zone between January and June 2016, travelling between ports in Queensland, New South Wales and Victoria.

During the voyages, the lowest ranked crew members received as little as \$5 per hour.

The highest amount recovered for an individual worker was \$16,677.

The workers were paid base salaries in accordance with international minimum wage rates.

However, because the voyages were conducted within Australian waters the employees should have been paid in accordance with their relevant ranks under Australian workplace laws.

Under Australia's Seagoing Industry Award 2010 the lowest ranked workers were entitled to receive at least \$17.29 per hour and \$21.61 for overtime hours.

³⁶⁸ Fair Work Commission, *Seagoing Industry Award 2010 incorporating all amendments up to and including 21 November 2018*, p 6.

³⁶⁹ Fair Work Ombudsman, 'Our role', <https://www.fairwork.gov.au/about-us/our-role>.

The Fair Work Ombudsman investigated the matter after receiving a tip-off alleging that the crew of the vessel were not being paid in accordance with the relevant award.

The operator of the vessel, an international company with headquarters outside of Australia, claimed that it was unaware its obligations under Australian workplace laws because it had never operated voyages within the Australian Exclusive Economic Zone before.³⁷⁰

An example of the rates of pay is contained in Table 3.

Table 3: Rates of pay for vessels not granted a temporary licence – dry cargo vessels up to 19,000 tonnes, effective from 1 July 2018

Classification	Hourly pay rate A\$
Vessels manned at 18 or below	
Master	33.99
Chief engineer	33.43
First mate/First engineer	28.97
Second mate/Second engineer	26.80
Third mate/Third engineer	25.68
Chief integrated rating/Chief Cook/Chief steward	24.29
Integrated rating/Assistant steward/Catering attendant	22.12
All other vessels	
Master	33.17
Chief engineer	32.63
First mate/First engineer	28.30
Second mate/Second engineer	26.20
Third mate/Third engineer	25.11
Chief integrated rating/Chief Cook/Chief steward	23.76
Integrated rating/Assistant steward/Catering attendant	22.19

Source: Fair Work Ombudsman, *Pay Guide – Seagoing Industry Award 2010*, June 2018, p 2.

It should be noted that different rates apply for different types of vessels, including dry cargo vessels between 19,000 and 39,000 tonnes, dry cargo vessels over 39,000 tonnes, crude tankers, other tankers, gas carriers, research vessels and vessels granted a temporary licence. The Award also specifies the rate of various allowances.³⁷¹

For comparative purposes, with the MLC, the rate for an able seaman is included in the ‘integrated’ rating category.

³⁷⁰ Fair Work Ombudsman, ‘Seafarers reimbursed more than \$100,000 by foreign shipping company’, <https://www.fairwork.gov.au/about-us/news-and-media-releases/2017-media-releases/february-2017/20170227-maritime-mr>.

³⁷¹ Fair Work Ombudsman, *Pay Guide – Seagoing Industry Award 2010*, June 2018.

7.3.4 Australian Maritime Safety Authority role in relation to occupational health and safety

With regard to occupational health and safety, AMSA's website states:

*We are responsible for handling health and safety issues for personnel on prescribed ships that are engaged in trade or commerce on international and domestic voyages.*³⁷²

Prescribed ships are defined as:

- a ship registered in Australia
- a ship engaged in coastal trading under a general licence within the meaning of the *Coastal Trading (Revitalised Australian Shipping) Act 2012* (Cwlth) (CT Act)
- a ship (other than the above) on which the majority of crew are residents of Australia and which are operated by persons or firms which have their principal place of business in Australia or are incorporated in Australia
- a ship declared by the Minister to be a prescribed ship.³⁷³

The Award articulates working conditions including minimum wages, hours of work, leave and public holidays, termination and redundancy and dispute resolution.³⁷⁴

OIR confirmed that AMSA has responsibility for ensuring that Australian registered vessels, both travelling internationally and between states, maintain a working environment that is:

*... safe for employees and without risk to work health, as well as providing adequate facilities for their welfare at work.*³⁷⁵

OIR provided the following examples of incidents that AMSA would respond to:

*... crew-specific maritime skills incidents about navigations or collisions, vessel safety equipment, vessel construction or modification, vessel survey, breaches of survey limitations and areas of operations where vessels are operating out of an area that is approved.*³⁷⁶

7.4 Cabotage

7.4.1 What is cabotage?

Cabotage concerns the right to operate sea, air or other transport services within Australia.

³⁷² Australian Maritime Safety Authority, 'Occupational Health and Safety Inspectorate', <https://www.amsa.gov.au/vessels-operators/seafarer-safety/occupational-health-and-safety-inspectorate>.

³⁷³ Australian Maritime Safety Authority, 'Occupational Health and Safety Inspectorate', <https://www.amsa.gov.au/vessels-operators/seafarer-safety/occupational-health-and-safety-inspectorate>.

³⁷⁴ Fair Work Commission, *Seagoing Industry Award 2010 incorporating all amendments up to and including 21 November 2018*.

³⁷⁵ Public briefing transcript, Brisbane, 29 January 2019, p 2.

³⁷⁶ Public briefing transcript, Brisbane, 29 January 2019, p 3.

The ITF states that national maritime cabotage is:

...the system of reserving a nation's domestic maritime commerce for its own citizens to ensure the retention of skilled workers and decent jobs for the future of the industry – has been a major tool for national governments who want to regulate what goes on in their domestic waters. It allows them to ensure that at least certain domestic trades are not conducted purely on the basis of lowest labour cost, and that minimum standards are protected.³⁷⁷

The MUA advised the committee that cabotage was implemented in 1917 to stop the exploitation of the coastal shipping industry from false competition by overseas labour. MUA advised:

It was put in place and clearly delineated coastal shipping as an Australian supply chain and Australian industry. Because of the enormous size of the nation, you could never have a shipping fleet to service every part of the community infrastructure. We reached an understanding that if there was no Australian ship available you could take out a licence and that ship could then carry that cargo in an emergency or to fill the gap temporarily. What happened in 2012 was that temporary licences were only going to be awarded in the event there wasn't an Australian ship and only in the event that the temporary licence would not harm the introduction of an Australian ship. What that has been translated into is that BHP had two Australian ships carrying coastal cargo, so they sacked the two ships and the crew so there would not be any ships. Now they have gone and got a temporary licence off the Australian government because there are no ships because they got rid of them.³⁷⁸

7.4.2 Cabotage laws around the world

In its report, 'Cabotage Laws of the World', Seafarers' Rights International, found that cabotage exists in a majority of UN member states, and states:

The survey revealed that there are 91 members states of the United Nations with cabotage, that is 65% of states that could have cabotage do have cabotage.³⁷⁹

The study was the first major maritime cabotage review of all 193 member states of the United Nations (UN) and included input from practicing lawyers from each of the 140 UN member states included in the survey.³⁸⁰

The report also found:

- Cabotage exists in every region of the world
- Cabotage exists across all political, economic and legal systems
- Cabotage exists along a majority of the world's coastlines – along the coastlines of about 80% of the world when comparing the coastlines of states with cabotage as opposed to states without cabotage
- Cabotage exists in a substantial majority of IMO Council states
- Cabotage laws have endured for centuries
- Cabotage is not subject to a single definition
- Cabotage laws are diverse

³⁷⁷ International Transport Workers' Federation, 'Cabotage', <https://www.itfglobal.org/en/sector/seafarers/cabotage>.

³⁷⁸ Public hearing transcript, Cairns, 19 March 2019, pp 25-26.

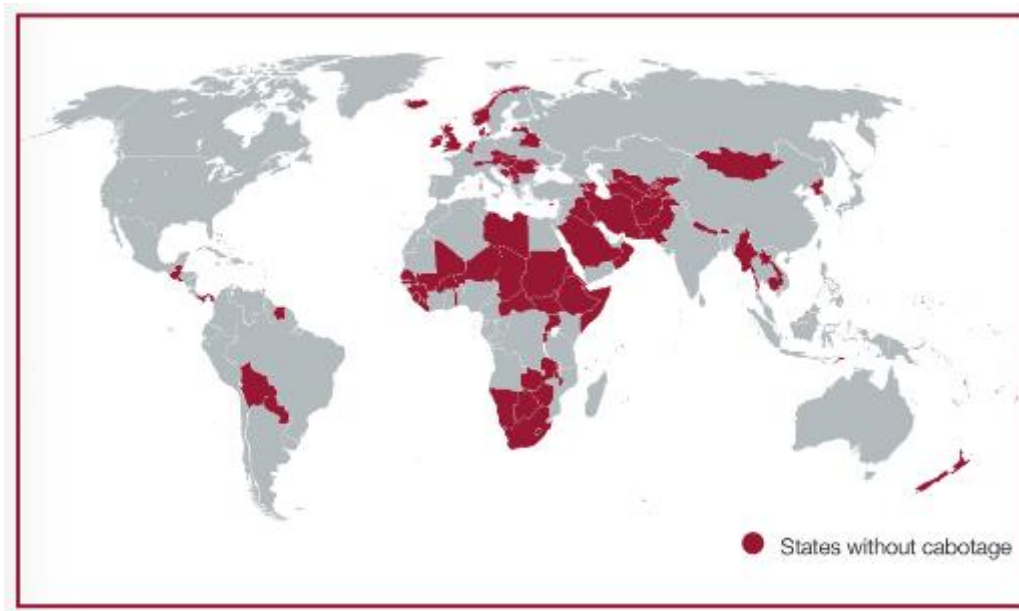
³⁷⁹ Seafarers' Rights International, *Cabotage Laws of the World*, September 2018, p 10.

³⁸⁰ American Maritime Partnership, 'Key Report Findings', p 2, <https://3snn221qaymolkgbj4a0vpey-wpengine.netdna-ssl.com/wp-content/uploads/2018/09/World-Cabotage-Study-Overview-Final.pdf>.

- Cabotage policy objectives are diverse
- Cabotage policies and laws are evolving
- Exceptions, waivers and trade agreements affect cabotage to a greater or lesser extent.³⁸¹

Figure 7 depicts the states without cabotage.

Figure 7: States without cabotage



Source: Seafarers' Rights International, *Cabotage Laws of the World*, September 2018, p 51.

Rio Tinto advised:

*The cabotage rules globally vary considerably from country to country. When you get into the US, for example, it is very strict and it is very expensive to ship on an American flagged vessel. Canada is similar. There are shades across the world in terms of how cabotage legislation is formulated and enforced, as well.*³⁸²

AIMPE advised:

*There are 20 GDP countries and Australia is the only one that does not have some form of cabotage. Technically it does, but it issues licences to all comers to carry cargoes around Australia's coast. It is impossible to compete with countries where the seafarers that come here on \$1,100 a month go home wealthy people.*³⁸³

³⁸¹ Seafarers' Rights International, *Cabotage Laws of the World*, September 2018.

³⁸² Public hearing transcript, Brisbane, 11 February 2019, p 11.

³⁸³ Public hearing transcript, Brisbane, 11 February 2019, p 16.

7.4.3 United States - cabotage laws

7.4.3.1 *History*

The *Navigation Acts* of 1817 (USA) barred foreign vessels from domestic commerce. In 1886, the cabotage laws were extended to passenger vessels. The *Merchant Marine Act* of 1920 (USA) aimed to maintain a merchant marine of the 'best equipped and most suitable types of vessels owned and crewed by United States (US) citizens, sufficient to carry the greater portion of US. commerce and serve as a naval or military auxiliary at time of war'. Together with the *Passenger Vessel Services Act of 1886*:

... it reserves marine transportation of freight and passengers to be US-built, maintained, documented, owned and crewed vessels. Similar laws cover dredging in US waters and towing and salvage operations.

Section 27 of the *Merchant Marine Act of 1920* is known as The Jones Act.³⁸⁴

7.4.3.2 *Benefits*

US Maritime Administration advises the following in regard to the benefits of these cabotage laws:

The business opportunities provided by these laws have encouraged enormous investments in vessels and other marine transportation assets. Over the last 5 years, U.S. domestic carriers have significantly upgraded their fleets with 13 ocean-going vessels, 183 tugs, 3,942 barges, 64 offshore supply vessels and 69 ferries. The investments in new vessels have contributed to a 35 percent increase in the value of the industry's assets, the highest five-year growth in 25 years.

In 2005, the U.S.-flag domestic trade fleet of 38,544 vessels transported about 933 million metric tons of cargo between U.S. ports.

The domestic trades include cargoes moved on the oceans (including trade between the 48 contiguous states and Alaska, Hawaii, Puerto Rico and Guam), along the coasts, on the inland waterways and the Great Lakes.

In addition to serving as an essential link in our national transportation infrastructure, the domestic trade fleet is a critical component of America's military readiness. Eighty-five percent of the oceangoing vessels in the fleet are militarily useful.

Furthermore, of the more than 60,000 water transportation workers in the United States, 35,800 are mariners and nearly 8,000 [of] these are qualified to crew deep-sea vessels and Ready Reserve Force and DOD sealift ships.³⁸⁵

AIMPE confirmed that the US has legislated to build, register and maintain their shipping fleet in the US. AIMPE stated:

The Americans crew their ships with American citizens. Their ships are constructed in America, registered there and maintained there.³⁸⁶

³⁸⁴ Maritime Administration, United States Department of Transportation, 'U.S. cabotage laws', <https://www.maritime.dot.gov/sites/marad.dot.gov/files/docs/resources/newsroom/fact-sheets/3626/cabotagelaws.pdf>.

³⁸⁵ Maritime Administration, United States Department of Transportation, 'U.S. cabotage laws', <https://www.maritime.dot.gov/sites/marad.dot.gov/files/docs/resources/newsroom/fact-sheets/3626/cabotagelaws.pdf>.

³⁸⁶ Public hearing transcript, Brisbane, 11 February 2019, p 16.

However, Ports Australia noted:

*The American market is much bigger and the distribution of the American people right throughout their entire populace completely differs from ours. In Australia, 80 to 85 per cent of the population live along the coastal seaboard, particularly the east coast.*³⁸⁷

7.4.4 United Kingdom – cabotage laws

In 1381, to increase the English navy, Parliament stated that ‘Subjects shall export or important merchandises in English ships only’ and subsequently passed a series of laws that became known as the Navigation Acts. These were extended and revised between the 1650s and 1770s. However, the Navigation Acts were repealed in 1849 and today there is no cabotage in the United Kingdom.³⁸⁸

7.5 Use of foreign-crewed ships undertaking the intrastate shipping task in Queensland

The MUA provided numerous examples of major companies operating in Australia in the mining and energy sectors using international crewed ships to transport their goods.³⁸⁹

Rio Tinto advised they have 20 cargoes per month moving bauxite from Weipa to Gladstone. Rio Tinto advised that eight (40 per cent) of those movements would be on Australian crewed ships and the balance on internationally crewed ships.³⁹⁰ Rio Tinto later clarified that:

*... these 20 movements are not solely intrastate shipping but rather are made up of shipments both from Weipa, Queensland and Gove in the Northern Territory. Approximately 25-30% of these shipments per month are carrying bauxite from Gove.*³⁹¹

Rio Tinto also later confirmed that all vessels transporting bauxite from Weipa to Gladstone are internationally flagged ships with 40 per cent of the movements crewed by Australians on internationally flagged vessels.³⁹² Rio Tinto’s fleet are managed and crewed by Anglo Eastern (UK) Limited and ASP Ship Management Limited, with ships sailing under a Singapore flag.³⁹³

Rio Tinto advised the committee:

Currently, we believe Rio Tinto's coastal shipping operations in Queensland represent greater than 80 per cent of total volumes of intrastate shipping. Our shipping activities provide employment for approximately 130 Australian seafarers, including Indigenous seafarers from western Cape York on four Australian crewed ships. Each vessel typically employs 15 crew members split between officers and integrated ratings as well as one trainee on board. Approximately 40 per cent of the integrated ratings and 10 per cent of the marine officers live in Queensland.

³⁸⁷ Public hearing transcript, Brisbane, 25 February 2019, p 5.

³⁸⁸ Seafarers’ Rights International, *Cabotage Laws of the World*, September 2018, pp 23, 24.

³⁸⁹ Refer Submission 30.

³⁹⁰ Public hearing transcript, Brisbane, 11 February 2019, p 9.

³⁹¹ Rio Tinto Aluminium Limited, correspondence dated 19 February 2019, p 1.

³⁹² Rio Tinto Aluminium Limited, correspondence dated 19 February 2019, p 1.

³⁹³ Rio Tinto, ‘Fleet’, <https://www.riotinto.com/commercial/fleet-9945.aspx?content=Post-Panamax>.

*Rio Tinto's Australian owned vessels are some of the very few Australian crewed dry bulk carriers currently trading on the Queensland coast. We, along with other companies, also use foreign crewed vessels given their competitiveness and comparable service levels. While others have stopped using Australian crews, we have continued. In total, Rio Tinto oversees approximately 20 shipments per month of bauxite along the Queensland coast using a combination of Australian crewed and international crewed vessels. These shipments operate under the same safety standards, working conditions and operating requirements. All Rio Tinto owned, operated and chartered vessels operating in Queensland comply with the Australian and international shipping standards and regulations. Wages and conditions for international seafarers are set by the International Transport Workers' Federation, the ITF. The ships chartered by Rio Tinto adhere to ITF mandated rates and the Maritime Labour Convention. We also require strict enforcement from shipowners and contractors and full compliance with all applicable laws and regulations.*³⁹⁴

The MUA provided some examples of intrastate and interstate trade occurring with international crews:

- *Origin Energy relies on coastal shipping for its LPG distribution network. It charters two small LPG tankers that have worked continuously in Australia since they were built in 2008. Yet for this entire time Origin has avoided having Australian working conditions and an Australian crew on board.*
- *Orica has the Wincanton on long-term charter to carry ammonia from Newcastle to Gladstone to make explosives for the mining industry. Despite operating the ship in Australia since 2010, the company has never employed Australian crew on these ships.*³⁹⁵

7.5.1 Cost differential between Australian and foreign crewed ships

As noted in section 4.2, the issue of crew costs was identified as a barrier to an enhanced industry by stakeholders.

The committee heard evidence from Rio Tinto that the cost differential between an Australian crewed vessel and an international vessel is about US\$5 million per year per ship, and that wages was 'certainly a significant component' of that cost differential. Rio Tinto noted that there would be an impact if there was 'any increase in costs to any part of the business'.³⁹⁶

Hermes argued, however, that there was a number of strategies that could be implemented to make Australian shipping competitive with international shipping on domestic trades in regard to these costs:

The opportunity to have pilotage exemptions is available to Australian flagged ships and not to foreign ships. (The rules surrounding pilotage exemptions in Queensland are draconian and are addressed elsewhere in this submission.) In calculating our operating costs we found that if Australian crews were paid award wages and conditions and Australian Masters were to hold pilotage exemptions, it would be cheaper to run our ship with Australian crews than it is with a foreign crew.

*In our view, Australian crews are among the most competent in the world and, properly led, are a real asset to any ship. The caveat in this statement is that they must be properly led and, of course, this applies to any workforce.*³⁹⁷

³⁹⁴ Public hearing transcript, Brisbane, 11 February 2019, p 7.

³⁹⁵ Submission 30, p 2.

³⁹⁶ Public hearing transcript, Brisbane, 11 February 2019, p 9.

³⁹⁷ Submission 14, p 9.

In response to questions about how it could be cheaper to operate an Australian registered ship with Australian crew than a foreign-flagged ship operating on the coast with foreign crew, Hermes provided the following details:

The following points are relevant:

- 1. Foreign-flagged vessels are obliged to take a pilot.*
- 2. The Master of an Australian-flagged vessel can apply for an exemption from pilotage to become an Exempt Master.*
- 3. Our ship will be operating a weekly shuttle service between Brisbane and Townsville requiring two pilotages in Brisbane (one in and one out) and two in Townsville (one in and one out). The annual cost for pilotage in both ports is \$657,000.*
- 4. For our vessel, pilots will require one tug for each movement, or four tugs a week. The annual cost for tugs is \$832,000.*
- 5. Exempt Masters know their vessel better than pilots and typically use fewer tugs. Tugs will only be used in conditions where wind strengths exceed 20 knots. Based on typical weather patterns in both ports, we have estimated tug costs with an Exempt Master to be \$320,000 – a saving of \$512,000.*
- 6. An Exempt Master can therefore save the company (\$657,000 + \$512,000) \$1,169,000 per annum.*
- 7. (a) The Maritime Industry Seagoing Award, Part A, prescribes the wages to be paid to crew on vessels not granted a Temporary Licence (MISA A). These are Australian vessels.*
(b) The Maritime Industry Seagoing Award, Part B, prescribes the wages to be paid to crew on vessels granted a Temporary Licence (MISA B). These are foreign vessels carrying Australian coastal cargoes.
- 8. The attached Table compares the wages of crew (for our ships) on MISA A and MISA B wages.*
- 9. The difference in annual wages between MISA A and MISA B crews is \$674,000 (MISA A being more expensive).*
- 10. By employing MISA A crew, we can save \$1,169,000 on pilotage and towage.*
- 11. When employing Australian crews, the difference between the savings derived by using Exempt Masters and the additional wage costs (compared to foreign crews) is, \$1,169,000 - \$674,000 = \$495,000.³⁹⁸*

³⁹⁸ Hermes Maritime Shipping and Logistics, correspondence dated 13 March 2019, pp 1-2.

At the committee's public hearing, Hermes confirmed:

We looked at the vessels we are interested in, they are manned with 13 crew, we have not done calculations on other crew numbers, but the wages for 13 crew working under Australian conditions, you would need to employ 26 people, because they get one day's leave for every day they have at sea, and we looked at the award wages and we looked at the costs, and I haven't got those figures in front of me now, I am sorry, but I can pass them on to you, of operating with Australian crew where the master held a pilotage exemption and he wouldn't have to take a pilot in Townsville or Brisbane and he would not need tugs in Townsville or Brisbane, so we could save the cost of pilots and tugs and what we saved in pilots and tugs more than compensates for the additional wage bill of employing Australian crews. If you have got foreign crews the master of the ship has to take a pilot and it will have to take tugs. That is the basis of our saving and we reckon we could operate a ship \$200,000 a year cheaper with Australian crews than what we can with foreign crew.³⁹⁹

Hermes clarified that the calculations were based on payments of Award wages but that it is common in Australia for crews to be paid 30 per cent above award wages.⁴⁰⁰

However, MIA advised:

There is no doubt that the example that Steve has just provided from Hermes is possible and others have come up with similar sorts of numbers in the past that in certain circumstances for certain vessels in certain trades Australians can be competitive. In general, however, that is not the case. It is of no surprise that if you are crewing a ship with crews from largely developing nations, which is where most crew come from, they come at a significantly cheaper price than crewing a full Australian ship. The issue with some of the senior officers, depending on the ship type and certainly in the gas trades and some of the more sophisticated vessels the arrangements for the senior officers are very similar internationally and here and there the cost differential is little more than the income tax withheld for the Australians, but for other members of crew there is a wide disparity and in general Australian ships are significantly more expensive to run.⁴⁰¹

In addition to seeking information from Rio Tinto regarding the cost differential between Australian crewed and international crewed vessels the committee also sought information regarding the decision-making process when considering which crew to use. Rio Tinto advised:

The cost factors for moving bauxite to Gladstone are always borne by the alumina refineries. They are a commoditised market. They are therefore a price taker and we continually have to look at all of our input costs. Any increase in costs is borne by those business. Every business in Rio Tinto needs to be competitive and profitable. In 2016 we needed to do quite a transformation in alumina refineries to ensure that they stayed internationally competitive—so looking at all of our input costs. Certainly in our aluminium smelter we recently had to curtail an increase in input costs. I know that was energy, but it is the same principle: we are constantly looking at our input costs because we are a price taker and it is cyclical. It is not just a decision of should we go one way or another? It is always saying, 'Can we actually be profitable and hold these refineries to where they are at?'⁴⁰²

³⁹⁹ Public hearing transcript, Brisbane, 25 February 2019, p 12.

⁴⁰⁰ Public hearing transcript, Brisbane, 25 February 2019, p 12.

⁴⁰¹ Public hearing transcript, Brisbane, 25 February 2019, p 12.

⁴⁰² Public hearing transcript, Brisbane, 11 February 2019, p 9.

Rio Tinto stated:

*... the pay of senior officers on international vessels is pretty comparable to Australian senior officers after tax. There is a disparity in terms of the integrated ratings on international vessels versus Australian vessels. The wage levels are set by the International Transport Workers' Federation—globally agreed wage levels. As Rio, we do everything we can to make sure that the owners we contract with comply with those mandated wage levels.*⁴⁰³

To support this statement, Rio Tinto provided a table setting out the various rates of pay for the senior officers on board a vessel. The actual wage rates for Australian and international seafarers was sourced from the ship management companies engaged by Rio Tinto.⁴⁰⁴ The table is contained in Appendix E.

Rio Tinto noted:

*While there is an obvious difference between the ITF mandated minimum rates for these positions and Australian pay rates for the equivalent positions, the reality of the international labour market for senior officers is that it is necessary to pay significantly more than the ITF mandated rates in order to obtain these officers. In this regard, columns M-P show the actual wage rates that Rio Tinto are currently paying for such positions on a vessel. Given the favourable tax arrangements received by many international seafarers in their country of origin, it can be observed the market net pay rates for these senior officers are comparable to the net pay received by equivalent Australian officers after tax.*⁴⁰⁵

ITF's response on this issue was:

I was disappointed, not surprised, to see that Rio Tinto were holding up what we call the ILO minimum rates of pay as the rates of pay that they pay their seafarers. They also called that the ITF ILO minimum rates of pay, which is absolutely not true. The ITF negotiates a minimum international rate of pay for seafarers around the world within the ILO, the maritime committee, in a bipartite process to make sure that at least there is a recognisable minimum rate of pay for seafarers. This is not what we hold up that should be on the Australian coast. This is the absolute minimum any worker in the maritime industry in the world should be paid, not on the Australian coast. Rio Tinto maintain that that is what they pay. I think they put that up to exaggerate the differential between Australian rates of pay and international seafarers' rates of pay. We do not accept that that is a standard that we accept in Australia under any circumstances and we want to tie them to ITF agreements.

*Rio Tinto do have ITF agreements in some cases on their ships; in some cases they do not. In their charters they do not. We continue to inspect those vessels and to work with everybody involved to make sure that those seafarers at least working on the Queensland coast have some standards. Often we find that they do not.*⁴⁰⁶

⁴⁰³ Public hearing transcript, Brisbane, 11 February 2019, p 10.

⁴⁰⁴ Rio Tinto Aluminium Limited, correspondence dated 19 February 2019, p 2.

⁴⁰⁵ Rio Tinto Aluminium Limited, correspondence dated 19 February 2019, p 2.

⁴⁰⁶ Public hearing transcript, Gladstone, 18 March 2019, p 14.

With regard to its wages being set by international standards rather than Australian rates, Rio Tinto responded:

*The marine industry is an international industry. Consequently, we do not see it the same as a domestic or state or federal where wages are set. The marine industry is international. That was why we want to ensure that we are working with all stakeholders to ensure Queensland does have a competitive shipping industry and a healthy, competitive shipping industry, because it does need to compete internationally and we want to work with all stakeholders to do that.*⁴⁰⁷

Rio Tinto stressed that because they are selling alumina into a commoditised market they continually look at all of their input costs to ensure they remain profitable.⁴⁰⁸

AIMPE commented on the issue of shipping being an international industry, advising:

*It is and it is because of government regulation. We are quite analogous to another transport sector which is the aviation industry. It is heavily regulated and you do not find foreign registered aircraft with foreign crews flying domestically in this country. To say that we are an international industry basically is handing the operation of ships in Australia to international companies. You are at their mercy for freight rates, you rely on their standards to some extent to protect your coastline.*⁴⁰⁹

Sea Swift confirmed that their vessels are Australian flagged, mostly out of Cairns. Sea Swift advised the committee of their concern about the rates of pay, which give an uncompetitive edge to foreign flagged vessels, compared to the rates Sea Swift pays.⁴¹⁰

7.5.2 Other differences between Australian and foreign crewed ships

Rio Tinto advised the committee that another component of increased wage costs were shift lengths. Rio Tinto advised:

*Wages is certainly a significant component. There are also crewing costs; you actually need two crews in effect on an Australian ship because of the swing lengths.*⁴¹¹

Rio Tinto explained:

*You actually need two Australian crews per vessel because they are on leave or they are on the vessel, whereas on international vessels they tend to have longer contract lengths. That feeds into the wage cost differential.*⁴¹²

AIMPE advised the different conditions include leave entitlements. AIMPE advised:

*They [international crews] go home for two or three months and they are not paid when they are off on leave, but Australians work 182 days and have 182 days off, so six months on/six months off, normally in stints about a month long. Australians are paid when they are on leave.*⁴¹³

AIMPE also confirmed that international crews are repatriated if they are sick while on board, rather than be paid sick leave.⁴¹⁴

⁴⁰⁷ Public hearing transcript, Brisbane, 11 February 2019, p 10.

⁴⁰⁸ Public hearing transcript, Brisbane, 11 February 2019, pp 10-11.

⁴⁰⁹ Public hearing transcript, Brisbane, 11 February 2019, p 15.

⁴¹⁰ Public hearing transcript, Cairns, 19 March 2019, p 4.

⁴¹¹ Public hearing transcript, Brisbane, 11 February 2019, p 9.

⁴¹² Public hearing transcript, Brisbane, 11 February 2019, p 9.

⁴¹³ Public hearing transcript, Brisbane, 11 February 2019, p 17.

⁴¹⁴ Public hearing transcript, Brisbane, 11 February 2019, p 18.

Stakeholders also suggested that international crews are not trained to the same standard as Australian crews.⁴¹⁵

7.5.3 Safety issues

A number of safety issues in relation to internationally crewed ships were identified by stakeholders.

7.5.3.1 Communication

Stakeholders identified communication as a possible safety issue with regard to international crewed vessels.⁴¹⁶

GPC advised of how this issue is mitigated in their jurisdiction:

*Every time a ship comes in and out of this port, we put one of our pilots on those ships. That is a requirement of us. It is a legislative requirement that keeps our ports safe. There are varying instances in terms of communication barriers, but I think that is not a new issue; it is a longstanding issue. I do not believe, and I think we could produce evidence to show, that we have not had a growing number of incidents in relation to communication barriers or matters in relation to that. Our biggest risk mitigation is to put our pilots on those ships and to take charge of those ships coming in and out.*⁴¹⁷

AIMPE advised of their experience dealing with foreign crewed ships and in particular the *Shen Neng 1*⁴¹⁸ incident. AIMPE advised:

*Communication with foreign crews is difficult sometimes, and when you remember that it is occurring by radio that can compound it. There are instances fairly regularly of ships sailing towards a reef, and the Australian Vessel Monitoring and Advisory Service detects this through a ship positioning system called AIS. It contacts the vessel and alerts them to the impending danger and tells them to alter course. Sometimes it takes some time to get them to do it because they do not understand what is wrong. The *Shen Neng 1* was interesting. I believe the reason for that ship grounding was partly cultural, and it was an inability for the ship's officers to share responsibility, resulting in one officer being awake for about 36 hours and then piloting the ship up towards the reef. It is more than a human can stand, so he fell asleep. They are nice people. They are just doing a job for little money, often with not as much training, and they do the best they can.*⁴¹⁹

7.5.3.2 Fatigue

Fatigue was an issue identified by the committee as a potential safety issue for crews working longer rosters. When questioned on this issue, Rio Tinto agreed, stating:

*All of the vessels that we charter have to comply with the Maritime Labour Convention, which dictates work/rest hours to manage fatigue. We always make sure that all of our vessels are in full compliance with that. We will say that a crewman needs so many hours rest in a 24-hour period, for example. It is all detailed down. We thoroughly inspect the vessels before we take them on. We also follow up in Gladstone, as well, when they are discharged. To your point, we always make sure that vessels are in full compliance with the Maritime Labour Convention.*⁴²⁰

⁴¹⁵ Refer submission nos 3, 17, 23, 27, 29 and 30.

⁴¹⁶ Refer Public hearing transcript, Brisbane, 11 February 2019 and Public hearing transcript, Gladstone, 18 March 2019.

⁴¹⁷ Public hearing transcript, Gladstone, 18 March 2019, p 3.

⁴¹⁸ Refer section 10.2.1 for further details on the *Shen Neng 1*.

⁴¹⁹ Public hearing transcript, Brisbane, 11 February 2019, p 17.

⁴²⁰ Public hearing transcript, Brisbane, 11 February 2019, p 11.

MUA advised the committee:

Maritime authorities around the world have recognised that fatigue is a contributing factor to many maritime accidents and environmental disasters. ITF agreements limit seafarers to 64 or 77 hours of work per week. Yet international labour and shipping conventions allow seafarers to work up to 91 hours per week, and 98 hours in 'exceptional circumstances' of up to two weeks. Despite these regulations, a 2014 Inspection Campaign on hours of rest by the Pacific and North Atlantic basin Port State Control shipping inspectorates (Tokyo MoU and Paris MOU, including Australia) found 'unsatisfactory compliance' with even these standards.⁴²¹

MUA also noted that fatigue is strongly linked to ship safety and has been shown to be a key causal factor in many of the major marine disasters including the *Exxon Valdez* in Alaska in 1989 and the *Shen Neng 1* on the GBR in 2010.⁴²²

7.5.3.3 *Other safety issues*

Seafarer John Lee advised the committee that international ships are sometimes poorly maintained and crews do not abide by safety rules and standards.⁴²³

7.5.4 Responsibility for international ships operating in Australian waters

The ITF highlighted for the committee that companies such as Rio Tinto and BHP charter international ships to transport goods between ports in Australia. ITF advised:

... part of the fake news of Rio is that Rio has Australian ships. The real fake news is BHP; they are the elephant in the room, if that is the right way to put it. They say they are not a shipowner, yet they charter 1,500 Capesize bulkies. One out of every three Capesize bulkies sitting out at anchor at Mackay, Hay Point, Newcastle or Kembla is probably chartered by BHP. However, as Sarah indicated, BHP take no responsibility for the state of the crew; they leave it up to the Liberia and the Panama and then they come back and say, 'We're not shipowners and, anyway, it is that much more expensive to employ Australian crew carrying Australian cargo.'⁴²⁴

ITF highlighted their concern that shippers do not take responsibility for the welfare of crews on international chartered vessels. ITF stated:

Nobody in this country knows what is happening on board those ships because BHP and Rio are in denial about their responsibilities as shippers. It was only through a 'philanthropic' BHP approach that they put the food out because the shipowner is in Geneva somewhere...⁴²⁵

7.5.5 Ship inspection regime

AMSA produces an annual report on its port state control activities. The inspection regime covers both ships coming to Australia from overseas and ships trading in Australian waters, both Australian and foreign flagged.

⁴²¹ Submission 30, p 33.

⁴²² Submission 30, pp 33-34.

⁴²³ Submission 15, p 3-4.

⁴²⁴ Public hearing transcript, Gladstone, 18 March 2019, p 16.

⁴²⁵ Public hearing transcript, Gladstone, 18 March 2019, p 17.

With regard to their inspection regime, AMSA advised that they have instigated an advanced risk profiling system in place to enable them to actively target higher risk vessels for inspection. AMSA explained:

*Every foreign-flagged vessel arriving in Australia falls into one of four priority groups for risk profiling. This system allows AMSA to categorise vessels to calculate a risk factor for the 'probability of detention'. The risk factor takes into account criteria such as, ship type, flag, age, and inspection history. The categories allow AMSA to efficiently target higher risk ships.*⁴²⁶

With regard to AMSA's capabilities, the MUA advised:

*The Australian Port State Control inspectorate does an excellent job. Nevertheless, they deal with a very challenging industry. On one hand, Port State Control inspection is an innovative and effective response to a deregulated and globalised industry, and it is effective at getting technical problems addressed quickly. On the other hand, there is an inherent limitation to the kinds of issues these kinds of inspections can address, particularly employment, organisational and management issues that arise from the basic structural problems with FOC shipping.*⁴²⁷

7.6 Advantages and disadvantages of Australian crews

7.6.1 Advantages

AIMPE considered the following to be the advantages of Australian crews:

- Australian crews all speak English so there are fewer communication issues, both within the ship and with outside authorities.
- As Australian citizens, Australian crews respect our country and our environment more
- Australian crews are well trained to a standard that enables others to rely on them.⁴²⁸

ITF also confirmed that Australian crewed ships meet the Australian standard, including Australian occupational health and safety which is rigorously applied and covered by AMSA.⁴²⁹

7.6.2 Disadvantages

The main disadvantage of Australian crews highlighted by stakeholders was cost. The issue of cost also includes associated costs such as leave. These issues are considered in sections 4.2 and 7.5 of this report.

7.7 Training

Many of the stakeholders highlighted to the committee that historically seafarers have gained the experience necessary to go on to become ships masters and pilots by working on ships. Stakeholders iterated their concerns that without an Australian industry this was being lost.

⁴²⁶ Australian Maritime Safety Authority, correspondence dated 9 May 2019, p 8.

⁴²⁷ Submission 30, p 32.

⁴²⁸ Public hearing transcript, Brisbane, 11 February 2019, p 17.

⁴²⁹ Public hearing transcript, Gladstone, 18 March 2019, p 15.

AIMPE advised:

What our members do for Queensland is keep ships running safely and graduate from those jobs to shore support and maintenance. I am also a member of the board of the Australian Maritime Safety Authority so people with expertise like mine find roles in other parts of industry. Our members were trained on large ships. That is what I did. I trained on tankers and bulk carriers sailing around Australia, but they do not exist very much anymore. There are about 10 Australian registered ships.⁴³⁰

7.7.1 Training / skills development

Several stakeholders commented on the importance of focusing on training for employees of the maritime industry to ensure its sustainability into the future. AIMPE highlighted the correlation between the reduced number of Australian flagged vessels over the past few decades and trained maritime officers and seafarers:

...the reduction of the Australian fleet has reduced employment both on vessels and within the industry that services the vessels. In addition, reduction in fleet has also reduced the opportunity for new entrant deck and engineer officers to train on appropriate ships to obtain qualifications under IMO regulation. While coastal vessels can provide training for local certification, the absence of a trading fleet on the coast will only see the available qualified deck and engineer officers be significantly reduced or disappear as a career for those aspiring seafarers.⁴³¹

ANL Container Line Pty Ltd stated:

There needs to be a focus on training in any initiative to foster and grow coastal shipping. We are losing opportunities for young people to enter a maritime career simply because the Australian shipping industry Australia has been in decline for some time. Maritime skills are vital not only afloat but ashore in the management of our ports and associated businesses.⁴³²

Ports Australia advised:

In terms of Australian flagged vessels, I think all of us would love to see Australian flagged vessels plying the waterways, not only around the country but indeed internationally, as well providing a pathway for young Australians in particular to learn the skills that are needed in this industry to keep the waterways open for the future. Given that many of the critical positions that occur around our ports, be that port harbourmasters, pilots and senior people working within AMSA, who protect our waterways, all require experience and extensive time at sea, quite simply we do not have people coming through.

No doubt everyone would love to see Australian flags on the back of vessels. The question is: is it viable under the current market and what is causing that not to occur? It was not that long ago that we had somewhere in the vicinity of 100 vessels moving around Australia with Australian flags on the back. Now, depending on who you talk to there are just over a dozen vessels. To create an environment where people are prepared to invest in Australian vessels I suspect there would need to be significant concessions by government but also significant recognition by state governments toward how they could attract seaborne freight to their coastal towns to increase the value and therefore increase the certainty.⁴³³

⁴³⁰ Public hearing transcript, Brisbane, 11 February 2019, p 15.

⁴³¹ Submission 27, pp 7-8.

⁴³² Submission 9, p 4.

⁴³³ Public hearing transcript, Brisbane, 25 February 2019, p 5.

Marine engineer Peter Roots commented:

There is currently a total lack of training on vessels over 3000GRT or 3000Kw. This will lead to a follow-on situation where we will simply not have the Australians trained and suitably experienced to fill the necessary roles such as Shipping Inspectors, Marine Pilots and Surveyors.

This is particularly noticeable on government funded dredging contracts. For any international company performing government funded work in Australia, there must be a component of engineer and deck officer training. This could be in the form of new entrant engineers or upskilling of current Certificate of Competency.

Without these roles being filled you can be guaranteed that a disaster is certain to happen in Australian Waters.⁴³⁴

Seafarer Dave Watson also noted that a lack of training positions has impacted on the ability for seafarers to complete their qualifications. Mr Watson advised:

To try and improve my prospects, I have been doing a further qualification, a Master Class 5. This qualification would let me get jobs on tugs off the Queensland coast. However, I have done as much training as I can for the course. Some of the training can only be signed off while I am actually doing the work aboard ship. This means I cannot complete the course until I get work on a vessel, but the work is not there.⁴³⁵

ITF highlighted their concern that AMSA's inspectors are also impacted by this issue, advising:

The other problem is that AMSA has its own critical mass with training. The people who are looking after these ships are seafarers: they are chief engineers, second engineers and masters... In not having an industry we are also removing people who are qualified to go and identify occupational health and safety risks who know the industry because our industry has been emasculated at another level. Not only can AMSA not check up on the Panamanian; it is not their flag, they have not got the trained and qualified Australians. Training is not just the manning of Australian vessels. It is also the pilots, the ships between Weipa and Gladstone and the port administrators who have ownership of the safety of those vessels once they come into Gladstone and go alongside and when they leave. This is a very highly technical, synchronised area that is very well regulated and is not regulated in the international industry. There is this enormous gap.⁴³⁶

7.7.1.1 Smartship Simulator facilities

The Smartship Simulator facilities at Pinkenba in Brisbane provide state of the art facilities to provide a world-class training environment and maritime simulation services. The centre encompasses:

- Two full mission bridges
- TUG simulator
- Two Part Task Bridges.

The centre allows for training, development of procedures, assessment, port development and optimisation and accident analysis.⁴³⁷

⁴³⁴ Submission 3, p4.

⁴³⁵ Submission 20, p 2.

⁴³⁶ Public hearing transcript, Gladstone, 18 March 2019, pp 15-16.

⁴³⁷ Department of Transport and Main Roads, Brochure, *Smartship Australia*.



Site visit to Smartship Simulator facility



Site visit to Smartship Simulator facility

7.7.2 Pilotage

7.7.2.1 *Role of Maritime Safety Queensland*

Until 2 November 2013, MSQ was responsible for the delivery of pilotage services. Effective from 2 November 2013, responsibility for the delivery of these services transferred to the port authorities. However, MSQ retained responsibility for pilotage services in some compulsory pilotage areas. Table 4 outlines the entities responsible for pilotage services.⁴³⁸

Table 4: Responsibility for pilotage services in Queensland Ports

Compulsory pilotage area	Responsible pilotage entity
Southport	Maritime Safety Queensland
Brisbane	Maritime Safety Queensland
Bundaberg	Gladstone Ports Corporation
Gladstone	Gladstone Ports Corporation
Rockhampton	Gladstone Ports Corporation
Hay Point	North Queensland Bulk Ports Corporation
Mackay	North Queensland Bulk Ports Corporation
Abbot Point	Maritime Safety Queensland
Townsville	Port of Townsville Limited
Lucinda	Port of Townsville Limited
Mourilyan	Far North Queensland Ports Corporation
Cairns	Far North Queensland Ports Corporation
Cape Flattery	Far North Queensland Ports Corporation
Skardon River	Far North Queensland Ports Corporation
Thursday Island	Far North Queensland Ports Corporation
Weipa	Far North Queensland Ports Corporation
Amrun	RTA Weipa Pty Ltd ACN 137 266 285
Karumba	Far North Queensland Ports Corporation

Source: Maritime Safety Queensland, 'Pilotage', <https://www.msg.qld.gov.au/Shipping/Pilotage>.

⁴³⁸ Maritime Safety Queensland, 'Pilotage', <https://www.msg.qld.gov.au/Shipping/Pilotage>.

MSQ remains the state maritime regulator and requires that port pilotage services be delivered in a safe manner that promotes MSQ's key outcomes of:

- Safety of vessel movements
- Protection of the marine environment from ship-sourced pollution.⁴³⁹

MSQ has developed an operational policy framework which includes MSQ's roles and responsibilities and its expectations of pilotage service providers pertaining to certain safety requirements, against which annual assessments⁴⁴⁰

MSQ may grant a master an exemption from pilotage within a declared Queensland compulsory pilotage area. An exemption from pilotage will only be endorsed for the master for a particular ship, or class of ship, for a particular declared compulsory pilotage area, or part thereof.⁴⁴¹

7.7.2.2 *Pilotage workforce*

GPC advised their pilotage workforce:

An area that is probably not well recognised that I could accurately comment on is pilotage. One of the oldest trades around the world is moving ships in and out of your ports safely. We have a pilotage task here. In Gladstone we run 31 pilots who safely do that job. All of those pilots find their way into that role from a seafaring background; they have been either a master or a chief officer.

What we are concerned about is the training ground. Where does our next evolution or our next generation of pilots come from? We see with all ports around Australia and again, for this purpose, even in Queensland that we are competing for a diminishing pool of pilots, who play such a significant safety role for this state.⁴⁴²

...

For a number of years we have been struggling with where we get pilots from. Some ports are bringing those pilots in from a broader space than just Queensland or Australia.⁴⁴³

With regard to the average age of their pilotage workforce, GPC advised:

... about 35 per cent are over 50. We identified this issue two or three years ago. We have taken a fairly proactive approach to how we change that balance. If we went back two years, that would be a higher significant number. Again, what is important is that there is a limited pool to draw from.⁴⁴⁴

Ports North advised the committee that they have a highly skilled and stable pilotage workforce and attracting pilots has not been an issue for their business. However, they consider that there needs to be pathways for people to develop those skills across the nation, including younger pilots, as the existing pilot age increases.⁴⁴⁵

⁴³⁹ Maritime Safety Queensland, 'Pilotage', <https://www.msq.qld.gov.au/Shipping/Pilotage>.

⁴⁴⁰ Maritime Safety Queensland, 'Pilotage', <https://www.msq.qld.gov.au/Shipping/Pilotage>.

⁴⁴¹ Maritime Safety Queensland, 'Pilotage', <https://www.msq.qld.gov.au/Shipping/Pilotage>.

⁴⁴² Public hearing transcript, Gladstone, 18 March 2019, p 3.

⁴⁴³ Public hearing transcript, Gladstone, 18 March 2019, p 3.

⁴⁴⁴ Public hearing transcript, Gladstone, 18 March 2019, p 4.

⁴⁴⁵ Public hearing transcript, Cairns, 19 March 2019, p 6.

7.7.2.3 *Pilotage exemptions*

Rio Tinto suggested that pilotage exemptions is an area which could assist in making Australian shipping more competitive. Rio Tinto advised:

For example, in the Queensland state space some of the areas where we believe improvements could be made to make Australian shipping more competitive are around, for example, the reinstatement of pilotage exemptions for Australian crewed ships going into Weipa and Gladstone. This would have a beneficial effect on productivity for the Australian vessels.⁴⁴⁶

⁴⁴⁶ Public hearing transcript, Brisbane, 11 February 2019, p 10.

8 Erosion of working conditions

Term of reference (f) states that the committee should consider:

Any practices that are being used to erode working conditions, such as entitlements and legislative protections that currently apply to employees in the industry.

8.1 Employment arrangements

OIR advised the committee of work relationship arrangements in the maritime industry which can displace traditional employment rights:

I also draw the committee's attention to other arrangements of work relationships associated with the maritime industry that can displace or do displace traditional employment rights and obligations, including the operation of the Fair Work Act, the workers compensation schemes that are applicable in the maritime sector and occupational superannuation obligations. Sham contracting and the improper use of ABNs can occur where employees are required to become invoicing contractors without job security and they receive below award or do not get award rates and conditions and they forgo workers compensation and occupational superannuation. Sham contracting and the use of ABNs is a problem in many industries, not particularly the maritime industry.⁴⁴⁷

OIR also advised that the maritime industry has also seen the introduction of partnership agreements to displace traditional employment relationships.⁴⁴⁸ This issue was canvassed in the former Finance and Administration Committee, 55th Parliament, in Report No 25, *Inquiry into the practices of the labour hire industry in Queensland*. The report stated:

The Maritime Union of Australia (MUA) and the Australian Institute of Marine and Power Engineers (AIMPE) consider that increasing practices in the maritime industry of using partnerships in lieu of the traditional employer/employee arrangements amount to sham contracting. The AIMPE considers that the use of the partnerships is an attempt to reduce conditions of employment in that industry and to avoid employer obligations.

The AIMPE advised that the partners have no control over the service provided and contribute no capital or assets to the partnership. These are provided by the principal; the partner's only responsibility is the provision of labour.

The MUA and the AIMPE call for an amendment of the Partnerships Act 1891 to ensure that employers cannot require their employees to enter into a partnership with the employer in order to avoid enterprise bargaining agreements, modern awards, and taxation, superannuation and safety liabilities.⁴⁴⁹

OIR advised:

I also understand and I have read that similar concerns have been raised in the Commonwealth Education and Employment References Committee inquiry into corporate avoidance of the Fair Work Act 2009. That report was released in September 2017.⁴⁵⁰

⁴⁴⁷ Public briefing transcript, Brisbane, 29 January 2019, p 2.

⁴⁴⁸ Public briefing transcript, Brisbane, 29 January 2019, p 2.

⁴⁴⁹ Finance and Administration Committee, Report No 25, 55th Parliament, *Inquiry into the practices of the labour hire industry in Queensland*, June 2016, p 23.

⁴⁵⁰ Public briefing transcript, Brisbane, 29 January 2019, p 2.

AIMPE agreed, advising:

In the big mining ports the government grants exclusive licences, or the port authority does, which tends to have downward pressure on standards of employment. There is a model coming in, it is quite popular now, the partnership model, which is dodgy and it is a way of avoiding your employment responsibilities. You turn your employees into employers and business managers and you do not have to pay workers comp, super and all the other things such as leave.⁴⁵¹

Seafarer Bruce Doleman advised of employment arrangements in place to avoid shipping operators having to pay Australian rates to international crews. Mr Doleman advised that crews will do four or five voyages on Australian routes and then do an international voyage which negates relevant provisions of the FW Act.⁴⁵²

8.2 Foreign flagged vessels

8.2.1 Working conditions on foreign flagged vessels

A number of stakeholders raised the issue of the working conditions for crews on foreign flagged vessels.

OIR advised the committee that it is difficult to obtain information on the working conditions on foreign vessels. OIR cited evidence from the 2017 RRATRC inquiry:

... the committee examined the issues around the use of flag of convenience or foreign flagged shipping in Australia, including substandard employment conditions, job losses for Australian workers, poor working conditions, safety issues and the decline of the local shipping industry. That committee found compelling evidence suggesting that there are challenges faced in the Australian maritime industry from the increasing use of flag of convenience shipping, including increasing difficulty for Australian flagged shipping to compete with flag of convenience shipping operators who pay low or no tax, fewer regulatory and compliance obligations and pay seafarers substantially below employment standards. In that report, there was a report of paying \$2 an hour in some cases.⁴⁵³

At the committee's Gladstone hearing, Gladstone Regional Council (GRC) raised the issue of the welfare of crews on international ships. GRC Mayor Burnett advised:

Since I have been mayor there have been at least two significant incidents—one including a fatality, I might add—where the poor welfare of crews on international ships has been an issue in or just outside of our harbour. There are no background checks. Australian seafarers have comprehensive background checks and a maritime security induction card. The welfare of some of the seafarers who come into our community is absolutely disgraceful.⁴⁵⁴

Mayor Burnett provided the following example:

The Five Stars Fujian was stuck at anchorage and we had to send food on board. The seafarers had not been paid for months and crew members contacted Mission to Seafarers with the message, 'Could you please send fishing rods and hooks so we can catch some fish, because we have no food.' That is absolutely disgraceful. Locally organised by some people behind me—and I acknowledge Salah Loakes and Jason Miners and others—the Mission to Seafarers in Gladstone got food to these seafarers. Thanks to the port authority we had the food choppered out via pilot helicopter, and then I believe those seafarers were paid.⁴⁵⁵

⁴⁵¹ Public hearing transcript, Brisbane, 11 February 2019, p 15.

⁴⁵² Submission 22, p 2.

⁴⁵³ Public briefing transcript, Brisbane, 29 January 2019, p 2.

⁴⁵⁴ Public hearing transcript, Gladstone, 18 March 2019, p 7.

⁴⁵⁵ Public hearing transcript, Gladstone, 18 March 2019, p 7.

The ITF confirmed:

The Five Stars Fujian went on for about a month. We had to work with the Mission to Seafarers and the Gladstone Ports Corporation to gain access for provisions and a helicopter to go on board the vessel. We had to rally community support because the shipowner was nowhere to be found—we do not know where they were or who they were—and the crew had absolutely no food and no money. With the local support—and we do have a very, very good port welfare committee—we were able to organise a chopper full of provisions to get out to the vessel, but that was only enough for a week and then port state control had to step in. They did a wonderful job. The ship was full of cargo and the cargo owners wanted the coal so the cargo owners—and I think this is really important to note: it was not the shipowner who bailed the ship out; it was the cargo owners. The cargo owners paid for the crew and they paid for the provisions. Again, it goes back to who was the shipowner, where was the shipowner and why were they not responsible for their crew?⁴⁵⁶

ITF provided a number of examples they have investigated:

The most tragic of examples that I can bring to the committee's attention are cases like the Sage Sagittarius. Seafarers on that ship contacted me in the first instance to say, 'Please help us. We're held up in a cabin, frightened for our lives. The captain has just murdered one of our members.' In fact, it was the chief cook. It took a lot of work to get the attention of Australian authorities because the ship was still a week or 10 days away from coming into Newcastle. We pushed and pushed and pushed. We went to the press and got it on the front page of the Newcastle Herald. The ship was then diverted from Newcastle to a lay-up berth at Port Kembla where 50 Federal Police went through that ship. Firstly, they could not find the chief cook but they could not find any evidence of bad practice. The ship was then allowed to come back into Newcastle, its original destination. It was carrying coal from Newcastle to Japan on a dedicated service on a Panamanian registered flag. Just as she was tying up, the chief engineer was coshed on the back of the head, constituting a second murder on that ship. Some weeks later the Japanese superintendent was thrown into the discharge equipment in Japan, constituting the third death on that ship inside six weeks.

What happened in the coronial inquest was an exposure of the flag-of-convenience system. It showed, and the coroner was frustrated by the lack of transparency. The people who are responsible to investigate are the Panamanian flag, the flag of registry. What happens when the flag is Mongolia, Panama or Monrovia? These people do not care and do not know and are paid, essentially, to turn a blind eye to this. That is one of the advantages of flagging your ship to one of these places. It took a very long time—a number of years—for the coroner to come out with a judgement of murder in the first two examples. She did not have jurisdictional capacity to find that the third seafarer was murdered, but it was pretty obvious in our minds.⁴⁵⁷

⁴⁵⁶ Public hearing transcript, Gladstone, 18 March 2019, p 15.

⁴⁵⁷ Public hearing transcript, Gladstone, 18 March 2019, p 13.

And:

Since then we have seen, and we have heard today, the case of the Five Stars Fujian, where the employers and the owners simply did not have enough money, after they had spent everything on the ship and bunkers and insurance, to pay for food. Those seafarers were expected to sail out to sea and take that product to China with no food on board and no fresh water. This is not an isolated case. Since then we have seen, and we have heard today, the case of the Five Stars Fujian, where the employers and the owners simply did not have enough money, after they had spent everything on the ship and bunkers and insurance, to pay for food. Those seafarers were expected to sail out to sea and take that product to China with no food on board and no fresh water. This is not an isolated case.⁴⁵⁸

And:

The first one I am going to go over is a ship called the C. Summit. It was a Korean owned vessel in Hay Point and it had Cambodian seafarers on board. Those Cambodian seafarers were working between 14 and 16 hours a day in a closed hatch. They did it for two weeks. They did not know whether it was daytime or night-time. It gets worse, because these seafarers were fed on rations depending on how the captain thought they had performed for the day. If the captain thought they did not hold their weight or they did not do enough work, they got no food. The water on board was yellow; you would not drink it. It came back with tests saying that it was no good. To top it all off, the crew had two sets of books on board. That means that they had an agreement, a seafarers employment agreement, that the captain showed me and then they had their actual agreement, which were the wages that were being paid.⁴⁵⁹

8.2.2 Flag of convenience ships

A flag of convenience (FOC) ship is defined as a vessel that travels internationally but is not registered to the state it is most closely associated with. The nation where the ship is registered determines the applicable laws governing the activities of the ship.⁴⁶⁰

Reasons cited for the use of FOC registration include:

- means of reducing or minimising operating costs and other financial imposts
- reducing the tax burden for ship owners
- making the vessel subject to less stringent labour legislation, thereby reducing wages and the financial burden of enforcing higher working conditions and safety standards
- minimising currency exchange and investment controls
- avoiding costs from meeting more stringent safety or inspection regimes.⁴⁶¹

⁴⁵⁸ Public hearing transcript, Gladstone, 18 March 2019, p 13.

⁴⁵⁹ Public hearing transcript, Gladstone, 18 March 2019, p 14.

⁴⁶⁰ Senate Rural and Regional Affairs and Transport References Committee, *Increasing use of so-called Flag of Convenience shipping in Australia*, July 2017, p 2.

⁴⁶¹ Senate Rural and Regional Affairs and Transport References Committee, *Increasing use of so-called Flag of Convenience shipping in Australia*, July 2017, pp 2-3.

It should be noted that the Article 91 of the UN Convention on the Law of the Sea states:

*Every State shall fix the conditions for the grant of its nationality to ships, for the registration of ships in its territory, and for the right to fly its flag. Ships have the nationality of the State whose flag they are entitled to fly. There must exist a genuine link between the State and the ship.*⁴⁶²

The ITF advised that they have 140 full-time inspectors whose role is to prosecute a campaign against bad operators working under a FOC system who exploit and treat seafarers badly and undermine national shipping around the world.⁴⁶³ ITF advised:

*Last year in Australia alone we were able to recover US\$5 million in stolen wages on ships that already had ITF agreements, not those that do not have ITF agreements—US\$5 million. Around the world we were able to recover US\$37 million. We were able to get hundreds of seafarers medical attention, repatriation after they had spent a year on board their ships and a whole lot of other indicators that help seafarers at least have the tiniest bit of dignity and safety on board a ship.*⁴⁶⁴

ITF advised:

*The alternative is seafarers working under the FOC system, which is a completely deregulated system. Shippers go to FOC essentially to dodge tax from the country of their beneficial ownership and to dodge all regulation. Under this, there is a great opportunity to mistreat and abuse seafarers and, in the extreme, to punish seafarers for talking and standing up for their rights. We have seen some of the worst ways employers, captains and others can treat seafarers in Australian waters.*⁴⁶⁵

The ITF advised the committee that international crews are often afraid of authority. ITF advised:

*...if they complain to the authorities that sometimes often comes back and they are punished for that by either the operator, the owners or the government departments in those countries. We see time and time again how seafarers are abused and treated very badly in their own countries. When they come to Australia, they are frightened to talk to authority figures. That includes the police, the Australian Maritime Safety Authority and others.*⁴⁶⁶

MUA advised:

*The employment relationships on FOC and international ships also provide a strong disincentive for crew to come forward to as witnesses or to provide information to AMSA. International crew must be prepared to make immense personal sacrifices to cooperate with AMSA and Commonwealth prosecutions as doing so may pose a risk not only to their future employment, but even to the safety of themselves and their family.*⁴⁶⁷

⁴⁶² United Nations, *United Nations Convention on the Law of the Sea*, p 54.

⁴⁶³ Public hearing transcript, Gladstone, 18 March 2019, p 14.

⁴⁶⁴ Public hearing transcript, Gladstone, 18 March 2019, p 14.

⁴⁶⁵ Public hearing transcript, Gladstone, 18 March 2019, p 13.

⁴⁶⁶ Public hearing transcript, Gladstone, 18 March 2019, p 14.

⁴⁶⁷ Submission 30, p 32

Evidence to the RRATRC's inquiry into *The Increasing use of so-called Flag of Convenience shipping in Australia* regarding the unfair competitive advantages enjoyed by FOCs included:

The Maritime Union of Australia (MUA) outlined how FOC shipping has an unfair competitive advantage, due to the lighter tax and regulatory burdens it is subject to in comparison to the local sector:

The international shipping industry... is not paying its fair share of tax and has no commitment to the security, social and environmental impact it has on Australia. This creates, basically, unfair competition. How can an Australian operator operate in an Australian industry with all the regulatory and legislative requirements [applying to] any Australian industry, including taxation, when its competitor does not? Our respectful submission would be, therefore, that flag-of-convenience and international ships are given a competitive advantage ...

The International Transport Workers' Federation - Australia (ITF Australia) agreed with this position, and provided a comprehensive account of the competitive advantages for companies using FOC vessels:

FOCs enable shipowners to minimise their operational costs by, inter alia, tax avoidance, transfer pricing, trade union avoidance, recruitment of non-domiciled seafarers and/or passport holders on very low wage rates, non-payment of welfare and social security contributions for their crews, using seafarers to handle cargo, and avoidance of strictly applied safety and environmental standards. As a result, FOC registers enjoy a competitive advantage over those national registers which operate with high running costs and are subject to the laws and regulations of properly established maritime administrations in the flag state.⁴⁶⁸

8.2.3 Stakeholder views

The ITF compared airline cabotage with shipping cabotage and articulated the view that:

We are happy for them to operate in international trade. We are not targeting international trade away from Australia. We are purely talking about moving Australian cargo between Australian ports. There is more than enough work. Australia is the fourth largest user of ships in the world. There is plenty of work for them, but there is not work for them in our country under our regulation because of subsidisation or, if you like, the rorting of the legislation.

'Cabotage' is a French word. When it comes to the intent of the legislation, there is no difference between shipping cabotage and airport cabotage. If Garuda Indonesia came in to Brisbane and said, 'Let's pick up some people from Brisbane and take them to Sydney, Melbourne and Perth,' that is cabotage and they cannot do it. If they did it, Qantas, Virgin and Jetstar would not be able to compete with them.

There is no difference. We are happy for Garuda to pay Indonesian rates of pay to their flight attendants and pilots flying people in and out of Australia, but we are not happy for them to pay people that if they are going to be moving people from Brisbane to Melbourne. It is the same with shipping. We just want to compare apples with apples.

The Filipinos have work. The world economy is growing their market. We just want to carry our cargo in our country under the same rules that every other operator within the Australian supply chain does.⁴⁶⁹

⁴⁶⁸ Senate Rural and Regional Affairs and Transport References Committee, *The Increasing use of so-called Flag of Convenience shipping in Australia*, July 2017, pp 9-10. NB: any in-text footnote references have been removed. Please refer to original document for details.

⁴⁶⁹ Public hearing transcript, Gladstone, 18 March 2019, p 17.

The MUA stated:

The ITF believes there should be a 'genuine link' between the real owner of a vessel and the flag the vessel flies, in accordance with the United Nations Convention on the Law of the Sea (UNCLOS). There is no "genuine link" in the case of FOC registries.

The problem of FOCs is confounded by the inability and unwillingness of the flag state to enforce international minimum social standards on their vessels, including respect for basic human and trade union rights, freedom of association and the right to collective bargaining with bona fide trade unions.⁴⁷⁰

8.3 Ship licensing

8.3.1 Licensing legislation

In July 2012, the CT Act created a new licensing regime to regulate access to the coastal trade which replaced the previous permit system that was established by the *Navigation Act 1912* (Cwlth). The CT Act regulates coastal trade by granting licences to authorise vessels to carry passengers or cargo between ports in Australia. Licences are issued for interstate voyages. The licensing system established under the CT Act sets out the following licence types:

- general licences – permits a vessel on the AGSR unrestricted access to engage in coastal trading in Australian waters for five years
- temporary licences – provides access to engage in coastal trading in Australian waters for a 12 month period, limited to the voyages authorised under the licence
- emergency licences – provides access to engage in coastal trading in Australian waters in identified emergency situations for a period of up to 30 days.⁴⁷¹

If a vessel is conducting an interstate voyage then it must be covered by a coastal trading licence. For intrastate voyages, the CT Act also allows ship owners to apply for a section 12 declaration which allows a vessel to perform intrastate voyages while being subject to the requirements of the CT Act. Section 12 declarations are not licences and once granted it applies to the vessel for two years.⁴⁷²

However, the following vessel types are exempt from the application of the CT Act:

- a vessel belonging to or operated by the Australian Defence Force or the defence forces of a country other than Australia
- a Commonwealth vessel that is used wholly or primarily for non-commercial activities
- a fishing vessel or fishing fleet support vessel
- an inland waterways vessel
- an offshore industry vessel
- a recreational vessel

⁴⁷⁰ Submission 30, pp 29-30.

⁴⁷¹ Department of Infrastructure, Regional Development and Cities, 'Coastal Trading', https://www.infrastructure.gov.au/maritime/business/coastal_trading/.

⁴⁷² Department of Infrastructure, Regional Development and Cities, 'Coastal Trading', https://www.infrastructure.gov.au/maritime/business/coastal_trading/.

- a salvage vessel
- a tugboat.⁴⁷³

8.3.2 Stakeholder concerns regarding licensing

A number of stakeholders linked the issuing of licences to foreign flagged ships to the impact of the employment of Australian seafarers.

Seafarer Robert Richardson advised:

This has been eroded {almost eradicated} due to a sustained ideological attack on Australian seafarers which has no rational basis, this has been achieved by making sure there are no Australian flagged vessels available for certain cargoes and then issuing permits of various types to foreign vessels, generally flag of convenience vessels with appalling safety standards and outrageous pay scales, this has the effect of replacing Australian seafarers with foreign nationals on as little as \$4 per hour. One could imagine the community outrage if it was decided that all cab drivers, fire fighters or lawyers were to be paid 3rd world wages in their own country yet this is what is occurring with our seafarers who by the way are the best trained in the world, this is an outrageous situation.⁴⁷⁴

ITF agreed stating:

When it comes to coastal shipping, unfortunately the trend has been to erode the Australian national flag shipping, almost to the complete abolition of the Australian national flag, by using this international framework, the flag-of-convenience system.⁴⁷⁵

AIMPE considers that the greatest obstacle to developing an Australia crewed coastal shipping industry is profitability. AIMPE advised:

The running of cargoes in Queensland with Australian crewed ships will cost more. Unless the government stops issuing licences to foreign ships, which makes it possible to have foreign ships do the work, then your competitive exposure is impossible to overcome.⁴⁷⁶

PBPL consider the federal legislative changes that were made in 2012 is the biggest impediment to running a coastal vessel. PBPL advised that prior to 2012 there was a reasonably healthy coastal trade, but the 2012 amendments made that non-commercial.⁴⁷⁷

8.4 Loss of seafaring jobs

The committee was advised that, historically, there was a mercantile marine office where seafarers registered for employment and allocation of work was managed by this office. This arrangement was abolished in 1998 and replaced by company employment.⁴⁷⁸

⁴⁷³ Department of Infrastructure, Regional Development and Cities, 'Coastal Trading Frequently Asked Questions', https://www.infrastructure.gov.au/maritime/business/coastal_trading/faq.aspx.

⁴⁷⁴ Submission 1, p 1.

⁴⁷⁵ Public hearing transcript, Gladstone, 18 March 2019, p 13.

⁴⁷⁶ Public hearing transcript, Brisbane, 11 February 2019, p 16.

⁴⁷⁷ Public hearing transcript, Brisbane, 25 March 2019, p 2.

⁴⁷⁸ Submission 22, p 1 and Submission 23, p 1.

The MUA advised the committee that the vast majority of the 11,000 voyages that are made by large ships along the Queensland coast take place on international FOC ships. MUA advised:

But the poor working conditions on international ships mean that seafarers are often chronically fatigued and this leads to accidents. When Flag of Convenience ships damage and pollute our reef and our coast, it is the Queensland and Commonwealth governments who are left to clean up the mess and pursue shady operators through the courts. The cost of these incidents is never properly covered, but the ships and companies continue to operate.

*Meanwhile, hundreds of skilled Queensland and Australian seafarers are unemployed.*⁴⁷⁹

MUA advised that Australian seafarers are highly skilled and experienced, stating:

*Yet despite the extraordinary increase in shipping around Australia, they report that in the past 3-4 years it has become extremely difficult for Australian seafarers to find any work at all.*⁴⁸⁰

The committee received submissions and spoke to individual seafarers⁴⁸¹ who provided personal details of their work experience and qualifications and outlining their difficulties in finding work in the maritime industry.

Seafarer John Lee advised that Australian seafarers are often told they are 'too expensive'.⁴⁸² Mr Lee also noted that:

*I know that there are many seafarers unemployed with little work available for Australian crews. Coastal shipping for Australians has all but disappeared. Many seafarers face hardship. To be eligible to work in the industry, seafarers have to make sure their industry tickets, security cards, medicals and the like are renewed or their validation maintained. There are ongoing costs to renew or maintain these qualifications, but without them, you cannot even get on the employment database.*⁴⁸³

Seafarer Kevin Thomas noted that the impacts of inability to find work in the industry they are trained for include stress, mental health and financial issues.⁴⁸⁴

⁴⁷⁹ Submission 30, p 2.

⁴⁸⁰ Submission 30, p 9.

⁴⁸¹ Refer submission nos. 1, 15, 16, 17, 18, 19, 20, 21, 22 and 23 and public hearing transcripts, Gladstone, 18 March 2019, and Cairns 19 March 2019.

⁴⁸² Submission 16, pp 1-2.

⁴⁸³ Submission 16, p 2.

⁴⁸⁴ Submission 21, pp 1-2.

9 Options for strengthening the intrastate shipping industry and labour market and safety, rights and protections of workers in Queensland ports and maritime industry

Term of reference (g) states that the committee should consider:

Options for legislative, regulatory or policy reform that could strengthen the intrastate shipping industry, and ensure that Queensland's labour market would benefit from this expanded industry, considering current Commonwealth legislation, reviews and constitutional limitations.

Term of reference (h) states that the committee should consider:

Options for legislative, regulatory or policy reform to maintain the safety, rights and protections of workers in Queensland ports and maritime industry.

DTMR advised:

At present, coastal shipping is subject to the overlapping effects of a suite of Australian Government legislation, including the Coastal Trading (Revitalising Australian Shipping) Act 2012, the Fair Work Act 2009, and the Customs Act 1901. Applicable state and territory legislation takes the role of the Australian Government into account.

The specific opportunities for the Department of Transport and Main Roads to provide a legislative, regulatory or policy reform framework that would provide a direct benefit to, or strengthening of, intrastate coastal shipping are limited. There have, however, been specific instances where the department has worked collaboratively with industry to produce an indirect benefit.⁴⁸⁵

Many of the options for strengthening the intrastate shipping industry are covered in other sections of this report. This section covers additional issues raised by stakeholders which have not been referred to elsewhere.

9.1 Employers and employees working together

The MUA advised the committee of an agreement signed in 2010 where Rio Tinto committed to carry 70-80 per cent of its cargo on Australian crewed ships by December 2012.⁴⁸⁶ As part of this agreement, the MUA agreed to reduce the crew numbers from nine to seven.⁴⁸⁷

However, the MUA advised that:

... by 2017-18, the percentage of bauxite cargos carried on Australian crewed ships had declined to about one-third. Rio Tinto used about 24 different international ships in 2017-18 to carry its Queensland bauxite, the equivalent of eight full-time ships.⁴⁸⁸

As discussed in section 7.5, Rio Tinto confirmed to the committee that 40 per cent of its ship movements are on Australian crewed ships.

⁴⁸⁵ Department of Transport and Main Roads, correspondence dated 7 December 2018, p 12.

⁴⁸⁶ Submission 30, p 3.

⁴⁸⁷ Submission 23, p 2.

⁴⁸⁸ Submission 30, p 3.

Seafarer John Lee told of his involvement in negotiating the agreement in 2010. Mr Lee was made redundant from his Rio Tinto position in 2013 when a change of ship management company occurred. Mr Lee advised:

I was involved in the negotiations for the redundancies. I remember attending a meeting along with MUA federal officials, state officials from the MUA's Queensland and NSW branches, Teekay's management, and a Rio Tinto manager. I asked the Rio Tinto manager if the Teekay crew could be used to crew the next vessel that Rio brought online, but he refused to do so. I referred to the agreement or MOU with Rio Tinto and its obligation to increase use of Australian crews. The Rio Tinto manager acknowledged that the company had made the agreement, but said the company was not going to act on it, because they were operating in a very "competitive market."⁴⁸⁹

With regard to the question of how they work with unions, Rio Tinto advised:

We have been working with the Maritime Union to try to improve the healthy competitive environment of Queensland intrastate shipping for some time. We certainly have met with them on numerous occasions. We have a framework agreement that we have been working on with them. I think it is aspirational at the moment for us. Because we had expected some taxation legislation changes to occur, the document now becomes very aspirational to try to achieve. But we have been meeting with the Maritime Union to try to find a way and we are absolutely committed to working with all stakeholders to have a healthy intrastate shipping industry in Queensland.⁴⁹⁰

9.2 Suggested solutions

Marine Engineer Peter Roots suggested:

The only viable answer to the long-term solution for this industry is a system of Cabotage introduced by the Federal Government where all vessels operating in this area are subjected to Australian Registration. Unfortunately, if this is introduced by the State Government and not the Federal Government, s109 Commonwealth of Australia Constitution Act will be enacted.

When a law of a State is inconsistent with a law of the Commonwealth, the latter shall prevail, and the former shall, to the extent of the inconsistency, be invalid.

Vessels under Australian Registration will be subjected to Australian Laws. Therefore, Australian Safety and Workplace laws. I refer to the airline industry where this system of registration is clearly working well. Moreover, I refer to the fact, that out of the 20 OECD countries in the world, only Australia does not adopt cabotage as mainstream in the maritime industry sector.⁴⁹¹

Mr Roots also suggested that some companies are using various tactics to circumvent the FW Act, including partnership arrangements and cancellation of enterprise agreements. Mr Roots suggested:

Another current practice that companies are using is to get enterprise agreements cancelled. This results in the employees therefor going back to the award rate. This concerning practice, by these companies could easily be stopped, by ensuring they have relevant agreements with the unions which will be representing their employees before tendering on any public (or partly public funded) works.⁴⁹²

⁴⁸⁹ Submission 16, p 2.

⁴⁹⁰ Public hearing transcript, Brisbane, 11 February 2019, p 11.

⁴⁹¹ Submission 3, p 3. NB: any in-text footnote references have been removed. Please refer to original submission for details.

⁴⁹² Submission 3, p 5.

Mr Roots suggested solution to this issue was to place a condition on the licensing of private ports that requires the FW Act be followed.⁴⁹³

9.2.1 Restricted Use Flag scheme

The MUA recommended that:

*... the Queensland Government restore a strengthened Restricted Use Flag (RUF) to explicitly provide for the economic regulation of foreign ships operating intrastate in Queensland, so that cabotage applies in Queensland. The legislation could quarantine known large intra-state shipping routes for Australian ships (such as the Weipa-Gladstone bauxite route or coastal LPG supply) and not allow RUFs to be issued to ships for these routes unless they met certain threshold conditions (for example, demonstrating that they carried 80% of their cargos on Australian-crewed ships).*⁴⁹⁴

The MUA stated:

*Queensland legislation could quarantine known large intra-state shipping routes for Australian ships (such as the Weipa-Gladstone bauxite route or coastal LPG supply) and provide for RUFs to be issued to ships for these routes if they meet certain threshold conditions (for example, carrying 80% by volume of the cargo on Australian-crewed ships).*⁴⁹⁵

This issue was considered by the THLGC in report no. 59, *Inquiry into coastal sea freight*. That committee's report notes:

*In Queensland, prior to the introduction of the Marine Safety National Law, Maritime Safety Queensland issued permits for certain intrastate voyages under the provisions of the Restricted Use Flag (RUF).*⁴⁹⁶

The THLGC recommended that:

*... the Minister for Transport and Main Roads assess the benefits and disadvantages of retaining the Restricted Use Flag regulatory provisions under the Transport Operations (Marine Safety) Regulation 2014 and report back to the Legislative Assembly within 12 months.*⁴⁹⁷

This recommendation was supported by government and DTMR advised the committee that:

*The remake of the Transport Operations (Marine Safety) Regulation 2016 provided for Restricted Use Authorities. Restricted Use Authorities allow for Queensland regulated ships to operate for demonstration, sea-trial and other temporary purposes, when it is deemed safe to do so.*⁴⁹⁸

⁴⁹³ Submission 3, p 5.

⁴⁹⁴ Submission 30, p 18.

⁴⁹⁵ Submission 30, p 18.

⁴⁹⁶ Transport, Housing and Local Government Committee, Report No. 59, *Inquiry into coastal sea freight*, December 2014, p 85.

⁴⁹⁷ Transport, Housing and Local Government Committee, Report No. 59, *Inquiry into coastal sea freight*, December 2014, p 91.

⁴⁹⁸ Submission 28, p 28.

9.2.2 Subsidies to road and rail

MUA advised the committee that road and rail subsidies ‘unfairly disadvantage shipping’ and have recommended:

That the Qld Government establish a Task Force to identify the most effective and efficient forms of industry assistance that could be made available to coastal ship owners and operators aimed at redressing the competitive disadvantage which coastal shipping endures due to the subsidization of the road and rail freight modes of transport.⁴⁹⁹

MUA advised:

It is estimated that across Australia, roads received \$25 billion in public funding and rail received \$8.3 billion in public funding in 2013-14. In contrast, no Commonwealth or State taxation revenue is currently allocated, directly or indirectly, to the domestic shipping industry.

Ports are paid for by port fees paid by ships. Therefore, ships require no infrastructure funding from Government. The Queensland Government actually makes a substantial revenue from the ports that remain publicly owned (all except the Port of Brisbane).

These facts significantly undermine the arguments of industry participants such as the Queensland Transport and Logistics Council that that if shipping was competitive with the landside of transport, a coastal shipping service would already exist.⁵⁰⁰

This issue was considered by the THLGC in report no. 59, *Inquiry into coastal sea freight*. The former committee’s report notes:

While competitive pricing is essential for sea freight to compete with land-based transport, sea freight costs are currently impacted by a legislative framework that imposes significant additional costs on the industry and by direct and indirect subsidies provided by the State and Federal Government to rail and road freight.⁵⁰¹

As noted in section 4.4.4, the THLGC recommended against the provision of any subsidies.

The MUA have suggested:

There are a range of industry policy support measures that can be taken by both the Qld and Commonwealth governments that would help level the playing field for shipping to enable fair competition for market share in coastal freight, including:

- *Port fees, levies and charges (state)*
- *Ship fees, levies and charges (mainly Commonwealth).*
- *Port access prioritisation (state)*
- *Towage services (state).*
- *Government funding of fit for purpose port infrastructure (state).*
- *Cadet and Traineeship training support, and support for access to IMO Convention mandated sea time for seafarer qualifications (state and Commonwealth).*
- *Corporate and employee taxation measures (Commonwealth).*

⁴⁹⁹ Submission 30, p 54. NB: any in-text footnote references have been removed. Please refer to original submission for details.

⁵⁰⁰ Submission 30, p 53. NB: any in-text footnote references have been removed. Please refer to original submission for details.

⁵⁰¹ Transport, Housing and Local Government Committee, Report No. 59, *Inquiry into coastal sea freight*, December 2014, p 43.

- *Use of procurement to provide baseload freight demand (state).*
- *Support for domestic ship maintenance programs (state).*
- *A coordination role for government – national supply chain coordination and partnering (state) to address barriers to entry.⁵⁰²*

9.3 Companies as community members

AIMPE expressed the view:

Companies are not in it for love: they are in it to make a profit. It should be a reasonable profit.

...

They should return some of their revenue to the stakeholders that they like to talk about, which is also their employees and the communities that they live in. They should make a tidy profit to take back to their shareholders, but they should also distribute it to the other people that are their shareholders but not entitled to shares.⁵⁰³

Whilst not raised in relation to the committee's inquiry, the committee notes the recent comments by the Minister for State Development, Manufacturing, Infrastructure and Planning that:

Mining companies need to know that, if they are benefiting from the resources of the state, they need to give back to our state. The principal way they can do that is by employing local people. We have seen a shift in what mining companies are doing.⁵⁰⁴

⁵⁰² Submission 30, p 54.

⁵⁰³ Public hearing transcript, Brisbane, 11 February 2019, p 18.

⁵⁰⁴ Queensland Parliament, Record of Proceedings, 14 May 2019, p 1513.

10 Impacts on the Great Barrier Reef

Term of reference (i) states that the committee should consider:

Options to minimise any potential impacts on the Great Barrier Reef from a strengthened intrastate shipping industry.

This section discusses the potential impacts on the Great Barrier Reef posed by the shipping industry.

10.1 The Great Barrier Reef

The GBR is the largest coral reef ecosystem in the world. In 1975, the majority of the GBR was declared as a multiple use marine park. In 1981, the GBR was declared a UNESCO World Heritage site.⁵⁰⁵

AMSA has recorded that on any given day, vessel tracking data shows that there are around 40 to 50 ships on active voyages throughout the GBR.⁵⁰⁶ In 2013 – 14, there were a total of 2,910 ships and 11,417 voyages through the GBR.⁵⁰⁷

The 2009 Great Barrier Reef Outlook Report (the 2009 report) noted:

*Shipping can potentially damage the Great Barrier Reef by collisions, groundings, introduction of invasive marine pests, oil and chemical spills, introduction of anti-fouling paints, waste disposal and anchor damage. Almost all ships travel safely along the designated shipping routes of the Great Barrier Reef with little if any impact. In the last 10 years there have been three or fewer major shipping incidents each year and, despite the increase in shipping traffic, the number of major incidents has been stable over that period.*⁵⁰⁸

The 2009 report continued to note that, while continued careful management of shipping activity will minimise the risk of major incidents, the predicted increase in shipping will increase the likelihood of a major incident.⁵⁰⁹

The 2014 Great Barrier Reef Outlook Report (the 2014 report) stated that shipping in the GBR region has increased substantially since 2000, driven mainly by industrial and mining activity. The report predicted that the 'number of vessel calls to ports adjacent to the region will increase by about 250 per cent over the next 20 years'. The report also indicated that by 2020 the number of vessel calls to GBR ports will be 7,500. This is an increase from 4,000 in 2012.⁵¹⁰

10.2 Impacts of shipping on the Great Barrier Reef

10.2.1 Shipping incidents

Although shipping incidents are becoming increasingly rare, the most significant shipping incident occurred in 2010 when the *Shen Neng 1* ran aground. This was also the last major incident in the GBR.⁵¹¹

On 3 April 2010, the *Shen Neng 1* was traversing a well-known shipping route south of the Douglas Shoal when it ran aground 38 nautical miles east of Great Keppel Island.

⁵⁰⁵ Great Barrier Reef Marine Park Authority, 'Reef facts', www.gbrmpa.gov.au/the-reef/reef-facts.

⁵⁰⁶ Australian Maritime Safety Authority, *North East Shipping Management Plan*, 2014, p 13.

⁵⁰⁷ Australian Maritime Safety Authority, *North East Shipping Management Plan*, 2014, p 17.

⁵⁰⁸ Great Barrier Reef Marine Park Authority, 'Great Barrier Reef Outlook Report 2009', July 2009, p 76.

⁵⁰⁹ Great Barrier Reef Marine Park Authority, 'Great Barrier Reef Outlook Report 2009', July 2009, p 76.

⁵¹⁰ Great Barrier Reef Marine Park Authority, 'Great Barrier Reef Outlook Report 2014', 2014, pp 135-136.

⁵¹¹ Australian Maritime Safety Authority, 'Major historical incidents', <https://www.amsa.gov.au/marine-environment/incidents-and-exercises/major-historical-incidents>.

The impact ruptured the ship's fuel tanks and released approximately four tonnes of fuel oil into surrounding waters.

Following an initial assessment, MSQ (as combat agency) activated National Plan response arrangements. AMSA immediately mobilised key personnel and airlifted a surveyor onto the vessel to carry out damage assessment. Response crews were activated in Brisbane, Gladstone and Rockhampton. Emergency surveillance aircraft were placed on standby to inspect the scene at first light. Oil booms and skimmers were deployed to contain and recover the oil, and dispersants were applied by light aircraft as soon as practicable.

On 4 April 2010, professional salvors were engaged and boarded the *Shen Neng 1* to begin the process of refloating the grounded ship. Sea action was causing the ship to move on the reef, creating further damage and increasing the risk of break-up.

The *Shen Neng 1* was successfully refloated on 12 April 2010, with no loss of oil.⁵¹²

MSQ advised that prior to the *Shen Neng 1* grounding in 2010, there used to be a ship grounding about every two years. MSQ provided the following reasons why there are now fewer groundings:

- Better quality ships
- Higher quality training for seafarers
- Electronic chart navigation
- Port State Control inspections of ships visiting Australia
- ReefVTS monitors ships in the GBR very closely and has averted some groundings through shore based intervention
- Compulsory pilotage in high risk areas of GBR.⁵¹³

10.2.2 Fuel spillages

Significant shipping traffic occurs through the GBR Region and along the east coast of Australia. In 2009 the cargo ship, *Pacific Adventurer*, leaked more than 270 tonnes of fuel oil which polluted the beaches of Moreton Island, Bribie Island and the Sunshine Coast. The *Shen Neng 1* also spilled a significant amount of fuel oil and gouged a three-kilometre long channel in the reef in April 2010.⁵¹⁴

10.2.3 Introduction of non-native species

The 2009 Great Barrier Reef Outlook Report (the 2009 report) stated:

*The potential for shipping activity to introduce non-native species into the Great Barrier Reef ecosystem is always present. Introduced species have been detected in ports along the Great Barrier Reef coast, both in port areas within the Great Barrier Reef Region and in nearby harbours. For example the Asian green mussel was detected in Cairns Port in 2001, 2002, 2007 and 2008, as well as in Gladstone Port in 2009 and the Asian bag mussel was detected in Cairns Port in 2007.*⁵¹⁵

⁵¹² Australian Maritime Safety Authority, 'Shen Neng 1', www.amsa.gov.au/marine-environment/incidents-and-exercises/shen-neng-1-3-april-2010.

⁵¹³ Maritime Safety Queensland, correspondence dated 15 May 2019.

⁵¹⁴ Senate Standing Committee on Environment and Communications, *Management of the Great Barrier Reef*, Chapter 7: Management of Shipping in the Great Barrier Reef, September 2014, pp 135 – 147.

⁵¹⁵ Great Barrier Reef Marine Park Authority, 'Great Barrier Reef Outlook Report 2009', July 2009, p 77.

However, the 2009 report further noted that no introduced species have been detected in marine areas outside the ports to date.⁵¹⁶

10.2.4 Noise pollution

The Reef 2050 Plan lists noise pollution as a damaging incident from shipping and boating.⁵¹⁷

In 2008, the Commonwealth Government introduced a proposal to IMO for a new work program on minimising incidental noise from commercial shipping operations into the marine environment to reduce potential adverse impacts on marine life.⁵¹⁸

10.2.5 Dredging

Dredging can be necessary to establish or maintain channels and berths for the safe navigation of ships through ports.

Dredging and construction of port facilities can also have significant impacts upon the GBR. These include seabed disturbance, transport or resuspension of contaminants, alteration of sediment movement and changes in coastal processes. The 2009 report noted that the 2007 Hay Point dredging project showed significant environmental impacts at the dredge and disposal sites and minor impacts to corals at sites up to 12 kilometres away. The 2009 report further noted that recovery was expected at these coral sites.⁵¹⁹

In 2015, the Commonwealth and Queensland Governments banned the disposal of capital dredge material in the GBR marine park. The Queensland Government further prohibited major capital dredging for the development of new or existing port facilities within the GBR.⁵²⁰

Queensland ports have management plans in place to manage dredging.⁵²¹

10.2.6 Dumping

Criminal convictions, relating to dumping, have also been recorded. In one such case, the master and owners of a bulk carrier were fined and had criminal convictions recorded following the illegal dumping of waste from a ship into the GBR.⁵²²

10.2.7 Marine debris

The GBRMPA defines marine debris as 'rubbish that finds its way into the marine environment'.⁵²³

⁵¹⁶ Great Barrier Reef Marine Park Authority, 'Great Barrier Reef Outlook Report 2009', July 2009, p 56.

⁵¹⁷ Department of Environment and Queensland Government Department of Environment and Science, *Reef 2050 Water Quality Improvement Plan 2017–2022*, 2018, p 63.

⁵¹⁸ Great Barrier Reef Marine Park Authority, *Great Barrier Reef Underwater Noise Guidelines: Discussion and Options paper*, 2017, p 8.

⁵¹⁹ Great Barrier Reef Marine Park Authority, 'Great Barrier Reef Outlook Report 2009', July 2009, p 76.

⁵²⁰ Queensland Resources Council, *Working alongside the Great Barrier Reef: Ports and Shipping*, 2018, p 1.

⁵²¹ Public hearing transcript, Brisbane, 25 February 2019, p 6.

⁵²² Australian Maritime Safety Authority, 'Ships master and owners fined for pollution in Great Barrier Reef', www.amsa.gov.au/news-community/news-and-media-releases/ships-master-and-owners-fined-pollution-great-barrier-reef.

⁵²³ Great Barrier Reef Marine Park Authority, 'Marine debris', www.gbrmpa.gov.au/our-work/threats-to-the-reef/marine-debris.

The GBRMPA runs a Reef Guardian program to reduce marine debris:

*The Authority's Reef Guardian program collaboratively facilitates the adoption of 'reef friendly' behaviours and practices within the community led by schools, local government and industry. Supporting capacity building activities help to reduce marine debris at source and promoting stewardship empowers stakeholders to be part of the solution.*⁵²⁴

The GBRMPA website has a number of educational resources for teachers and students on marine debris in the GBR.

10.3 Risk management of the Great Barrier Reef

The submission from the DTMR outlined the way the risks to the GBR posed by shipping are being managed:

... significant work is being done to manage the impacts of ship movements upon the natural environment, including the GBR. The Queensland and Australian governments have a suite of navigation assistance and pollution prevention measures in places for the GBR, including:

- *Modern State and National legislation supporting safe and environmentally sustainable ship movements*
- *Network of physical and electronic Aids to navigation*
- *Modern navigation charts*
- *Port vessel traffic service (VTS) and Reef VTS monitoring and coordinating ship movements*
- *Detailed port procedure manuals providing guidance to ships operating in Queensland ports*
- *Compulsory pilotage in ports and the more navigationally challenging areas of the GBR and Torres Strait*
- *Under keel clearance management regime in ports and the Torres Strait*
- *Emergency response towage capability along the Queensland coast*
- *Port State Control ship inspection regime which has been successful in raising the quality of ships that visit Australia.*⁵²⁵

10.3.1 Reef 2050 Water Quality Improvement Plan

The Reef 2050 Water Quality Improvement Plan is a joint commitment between the Australian and Queensland Governments. It is the overarching framework for protecting and managing the GBR until 2050.

*The Plan sets clear actions, targets, objectives and outcomes to drive and guide the short, medium and long-term management of the Reef. The Plan firmly responds to the pressures facing the Reef and will address cumulative impacts and increase the Reef's resilience to longer term threats such as climate change.*⁵²⁶

⁵²⁴ Great Barrier Reef Marine Park Authority, 'Marine debris', www.gbrmpa.gov.au/our-work/threats-to-the-reef/marine-debris.

⁵²⁵ Submission 28, p 16.

⁵²⁶ Australian Government, Department of the Environment and Energy, 'The Reef 2050 Plan', www.environment.gov.au/marine/gbr/long-term-sustainability-plan.

The Plan notes that the Reef is under increasing pressure from the cumulative effects of climate change, land-based run-off, increasing coastal development and direct uses such as tourism, fishing and shipping.⁵²⁷

10.4 Regulatory bodies and their role in protecting the Great Barrier Reef

10.4.1 Great Barrier Reef Marine Park Authority

The GBRMPA is the legislative manager of the Great Barrier Reef Marine Park and is responsible for its management and protection.⁵²⁸ The GBRMPA reports to the Australian Government Environment Minister. It provides a number of other services to protect and manage the GBR, such as issuing permits, providing advice on marine management, and operating an education centre.⁵²⁹

In its submission, the GBRMPA stated:

An increase in shipping traffic volume within the Great Barrier Reef as a result in growth of intrastate shipping is likely to increase the need for measures to prevent and respond to shipping incidents. These measures need to be appropriately resourced. This includes resources for ship monitoring and vessel traffic services designed and proven to prevent shipping incidents along with the capability to mount an appropriate and rapid incident response to minimise environmental harm following a shipping incident.

Management of the potential increases in consequential impacts of shipping may require an evaluation of current environmental monitoring regimes and the physical management of shipping Great Barrier Reef waters to mitigate environmental harm.⁵³⁰

At the public hearing, the GBRMPA continued to explain:

The marine park authority recognises the importance of shipping, which provides a critical servicing role and supports the economy both through imports and exports and the provision of goods and services along the coast and throughout the marine park. In the Great Barrier Reef, the responsibility for managing shipping lies with the Australian Maritime Safety Authority, Maritime Safety Queensland and, to a lesser extent, the Great Barrier Reef Marine Park Authority. We consider shipping to be generally well managed and regulated, with agencies working cooperatively when incidents occur. The Great Barrier Reef is designated as a particularly sensitive sea area by the International Maritime Organization in recognition of the ecological, social and scientific importance of the reef and its vulnerability to damage by international maritime activity.

Growth in the use of the region by ships needs to be matched in capability and capacity to prevent and respond to shipping incidents. Existing measures to minimise potential impacts, such as reef VTS, have to date proven to be effective in avoiding many potential incidents in reef waters. Issues such as illegal discharge of garbage—that is food and waste and plastics—physical damage and pollution from ship groundings, whale strike, underwater ship generated noise and resuspension of sediments from propeller wash are risks that need to be considered to minimise impacts to the reef. These existing measures to mitigate impacts are sound. There is, however, a need to continually assess the effectiveness of measures to ensure that they remain effective in avoiding and minimising impacts to the reef.⁵³¹

⁵²⁷ Australian Government, Department of Environment and Queensland Government Department of Environment and Science, *Reef 2050 Water Quality Improvement Plan 2017–2022*, 2018, p 14.

⁵²⁸ Public Hearing Transcript, Brisbane, 11 February 2019, p 2.

⁵²⁹ Great Barrier Reef Marine Park Authority, 'About us', www.gbrmpa.gov.au/about-us/about-us.

⁵³⁰ Submission 4, p 2.

⁵³¹ Public hearing transcript, Brisbane, 11 February 2019, p 2.

10.4.2 Role of Australian Maritime Safety Authority in relation to Great Barrier Reef

AMSA promotes the safety and protection of the marine environment and combats ship-sourced pollution.⁵³²

From 1 July 2018, AMSA assumed full responsibility for the *Marine Safety (Domestic Commercial Vessel) National Law Act 2012* (Cwlth) which aims to do the following:

- facilitate the development of a safety culture that will prevent, or mitigate the effects of, marine incidents
- provide a framework for the development and application of consistent national standards relating to the operation, design, construction and equipping of domestic commercial vehicles
- provide an effective enforcement framework.⁵³³

AMSA also analyses data from marine incident reports to develop more effective standards, safety strategies and advises owners, operators and seafarers to help avoid similar incidents in future.⁵³⁴

10.4.3 Role of Maritime Safety Queensland in relation to Great Barrier Reef

The role of MSQ is to protect Queensland's waterways and the people who use them. MSQ is responsible for:

- improving maritime safety for shipping and recreational craft through regulation and education
- minimising vessel-sourced waste and responding to marine pollution
- providing essential maritime services such as aids to navigation and vessel traffic services
- encouraging and supporting innovation in the maritime industry.⁵³⁵

10.4.4 Role of Australian Transport Safety Bureau in relation to Great Barrier Reef

The ATSB is an independent statutory authority which undertakes 'no blame' safety investigations to establish the causes of accidents and incidents. The ATSB's function is to improve safety and public confidence in the aviation, marine and rail industries.⁵³⁶

⁵³² Australian Maritime Safety Authority, 'About', www.amsa.gov.au/about.

⁵³³ Australian Maritime Safety Authority, 'Our approach to compliance for the national law', www.amsa.gov.au/vessels-operators/domestic-commercial-vessels/our-approach-compliance-national-law.

⁵³⁴ Australian Maritime Safety Authority, 'Our approach to compliance for the national law', www.amsa.gov.au/vessels-operators/domestic-commercial-vessels/our-approach-compliance-national-law.

⁵³⁵ Maritime Safety Queensland, 'Maritime Safety Queensland', www.msg.qld.gov.au/About-us.

⁵³⁶ Australian Transport Safety Bureau, 'Who we are', https://www.atsb.gov.au/about_atsb/overview/.

10.5 Current methods used to protect the Great Barrier Reef

10.5.1.1 Zoning

The entire GBR marine park is covered by a zoning plan. At the public hearing, the GBRMPA explained:

This operates similar to a town plan by identifying where particular activities can and cannot occur. The zoning plan and related legislation is a foundation of our resilience based management approach. The zoning plan is supported by plans of management that set specific protection measures in the very popular high-use areas—the Cairns and Whitsunday regions—or areas of conservation concern like Hinchinbrook. These plans include limits on the number of commercial vessels in some areas and restricting where vessels can anchor, making it compulsory to access certain sites with a mooring, or establishing enforceable reef protection areas, all of which help to limit damage to coral reefs and seagrass communities. These measures are underpinned by a permit system that provides for the ecologically sustainable use of the marine park. Some commercial activities and operations occurring in the Great Barrier Reef Marine Park require a permit. The zoning plan outlines those activities that require permission or accreditation from the management agencies or those activities that can be undertaken without permission.⁵³⁷

10.5.1.2 Monitoring regimes

There are a number of monitoring and reporting systems in place to increase navigational safety and minimise shipping risks in the GBR.

10.5.1.3 Great Barrier Reef and Torres Strait Vessel Traffic Vehicle Service

The Reef VTS is operated by the AMSA and MSQ under joint federal–state arrangements.⁵³⁸ Reef VTS monitors vessel traffic in the region to prevent collisions or incidents. Following the grounding of the *Shen Neng I* in 2010, the coverage of the Reef VTS was extended.⁵³⁹ AMSA explained that the Reef VTS is:

... like air traffic control but with ships with a suite of other navigation safety measures that go with it in the Great Barrier Reef region.⁵⁴⁰

The Reef VTS:

- *Improves navigational safety in the Torres Strait and inner route of the Great Barrier Reef by giving information to vessels about:*
 - *Potential traffic conflicts*
 - *Navigational information*
- *Lowers the risk of maritime incidents in the Great Barrier Reef and Torres Strait region that may result in:*
 - *Ship sourced pollution*
 - *Damage to the marine environment*

⁵³⁷ Public Hearing Transcript, Brisbane, 11 February 2019, p 2.

⁵³⁸ Great Barrier Reef Marine Park Authority, Ship Monitoring and Report, <http://www.gbrmpa.gov.au/our-work/Managing-multiple-uses/shipping/ship-monitoring-and-reporting>.

⁵³⁹ Queensland Resources Council, *Working alongside the Great Barrier Reef: Ports and Shipping*, 2018, p 2.

⁵⁴⁰ Public hearing transcript, Brisbane, 29 April 2019, p 2.

- *Responds quickly if there are any safety or pollution incidents in the Great Barrier Reef and Torres Strait region.*⁵⁴¹

10.5.1.4 Reef ship reporting system

The Great Barrier Reef and Torres Strait Ship Reporting System is mandatory and was introduced in 1997 as a measure to boost navigational safety.

*Under the system, all ships greater than 50 metres in length and all tankers transiting the inner route of the Great Barrier Reef and Torres Strait must report their position and course to REEFVTS, via VHF radio, upon arrival at designated reporting points. These reporting points are located every 160 kilometres (100 miles) along the coast.*⁵⁴²

AMSA states that these measures minimise the probability of navigational errors, which may result in a maritime accident causing pollution and major damage to the marine environment.⁵⁴³ AMSA also advised that improvements in technology, including automatic identification systems, allow them to have a good picture of where ships are.⁵⁴⁴

10.5.1.5 Australian ship reporting system

The Australian Ship Reporting System is designed to increase safety of life at sea. Its primary purpose is to provide a search and rescue function. Certain ships are required to participate in the system while many others take part voluntarily.⁵⁴⁵

10.5.1.6 Port pilotage services

Compulsory pilotage has been introduced for specific routes through the northern portion of the GBR and the Torres Strait. There have been calls for extension of this pilotage for significant portions of shipping routes within the rest of the GBR Region. The *Shen Neng 1* was off course by 12 kilometres. As part of the response to improve safety issues arising from the *Shen Neng 1* grounding, AMSA decided against extending compulsory pilotage within the GBR and instead extended the current coverage of the Reef Vessel Traffic Service to the southern boundary of the GBR.

- *Port pilotage services in Queensland are provided by Responsible Pilotage Entities, generally under contract to MSQ. The exception being the port of Amrun, which is a private port where the owners purchase pilotage services directly. In all other instances the responsible pilotage entity is the port authority, another port authority in the case of Weipa, or MSQ for the ports of Brisbane and Abbot Point. The Queensland government sets the fee for the service.*⁵⁴⁶

⁵⁴¹ Maritime Safety Queensland, 'Great Barrier Reef and Torres Strait Vessel Traffic Service, www.msq.qld.gov.au/Shipping/Reefvts.aspx .

⁵⁴² Great Barrier Reef Marine Park Authority, 'Ship monitoring and reporting', www.gbrmpa.gov.au/our-work/Managing-multiple-uses/shipping/ship-monitoring-and-reporting.

⁵⁴³ Great Barrier Reef Marine Park Authority, 'Great Barrier Reef, Torres Strait and Coral Sea', www.amsa.gov.au/safety-navigation/navigating-coastal-waters/great-barrier-reef-torres-strait-and-coral-sea.

⁵⁴⁴ Public hearing transcript, Brisbane, 29 April 2019, p. 4.

⁵⁴⁵ Great Barrier Reef Marine Park Authority, 'Ship monitoring and reporting', www.gbrmpa.gov.au/our-work/Managing-multiple-uses/shipping/ship-monitoring-and-reporting.

⁵⁴⁶ Submission 28, p 3.

MSQ creates an annual report of marine incidents. These reports provide an account of the health of Queensland's maritime safety environment as reflected by marine incidents reported each year. Reports compare marine incident trends over a 5-year period and analyse incidents that resulted in deaths or serious injuries. Detailed marine incident statistics are also included.⁵⁴⁷

In its submission, the QRC commended AMSA on their work on administering protective measures, including:

- compulsory pilotage
- mandatory ship reporting
- the Reef VTS in conjunction with MSQ
- a two-way route in the Great North East Channel
- recommended areas to be avoided
- designated shipping areas
- a network of visual and electronic navigation aids
- areas of no anchoring
- emergency response assets.⁵⁴⁸

10.5.2 Regulation of anchoring and mooring

Ship anchors can significantly impact the health of the GBR. There are designated no-anchoring areas within the marine park and the AMSA website gives advice on safe anchoring and mooring.⁵⁴⁹

10.5.3 Two-way routes and areas to be avoided

In 2014, the IMO's Maritime Safety Committee adopted a new two-way route in the GBR and Torres Strait.

AMSA explains:

The ship routing measure, arguably the world's longest, aims to reduce the risk of collisions and groundings by encouraging ships to follow well-defined lanes. It will help ensure ships keep clear of the numerous shoals, reefs and islands that lie close outside the two-way route. The route will also provide greater certainty to small vessels as to where they can expect to encounter large vessels.⁵⁵⁰

⁵⁴⁷ Maritime Safety Queensland, 'Marine incident annual reports', www.msq.qld.gov.au/About-us/Marine-incident-annual-reports.

⁵⁴⁸ Submission 26, pp 7-8.

⁵⁴⁹ Great Barrier Reef Marine Park Authority, 'Anchoring and mooring', www.gbrmpa.gov.au/access-and-use/responsible-reef-practices/anchoring-and-mooring.

⁵⁵⁰ Australian Maritime Safety Authority, 'IMO adopts a new two-way route in the Great Barrier Reef and Torres Strait', www.amsa.gov.au/news-community/news-and-media-releases/imo-adopts-new-two-way-route-great-barrier-reef-and-torres.

Associated with the two-way routes are subsequent 'areas to be avoided' (ATBA). The ATBA aims to keep transiting ships away from the many navigational hazards within the area. The two-way routes guide ship traffic around the ATBA. These measures reduce the risk of collisions and groundings. They also allow more time for intervention in developing situations, such as a ship encountering a mechanical breakdown.⁵⁵¹

10.5.4 Conventions

There are a number of international bodies, conventions, treaties, Australian Government agencies and legislation which govern the safety and protection of the GBR from the effects of shipping, including:⁵⁵²

- UN Convention on the Law of the Sea
- International Convention for the Prevention of Pollution from Ships
- International Convention relating to Intervention on the High Seas in Cases of Oil Pollution Casualties
- International Convention for the Safety of Life at Sea
- Standards of Training and Certification of Watchkeepers.⁵⁵³

In addition, in 1992, the International Convention for the Prevention of Pollution by Ships made it mandatory for new oil tankers ordered after 1993 to be fitted with double hulls to reduce the risk of oil spills. More recent amendments required the phasing-out of single hull tankers by 2010.⁵⁵⁴

The Australian Government's Department of Infrastructure and Regional Development implements Australia's obligations under international maritime conventions into domestic legislation.

It is important to note that as a party to the above international conventions, Australia is not able to require ships to use alternative shipping routes or ban certain types of ships or cargoes from the region. The IMO is the only recognised administration for considering any new routeing measures.⁵⁵⁵

10.5.5 North-East Shipping Management Plan

The North-East Shipping Management Plan aims to give Australians confidence in how the growth of the shipping area is managed concomitant with growth in commodity flows and associated infrastructure such as ports. It outlines measures currently in place to manage the safety of shipping in the sensitive marine environments of Australia's north-east region and proposes options and action to further minimise the environmental impacts of these activities and related risks to the Outstanding Universal Value and integrity of the GBRWHA in the years to come.⁵⁵⁶

⁵⁵¹ Great Barrier Reef Marine Park Authority, 'Great Barrier Reef, Torres Strait and Coral Sea', www.amsa.gov.au/safety-navigation/navigating-coastal-waters/great-barrier-reef-torres-strait-and-coral-sea.

⁵⁵² Australian Maritime Safety Authority, *North East Shipping Management Plan*, 2014, p 8.

⁵⁵³ Australian Maritime Safety Authority, *North East Shipping Management Plan*, 2014, p 9.

⁵⁵⁴ Parliament of Australia, Research publications: Marine Oil Pollution, www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BriefingBook43p/marineoilpollution.

⁵⁵⁵ Australian Maritime Safety Authority, *North East Shipping Management Plan*, 2014, p 15.

⁵⁵⁶ Australian Maritime Safety Authority, 'North-East Shipping Management Plan', www.amsa.gov.au/marine-environment/marine-pollution/shipping-management-plans/north-east-shipping-management-plan.

10.5.6 Fuel

From 1 January 2020, all ships and vessels operating anywhere in the world will be required to use fuel which contains a maximum of 0.5 per cent m/m sulphur. This was agreed by the IMO, and prescribed by the *Protection of the Sea (Prevention of Pollution from Ships) Act 1983* (Cwlth).⁵⁵⁷

Bioenergy Australia highlighted the future role of bio and other fuels in the development of a sustainable Queensland intrastate shipping industry, stating:

This initiative, for which we commend the Queensland government, builds on the previous initiative, which was the biofutures road map and action plan. This initiative dovetails well into three international IMO actions that Bioenergy is working on in collaboration with AMSA—AMSA being the federal department responsible for implementing IMO policies. The first of these is the IMO regulation that will require sulphur limits for bunker fuels to reduce from 3½ per cent to half a per cent by 2020. The second is a reduction in greenhouse gas emissions from marine vessels by 50 per cent by 2050 based on 2008 levels with a target of a 40 per cent reduction by 2030 and a 70 per cent reduction by 2050. The third is a reduction in the contribution of plastics into the ocean by maritime vessels. There is currently eight million tonnes of plastics deposited into the oceans each year. On that point, while it is a great initiative, we encourage you to work with the other states and federal departments to try to get the full benefit that this could deliver.

Marine vessels typically use two types of fuels: a distillate, which is similar to what we use in our cars—road diesel—which is known as marine gas oil, and fuel oil, or bunker oil. Gas oil is used by ferries and other vessels required to comply with emissions controls, which are typically within close areas to the coast. Bunker fuel is typically used in over-the-horizon type of shipping.

To put this in perspective, currently, the sulphur limits from vessels is 3½ per cent sulphur. That is 3½ thousand times what comes out of typical cars at the moment—the 10 ppm limit. Even with the new reduction, it is still going to be 500 times what comes out of cars. In Australia, the refineries that supply the shipping industry are geared up to supply 3.5 per cent bunker fuels and distillate. They are not geared up to supply this new requirement of half a per cent sulphur biofuels, which will come into effect in 2020. This presents a significant opportunity for Queensland and its biofuels industry to be able to fulfil this need.

The other option that refineries have is to refine their bunker fuels down to make low-sulphur fuels. Typically, to do that they hydro treat the fuels. The hydro treatment of fuels is done by taking natural gas, which is obviously a greenhouse gas, and then reforming that into hydrogen and the hydrogen is then used to remove the sulphur. This is to reduce the amount of sulphur that is in these bunker fuels down to the limits. Considerable volumes of natural gas will be required, which obviously has significant cost implications for the shipping industry and it also makes the movement towards the 50 per cent reduction in greenhouse gases by the maritime industry ever more challenging.

For shipping itself, the challenge associated with the new IMO regulation is that, currently, the refining industry is saying that the only fuels that they will be able to provide that will comply with the industry will be the distillate fuels. Currently, those fuels are double the fuel oil costs. There is a significant burden that the shipping industry will have to pay regardless of this committee's work. This is an IMO requirement.⁵⁵⁸

⁵⁵⁷ Australian Maritime Safety Authority, '2020 low sulphur fuel', www.amsa.gov.au/marine-environment/air-pollution/2020-low-sulphur-fuel.

⁵⁵⁸ Public hearing transcript, Brisbane, 11 February 2019, p 3.

10.5.7 Stakeholder comments

Ports Australia supported the work undertaken by authorities to protect the GBR. Ports Australia advised:

I am confident that the work that is done by Maritime Safety Queensland and AMSA ensures that the national interest is maintained in relation to not only international vessels but also Australian vessels plying those waterways. When you think of the many thousands of vessels that do move up and down the coast during the course of the year, I think both MSQ and AMSA do an outstanding job making sure that safety is a premium.⁵⁵⁹

⁵⁵⁹ Public hearing transcript, Brisbane, 25 February 2019, p 5.

11 Other issues

There were a number of other issues raised by stakeholders which were outside the committee's terms of reference. These issues are identified in this section.

11.1 Fuel security

A number of stakeholders raised the issue of Australian fuel security.⁵⁶⁰ The issue was also raised at the committee's Gladstone hearing.

In his submission, seafarer Robert Richardson advised:

*We now have no Australian flagged oil tankers, this is ludicrous given the security and economic implications of being starved for fuel, we carry 21 days worth only.*⁵⁶¹

The committee notes that this issue was considered by the Senate Standing Committee on Rural and Regional Affairs and Transport (RRAT) in its report on *Australia's transport energy resilience and sustainability*, published in June 2015. RRAT considered Australia's liquid fuel stockholdings and supply chain and found that:

Evidence to the committee suggested that Australia is almost totally reliant on liquid fuels for transport and transportation services which underpin significant economic activity, utilities and essential services. Therefore, any substantial disruption to Australia's transport fuel supplies would have a significant impact on safety, national security, national productivity and society.

*Evidence to the committee regarding the question of whether Australia's fuel security will remain adequate, reliable and competitive into the foreseeable future was divided. Some submitters held the view that, in the absence of local capability, there are no guarantees that Australia would be able to access adequate alternate sources of supply in the event of a disruption to the supply chain. Others, including the department and AIP, argued that Australia had adequate sources to maintain supply.*⁵⁶²

...

*In light of its growing dependence on fuel imports, the committee questions whether leaving Australia's energy security to market forces remains the most feasible and tenable policy approach. Ultimately, it is not the role of the fuel supply companies to ensure that Australia has adequate reserves. That is a matter for government. In this regard, the fact that a substantial disruption in fuel supply would have serious consequences across the Australian community weighted heavily on the minds of committee members.*⁵⁶³

⁵⁶⁰ Refer submission nos 1, 5, 10, 17, 27 and 30

⁵⁶¹ Submission no 1, p 1.

⁵⁶² Senate Rural and Regional Affairs and Transport References Committee, *Australia's transport energy resilience and sustainability*, June 2015, p 61.

⁵⁶³ Senate Rural and Regional Affairs and Transport References Committee, *Australia's transport energy resilience and sustainability*, June 2015, p 62.

RRAT made four recommendations including that the Australian government undertake a comprehensive whole-of-government assessment of Australia's fuel supply, availability and vulnerability.⁵⁶⁴ This recommendation was supported by government who advised that it was already undertaking a comprehensive whole-of-government risk assessment of Australia's fuel supply, availability and vulnerability.⁵⁶⁵

Ports Australia acknowledged the debate occurring on this issue at a federal level noting:

*There are no Australian flagged vessels currently servicing Australia bringing such products to Australia. There is a debate that is currently starting at the federal level in terms of whether we are vulnerable as a result of not having the ability to secure pathways or our own importation. As we no longer produce our own fuels, we have to import the lot.*⁵⁶⁶

11.2 Maritime Security Identification Cards

In May 2005, the Australian Government introduced amendments to the *Maritime Transport Security Act 2003* (Cwlth). The purpose of these amendments was to introduce a Maritime Security Identification Card (MSIC) to ensure that those working in maritime and off-shore industries were subject to appropriate background checking, similar to the aviation industry. From 1 January 2007, all personnel requiring unmonitored access to a maritime or offshore security zone are required to display an MSIC.⁵⁶⁷

Seafarer Robert Richardson advised:

*Australian seafarers have to carry Maritime Security Identification cards, the spurious reasoning for these was the stopping of terrorism even though only Australian seafarers carry them not foreign seaman.*⁵⁶⁸

Marine engineer Peter Roots also raised this issue stating:

*In the modern world of terrorism and constant security threats to Australia it is beyond belief how the Flag of Convenience ships and crews are allowed to constantly pose a threat at the vital port infrastructure of Australia. (I refer to the recent Coronial Inquiry by Deputy NSW Coroner Sharon Freund into the deaths onboard the vessel Sage Sagittarius). Once again in vast contrast are Australian Crews which as a condition of employment must obtain a Maritime Security Identification Card. The process to obtain this involves a comprehensive background check. If an event were to occur at these facilities Australia and Australian trade would come to a stop.*⁵⁶⁹

⁵⁶⁴ Senate Rural and Regional Affairs and Transport References Committee, *Australia's transport energy resilience and sustainability*, June 2015, p 62.

⁵⁶⁵ Department of the Environment and Energy, *Australian Government response to the Senate Rural and Regional Affairs and Transport References Committee report*, <https://www.energy.gov.au/publications/australian-government-response-senate-rural-and-regional-affairs-and-transport>.

⁵⁶⁶ Public hearing transcript, Brisbane, 25 February 2019, p 5.

⁵⁶⁷ MSIC Program, 'Maritime Security Identification Cards', <https://www.msic.net.au/msic-program>

⁵⁶⁸ Submission 1, p 1.

⁵⁶⁹ Submission 3, p 3.

12 Committee comments and recommendations

The committee notes that many of the issues raised by stakeholders during the course of this inquiry fall within the Commonwealth jurisdiction. However, these issues affect the maritime industry and economy in Queensland. The committee has attempted to highlight these issues and the consequences throughout this report.

The committee also notes that many of these issues are not unique to Queensland and impact on the whole of Australia.

The committee trusts that the Minister for Transport and Main Roads will continue to work with his Commonwealth and interstate counterparts in order to succeed in finding a solution to the problems identified in this report.

12.1 Other inquiries

The committee noted that the majority of issues raised by stakeholders have been articulated in previous inquiries into shipping in Australia, both in Queensland and Commonwealth jurisdictions.

The committee has arrived at similar conclusions to those inquiries finding that there is huge potential for moving freight by sea, which is an environmentally sustainable mode of transport.

The committee notes that the Senate Rural and Regional Affairs and Transport Reference Committee's inquiry on the policy, regulatory, taxation, administrative and funding priorities for Australian shipping is due to report by 13 August 2019. The committee hopes that the evidence contained in this report will be of assistance to that committee when it considers its own recommendations.

12.2 Cabotage

The issue of cabotage became a central theme of evidence provided to the committee. The cabotage issues directly relate to the inquiry terms of reference. The committee heard that the changing nature of cabotage in Australia, due to changing federal legislation, has had a profound impact on both employers and employees of the maritime industry throughout Australia.

The committee has identified that the shipping industry is the only sector in the Australian domestic transport industry where lower paid foreign workers are employed. Stakeholders drew the committee's attention to the comparison with the airline industry cabotage arrangements which does not allow foreign companies to fly domestic routes.

The committee heard from many Australian seafarers who are unable to obtain employment in the industry due to being replaced by international crews on foreign flagged vessels. The committee also heard evidence about the steeply declining numbers of Australian flagged vessels. Both of these issues impact on the Queensland economy. These impacts include the direct and indirect effects of unemployment on individuals and communities, loss of businesses, and the loss of revenue, particularly by reduced taxation, for government.

The committee has found that the changes to cabotage arrangements have also impacted on Australian businesses who find it difficult, if not impossible, to compete on a level playing field. The current cabotage arrangements put Australian businesses at a disadvantage as they are forced to meet additional costs in order to meet Australian requirements that do not have to be met by foreign flagged vessels.

Historically, the skills and experience obtained by many years in the maritime industry allowed for progression into the vital senior safety and security roles, including pilots, within Queensland ports. One of the outcomes of the decline in the employment of Australian seafarers is the reduction in number of seafarers who have the required industry skills and experience to fulfil these roles. The committee noted that the workers who currently undertake these roles are ageing, and there will be fewer workers available to fulfil these roles in the future. The committee has formed the view that the best method of countering this expected skills shortage is to expand the Australian maritime industry. In relation to training, the committee acknowledges the value of the Smartship Simulation facilities to the industry in both the public and private sectors of the maritime industry.

The following sentiments expressed by Ports Australia succinctly sums up the views of many of the stakeholders:

...we are a maritime nation that cannot survive without sea freight. The time has come for governments around the country to discuss whether Australian flagged vessels are entirely viable in this current climate and, if not, what the future looks like.⁵⁷⁰

Recommendation 1

The committee recommends the Minister for Transport and Main Roads encourages industry to use Australian seafarers where at all possible and investigate methods to provide incentives.

Recommendation 2

The committee recommends that, in order to protect against expected skills shortages, the Minister for Transport and Main Roads together, with federal and interstate jurisdictions, investigate methods of expanding the maritime industry to provide training opportunities.

12.3 Terms of reference

The committee provides a summary of its key findings in relation to each of the terms of reference below. However, it should be noted that the substantive detail is contained in the relevant sections of this report.

12.3.1 The regional economic development and labour market benefits of a sustainable intrastate shipping industry in Queensland

The committee obtained a substantial volume of evidence supporting the economic and labour market benefits of a sustainable intrastate shipping industry in Queensland. The majority of stakeholders supported the expansion of the industry to include not only bulk commodities but also the expansion of regular services of other types of goods.

12.3.2 The current intrastate coastal shipping task and identify any barriers and options to strengthen the intrastate shipping industry

Stakeholders have identified a number of barriers and possible solutions. These are considered in section 4 of this report. The committee has not formed a view on the viability of the possible solutions offered by stakeholders.

⁵⁷⁰ Public hearing transcript, Brisbane, 25 February 2019, p 5.

12.3.3 Queensland’s contribution to, and the need for, an Australian inter-state shipping industry, and identify ways in which Queensland could contribute to improving the Australian inter-state shipping industry

The committee is of the view that the benefits identified of a sustainable intrastate shipping industry in Queensland would have a flow on effect to the interstate shipping industry.

12.3.4 Opportunities for future common user port infrastructure, and any adjustments to the provision of port services, to support the viability of a regular intrastate freight shipping service

The committee found that all Queensland port authorities are keen to expand the opportunities for their ports. However, stakeholders have identified that, whilst port authorities have invested in some infrastructure to enable the expansion of the coastal shipping trade, additional infrastructure is required. The committee considers that opportunities exist for improvement in this area, particularly in the ‘last mile’ space. The committee is of the view that the priority ports planning processes will facilitate this process and include community consultation and involvement. The committee also encourages DTMR to finalise the regional transport plans in these areas in order to facilitate a connected and integrated approach.

Whilst the committee has heard from the various port authorities about the infrastructure projects they are undertaking to improve facilities, the committee is unsure how ‘connected’ these ports are. The committee is of the view that DTMR could facilitate greater coordination, collaboration, interaction and lesson sharing between ports, particularly in the area of policy development. The committee considers the port authorities should work together to reduce the barriers identified by stakeholders in order for all ports to benefit from an improved intrastate shipping trade.

Recommendation 3

The committee recommends the Department of Transport and Main Roads works with port authorities to reduce potential barriers to allow for an expanded intrastate shipping trade.

12.3.5 Working conditions and safety practices on current coastal shipping vessels, comparing international vessels to Australian vessels

The issue of the treatment of international crews was also raised during the committee’s inquiry. The committee was provided with examples of international crews not being paid, working extremely long hours and being provided with insufficient food.

AMSA has jurisdiction for enforcing the MLC in Australia. Whilst the data does not distinguish between the international, interstate and intrastate freight task, the committee noted AMSA’s evidence that it has banned 13 ships in the last five and a half years and all but two have been for some level of poor working or living conditions.

The committee considers the poor treatment of international workers operating in Australian waters to be shameful. The committee also considers that this poor treatment could impact on the safety of shipping in Australia.

The committee is of the view that companies that operate in Australia should take some responsibility for ensuring that workers operating on ships carrying their cargoes are treated fairly. The committee notes that this is an issue that falls within the federal jurisdiction.

12.3.6 Any practices that are being used to erode working conditions, such as entitlements and legislative protections that currently apply to employees in the industry

The committee has heard evidence that many companies with large Australian operations divesting the shipping task to ship management companies who employ international crews, and, in doing so the companies have removed themselves from any responsibility for the welfare of those crews.

The committee observed that other than its shipping operations, Rio Tinto does not have wages from any other aspects of its operations set by global international standards. The committee acknowledges that, unlike some other companies, Rio Tinto has some Australian crews. However, the committee is troubled by the fact that Rio Tinto committed to an agreement in 2010 to carry 70 – 80 per cent of its cargo on Australian crewed ships by December 2012 and yet in 2019 has only approximately 40 per cent of its Australian cargoes shipped on Australia crewed ships. Crews have fulfilled their part of the agreement to reduce crews from nine to seven and yet Rio Tinto considers the Australian crewing target to be ‘aspirational’. The committee finds this attitude to be deplorable.

The committee is aware that the mining industry receives substantial government subsidies and concessions. The committee considers that investigations should be undertaken of whether these subsidies should include conditions, such as ensuring Australian crewed ships are utilised for interstate and intrastate transfer of cargoes. This issue also falls within the federal jurisdiction.

The committee agrees with the sentiments expressed by many of the stakeholders who provided evidence to the inquiry that if companies are benefiting from the resources of this state then they need to give back, and they can do this by employing local people.

The committee understands that the intent of the ship licensing system introduced in 2012 would enable the FW Act to apply to seafarers working regularly in Australian coastal trade who would benefit from Australian workplace relations laws and a legislative safety net of employment terms and conditions. However, this outcome has not been achieved with shipping operators developing practices which limit the application of the FW Act to international crews. The committee notes that this is an issue that falls within the federal jurisdiction.

Recommendation 4

The committee recommends the Minister for Transport and Main Roads investigate the conditions attached to government subsidies and concessions with a view to increasing Queensland employment.

12.3.7 Options for legislative, regulatory or policy reform that could strengthen the intrastate shipping industry, and ensure that Queensland’s labour market would benefit from this expanded industry, considering current Commonwealth legislation, reviews and constitutional limitations

Stakeholders raised a number of specific issues in regard to the shipping industry in the Torres Strait. The committee heard evidence of the substantial impacts that shipping services have on living conditions and the importance of a regular, affordable and sustainable shipping industry. Of particular concern to the committee was the security of supply of both power and water. The committee considers the people living in these communities have a right to the provision of continuity of supply and Ergon Energy, as the power wholesaler, needs to ensure this is occurring. Of further concern was the issue of the ‘off-loading’ of goods due to a lack of deck space. The committee was also concerned about the ability of the communities to be able to upgrade port infrastructure and therefore expand their community development opportunities.

The committee notes that some of these issues fall outside the jurisdiction of the Minister for Transport and Main Roads.

The committee considers that these opportunities are limited by the funding and service arrangements currently in place, which require urgent attention.

Recommendation 5

The committee recommends the Queensland Government works to address the equity issues identified in regard to the communities situated on the Cape York Peninsula and Torres Strait Islands.

12.3.8 Options for legislative, regulatory or policy reform to maintain the safety, rights and protections of workers in Queensland ports and maritime industry

The committee notes DTMR's advice that specific opportunities for the department to provide a legislative, regulatory or policy reform framework that would provide a direct benefit to, or strengthening of, intrastate coastal shipping are limited. The committee encourages DTMR to continue to collaborate with the Commonwealth and other jurisdictions on issues as they arise.

12.3.9 Options to minimise any potential impacts on the Great Barrier Reef from a strengthened intrastate shipping industry.

The committee is satisfied that authorities are using technology to protect of the GBR from the impacts of shipping. The committee heard evidence of significant reductions in incidents, with the last major incident occurring in 2012. Whilst risk will always remain, the committee is of the view that technology, including the Reef VTS, has assisted authorities in tracking vessels within our coastal waters and allowed them to proactively manage issues before they cause problems. The committee wishes to commend the workforce of AMSA, MSQ and the GBRMPA for their continuing efforts.

In addition, DTMR and the port authorities are in a good position to manage their interaction with the GBR through the development of management plans and of priority ports.

The committee is of the view that with continued vigilance and strict adherence to sound management planning by authorities any increase in intrastate shipping will ensure any increase from an intrastate shipping trade will have a minimal impact on the GBR.

Recommendation 6

The committee recommends the Minister for Transport and Main Roads reports to the Parliament, during this term, on the progress on recommendations in this report.

Appendix A – Submitters

Sub #	Submitter
001	Robert Richardson
002	International Transport Workers' Federation - Australia
003	Peter Roots
004	Great Barrier Reef Marine Park Authority
005	Bioenergy Australia
006	Sea Transport Solutions
007	Australian Aluminium Council Ltd
008	Queensland Ports Association
009	ANL Container Line Pty Ltd
010	Queensland Council of Unions
011	CSL Australia
012	Rio Tinto Aluminium Limited
013	AgForce Queensland Farmers Limited
014	Hermes Maritime Shipping & Logistics
015	Joe Gavin
016	John Lee
017	Ricardo Granieri
018	Paul Gallagher
019	Michael Horsly
020	Dave Watson
021	Kevin Robert Thomas
022	Bruce Doleman
023	Matt Leach
024	The Maritime Union of Australia – Queensland Branch
025	Ports Australia
026	Queensland Resources Council

- 027 Australian Institute of Marine and Power Engineers
- 028 Queensland Department of Transport and Main Roads
- 029 Maritime Industry Australia Limited
- 030 Maritime Union of Australia
- 031 Torres Strait Island Regional Council
- 032 John Bell
- 033 Torres Shire Council
- 034 Weipa Town Authority
- 035 Torres Cape Indigenous Council Alliance (TCICA) Inc
- 036 Gladstone Area Promotion and Development Limited
- 037 Toll Group

Appendix B

Officials at public departmental briefing – Monday 26 November 2018

Department of Transport and Main Roads

- Ms Julie Mitchell, Deputy Director-General, Policy, Planning and Investment Division
- Mr Glenn Hale, General Manager, Maritime Safety Queensland
- Ms Sally Noonan, Chief Economist
- Mr Grant Gaston, Director (Ports and Transport Governance)
- Mr Russell Hoelzl, Director (Freight)

Officials at public departmental briefing – Tuesday 29 January 2019

Office of Industrial Relations (Department of Education)

- Mr Tony James, Acting Deputy Director-General
- Mr David McKenzie, Director, Statewide Investigations, Workplace Health and Safety, Queensland

Appendix C

Witnesses at public hearing – Monday 11 February 2019 – Brisbane

Bioenergy Australia

- Mr Steve Rogers, Industry Representative

Great Barrier Reef Marine Park Authority

- Dr Simon Banks, General Manager, Reef Protection
- Mr Richard Quincey, Director, Field Management

Queensland Resources Council

- Mr Andrew Barger, Policy Director – Infrastructure

Rio Tinto Aluminium Limited

- Ms Kellie Parker, Managing Director, Rio Tinto Aluminium – Pacific Operations
- Mr Duncan White, Technical Adviser
- Ms Julia Wilkins, Senior Manager Government Relations

Australian Institute of Marine and Power Engineers

- Mr Peter Toohey, Branch Secretary
- Mr Brendan Matthey, National Organiser

Witnesses at public hearing – Monday 25 February 2019 – Brisbane

North Queensland Bulk Ports Corporation

- Mr Nicolas Fertin, Chief Executive Officer
- Mr Paul Doyle, Senior Manager External Policy

Ports Australia

- Hon Michael Gallacher, Chief Executive Officer
- Mr Ashween Sinha, Policy & Operations Director

Sea Transport Solutions

- Mr Rshan De Silva, General Manager

ANL Container Line Pty Ltd

- Mr Ian Redfern, General Manager, Logistics and Coastal Trades

Hermes Maritime Shipping and Logistics

- Captain Steve Pelecanos, Managing Director

Maritime Industry Australia Ltd

- Ms Teresa Lloyd, Chief Executive Officer

Witnesses at public hearing – Monday 18 March 2019 – Gladstone

Gladstone Ports Corporation Ltd

- Mr Craig Walker, Acting Chief Executive Officer
- Ms Liné Corfixen, Port Services and Performance Principal

Gladstone Regional Council

- Cr Matt Burnett, Mayor
- Ms Catherine McKewen, Strategic Policy Specialist

Gladstone Chamber of Commerce and Industry

- Ms Alicia Williams, Secretary, Owner, Locations Estate Agents
- Ms Symone Genrich, Committee Member, Owner, SBH Consultancy

International Transport Workers Federation - Australia

- Mr Pdraig Crumlin, President
- Ms Sarah Maguire, Inspector
- Mr Dean Summers, National Coordinator Australia

Maritime Union of Australia

- Mr Robert Carnegie, Branch Secretary
- Mr Pdraig Crumlin, Divisional National Secretary
- Mr Jason Miners, Deputy Branch Secretary
- Mr Glenn Frew, Rank and File Seafarer

Queensland Council of Unions

- Dr John Martin, Research and Policy Officer

Witnesses at public hearing – Tuesday 19 March 2019 – Cairns

Far North Queensland Ports Corporation Ltd

- Mr Chris Boland, Chief Executive Officer

Sea Swift

- Mr Peter Demenighini, General Manager of Queensland Operations

Cairns Regional Council

- Cr Terry James, Deputy Mayor
- Mr Nick Masasso, Executive Project Officer

Torres Strait Island Regional Council

- Cr Mario Sabatino, Councillor
- Mr Luke Ranga, Head of Corporate Affairs and Engagement
- Ms Julia Maurus, Legal Service Manager

Torres Shire Council

- Cr Vonda Malone, Mayor

Torres Cape Indigenous Council Alliance (TCICA) Inc.

- Ms Melinda Eades, Executive Officer

Maritime Union of Australia

- Mr David Lyon, Rank and File Seafarer
- Mr Terence O'Shane, Rank and File Seafarer
- Mr Robert Richardson, Rank and File Seafarer
- Mr Robert Carnegie, Branch Secretary
- Mr Pdraig Crumlin, Divisional National Secretary

Witnesses at public hearing – Monday 25 March 2019 – Brisbane

Port of Brisbane

- Mr Peter Keyte, Chief Operating Officer

Private Capacity

- Captain John Bell

Witnesses at public hearing – Monday 1 April 2019 – Brisbane

Toll Group

- Ms Susannah Thelander, Project Director, New Vessels Project
- Ms Sophie Finemore, Senior Manager – Government Relations

Witnesses at public hearing – Monday 29 April 2019 – Brisbane

Australian Marine Safety Authority

- Mr Mick McKinley, Chief Executive Officer
- Mr Brad Groves, General Manager, Standards
- Mr Allan Schwartz, General Manager, Operations

**Appendix D – Government response to Transport, Housing and Local
Government Committee Report No 59 – Inquiry into coastal sea freight**

Queensland Government Response to Transport, Housing and Local Government Committee's Report No. 59 — Inquiry into Coastal Sea Freight, December 2014

Recommendations	Government Response of 2015	Further update
<p>Recommendation 1</p> <p>The Committee recommends that the Legislative Assembly note the considerable benefits a regular coastal sea freight service would provide to the Queensland economy, including providing an environmentally sustainable alternative to road and rail freight, reducing road congestion, improving road safety, reducing road maintenance costs, providing resilience to the transport supply chain in times of natural disaster and flow on benefits to the drive tourism and defence sectors.</p>	<p>Supported</p> <p>Developing an integrated logistics platform in Queensland that promotes the use of containerisation not only supports the development of a sea freight capability, but the broader logistics industry by managing investment costs in bespoke transport equipment and improving the interoperability of goods between modes. A commercially operated coastal shipping service that achieves interoperability between freight modes and reduces supply chain costs to regional business, could have positive impacts on the Queensland economy and the broader freight system.</p> <p>A coastal shipping service would produce lower emissions than land based modes of transport, and will not require additional dredging of the ports proposed for servicing. The relatively smaller ship sizes contemplated for use in providing the service in comparison with those currently in use, when combined with the relatively low frequency (weekly) of port visits is deemed to present a low risk shipping option which is in keeping with the strong Government commitments to protect the Great Barrier Reef.</p>	<p>This recommendation relates to a recognition of the benefits of coastal shipping.</p> <p>The Department of Transport and Main Roads ensures its planning and initiatives are supportive of coastal shipping development.</p>

Recommendations	Government Response of 2015	Further update
<p>Recommendation 2</p> <p>The Committee recommends that the Minister for Transport and Main Roads give urgent priority to undertaking a detailed assessment of the best way to integrate a regular coastal shipping service into the transport supply chain and in doing so, assess the viability of a sea freight service based on freight rates, sustainable freight volumes and competitive service delivery in consultation with the shipping industry, Queensland ports and potential freight customers.</p>	<p>Supported</p> <p>An existing program of work is being conducted as a two year study by the Department of Transport and Main Roads. The Sea Freight Action Plan - Coastal Shipping Study is due for completion by June 2015. The study considers the commercial aspects identified in the report's recommendations and will inform freight system planning and operational considerations. These opportunities are also being worked on collaboratively with the Port of Brisbane, Port of Townsville Limited and North Queensland Bulk Ports Corporation and a number of commercial proponents.</p>	<p>Following the 2014 Inquiry further work was completed to investigate coastal shipping as advised in the 2015 government response. The Department of Transport and Main Roads has applied the Sea Freight Action Plan as internal policy to inform government considerations. The policy focussed on market opportunities and constraints, enabling ports through effective master planning and infrastructure investment and adopting a collaborative approach between government, the ports and industry to achieve best outcomes.</p> <p>In 2015, after a three year assessment of the Great Barrier Reef a key government priority was implementing policy to assist in the protection of the Great Barrier Reef. The Reef 2050 Long-Term Sustainability Plan is the overarching framework for protecting and managing the Great Barrier Reef from 2015 to 2050. Port development in the Great Barrier Reef World Heritage Area is now controlled under the <i>Sustainable Ports Development Act 2015</i> (Ports Act).</p> <p>Much of the work to develop port planning and ship movement management has been focussed on addressing the actions of the Reef 2050 Long-term Sustainability Plan.</p> <p>These actions actively assess all the implications of shipping including coastal shipping.</p>

Recommendations	Government Response of 2015	Further update
		<p>Port master planning, which is currently being undertaken for the priority ports of Gladstone, Mackay/Hay Point, Townsville and Abbot Point identified under the Ports Act, must take supply chain and logistics requirements into account.</p> <p>Port master planning requires consideration of issues beyond strategic port land including supply chain capacity and connectivity, potential impacts on marine and land-based environments and community values within and surrounding the master planned area.</p> <p>The Department of Transport and Main Roads has worked closely with coastal shipping proponents and port authorities to facilitate development of trade.</p> <p>A draft Queensland Freight Strategy has recently been released for targeted industry consultation with this currently scheduled to be finalised in early 2019. The development of a two year rolling Freight Action Plan, after the release of the finalised Queensland Freight Strategy will provide an opportunity to incorporate coastal shipping and committee recommendations which may arise from this Inquiry.</p>

Recommendations	Government Response of 2015	Further update
<p>Recommendation 3</p> <p>The Committee recommends against any direct, long-term or permanent sea freight subsidy being provided by the Queensland Government on the basis that a regular shipping service should only be established if it is deemed to be economically viable in the medium to long term.</p>	<p>Supported</p> <p>Freight subsidies are costly to administer and should be avoided, given their potential to distort existing freight markets. Support to emerging coastal shipping proponents will be addressed through commercial dialogue with government owned port managers.</p>	<p>The Department of Transport and Main Roads does not have any direct sea freight subsidies in place.</p> <p>The Department of Transport and Main Roads ceased the North Coast Rail Line subsidy component of the Regional Freight Transport Services Contract with Aurizon in mid-2017.</p> <p>This rail subsidy was recognised as a possible barrier to coastal shipping during the 2014 inquiry.</p>
<p>Recommendation 4</p> <p>The Committee recommends that, given the significant benefits a coastal shipping service would provide to the Queensland economy and community amenity, the government should remain open to discussions with the shipping industry, regional ports and freight customers concerning forms of assistance (other than a direct subsidy) that may facilitate the establishment of a coastal shipping service.</p>	<p>Supported</p> <p>The potential benefits identified by the Committee are largely based on coastal shipping operators achieving comparable access charges per tonne, to those which underpin road and rail freight pricing. The government is open to continuing discussions with stakeholders to identify measures that support the development of coastal shipping services in Queensland</p>	<p>No new committed coastal shipping service provider has emerged since the 2014 inquiry.</p> <p>The Department of Transport and Main Roads is open to continuing discussions with stakeholders to identify measures that support the development of coastal shipping services in Queensland.</p>
<p>Recommendation 5</p> <p>The Committee recommends that the Queensland Government investigate ways in which to assist remote island communities in North Queensland with their high freight costs, including:</p>	<p>Partially Supported</p> <p>(Supported) Based on an 80:20 funding arrangement, federal and state governments have signed up to deliver a \$260.5 million Cape York Region Package over five years to upgrade key roads and other infrastructure to better connect areas of economic opportunity with Indigenous and other local communities on the</p>	<p>The Cape York Region Package is designed to better connect and provide economic opportunity for Indigenous and non-Indigenous communities on the Cape.</p>

Recommendations	Government Response of 2015	Further update
<p>1 . Investigating the possibility of upgrading the road and/or providing a rail link to Bamaga.</p> <p>2. Considering a state government funded freight subsidy to remote island communities on the basis that the State subsidises rail freight to other remote/regional Queensland communities where a competitive freight service is not possible.</p> <p>3. Approaching the Federal Government to discuss the provision of financial assistance for a freight subsidy to remote island communities on the basis that the Commonwealth contributes significant funding to the Tasmanian freight subsidy scheme.</p>	<p>Cape. This includes \$200 million allocated to upgrade the state-controlled Peninsula Developmental Road</p> <p>A planning study is also underway to investigate critical community access needs (road, air, sea) into Aboriginal and Torres Strait Island local Government areas. This will inform the future Transport Infrastructure Development Scheme prioritisation and projects. The outlook for Bamaga and wider Torres is gradual improvements to road transport conditions from Cairns to the Cape (short to mid-term and beyond) and further in the future (subject to planning approval and funding), including improved freight handling capacity at Seisia Wharf for sea freight from Cairns to Seisia and distribution to the remote Islands.</p> <p>(Not Supported) It is unlikely that a business case would support investment in a rail freight link to Bamaga given the difficult terrain and distances involved.</p> <p>2 & 3. (Not Supported) Freight subsidies are not supported and are costly to administer, given their potential to distort existing freight markets. The Remote Indigenous Supply Chain study conducted by the Queensland Transport and Logistics Council in cooperation with the Department of Transport and Main Roads in 2010, identified that approximately 93% of all goods moved into the Torres Strait is for state, local and commonwealth agencies. The state government through Islanders Board of Industry and Service (IBIS Food Stores) operates a not-for-</p>	<p>The progressive upgrade of the 527km Peninsula Developmental Road between Laura and the Rio Tinto Boundary, south of Weipa, continues to deliver significant benefits to industry and Cape York communities, in terms of improved economic opportunities, freight efficiency, road safety and access to essential services.</p> <p>In particular, delivery of Peninsula Developmental Road works has been instrumental in building Indigenous business capability and providing improved Indigenous and local employment and training opportunities.</p> <p>At the completion of these road works in June 2019 , a further 173kms of the Peninsula Developmental Road will be sealed.</p> <p>The planning study referred to in the 2015 Government Response, is the ‘Cape York & Torres Strait Access Strategy’ or otherwise known as the Indigenous Transport Infrastructure Program (2016). Community access infrastructure plans were developed for each of the Australian and Torres Strait Islander Local Government Associations in the Cape and Torres. The access infrastructure plans have been provided to the councils, but are not public documents.</p> <p>The Islanders Board of Industry and Service (IBIS) Food Stores continues to operate and the circumstances at the time of the 2010 study,</p>

Recommendations	Government Response of 2015	Further update
	<p>profit chain of food stores across the Torres Strait and peninsular communities to provide good quality food. It should be noted that these goods are predominantly moved by rail from Brisbane to Cairns under existing forms of rail freight support, in the form of the regional rail freight transport services contract.</p>	<p>referenced in the 2015 government response are considered to have not materially changed.</p>
<p>Recommendation 6</p> <p>The Committee recommends that the Queensland Government work with relevant Queensland ports and potential commercial investors to facilitate the funding of any common use infrastructure required in order to establish a viable coastal sea freight service in Queensland.</p>	<p>Supported</p> <p>The government supports working with the private sector to facilitate the development of common user infrastructure at regional ports, through commercial dialogue with port managers and coastal shipping proponents.</p>	<p>The Department of Transport and Main Roads continues to hold regular meetings with government owned corporation ports and the Port of Brisbane on a wide range of shipping and logistics issues.</p> <p>Industry and government forums have also been held with the Ports of Townsville, Mackay and Bundaberg on supply chain issues and solutions.</p>
<p>Recommendation 7</p> <p>The Committee recommends that the Queensland Government continue to work with Queensland ports to ensure that port services required for a coastal sea freight service are incorporated into their port master plans and in particular, to ensure that berthing and loading/unloading facilities are guaranteed at each port and that the cost of port services are kept to a minimum.</p>	<p>Supported</p> <p>The Department of Transport and Main Roads is collaborating with Queensland ports to identify port services and land use planning options that will promote the development of container facilities at regional ports. Discussions have also taken place with shipping companies, stevedores, freight customers and logistics companies. Ultimately, investment decisions will be a commercial consideration of Port Authorities and their customers.</p>	<p>Queensland ports have advised they are supportive of coastal shipping as it would provide increased trade. As part of their planning they are continually reviewing infrastructure and looking to improve efficiency for all port operations. Recent infrastructure improvements have been made or are in planning in Townsville, Mackay, Gladstone and Cairns.</p> <p>Port authorities have been in discussion with proponents of coastal services and can consider inducements or discounts to assist services in</p>

Recommendations	Government Response of 2015	Further update
		<p>their infancy should there be longer term commercial benefit.</p> <p>The Department of Transport and Main Roads is also undertaking Master Planning for Priority Ports that will support future growth of ports and their supply chains.</p>
<p>Recommendation 8</p> <p>The Committee recommends that the Queensland Government advise the Australian Government that it supports the call for a review of the registration conditions for Australian International Shipping Register on the basis that amended registration conditions are likely to result in more vessels using the Register, increasing the Australian Maritime cluster which, in turn, would facilitate the development of a robust coastal shipping service along the Australian coastline.</p>	<p>Noted</p> <p>The Commonwealth Government, has made a recent announcement outlining proposed amendments to the laws and regulations surrounding the coastal shipping industry.</p> <p>The Queensland Government will consider any implications arising from the Commonwealth Government's proposed amendments.</p>	<p>Review and/or changes to commonwealth legislation has not occurred.</p>
<p>Recommendation 9</p> <p>The Committee recommends that the Queensland Government approach the Australian Government to request that the <i>Fair Work Regulations 2009</i> be amended to expressly exempt international vessels undertaking temporary licence voyages from having to pay Australian wage rates on the basis that this will remove one of the barriers to the development of</p>	<p>Not Supported</p> <p>The Queensland Government does not support the exemption of international vessels from the <i>Fair Work Regulations 2009</i>.</p>	<p>No update required.</p>

Recommendations	Government Response of 2015	Further update
<p>a robust coastal shipping service along the Australian coastline.</p>		
<p>Recommendation 10</p> <p>The Committee recommends that the Queensland Government advise the Australian Government that it is supportive of its current review of the <i>Coastal Trading (Revitalising Australian Shipping) Act 2012</i> and the development of a legislative framework that facilitates the development of a robust coastal shipping service along the Australian coastline, and that the following amendments to the Act be considered as a priority:</p> <ol style="list-style-type: none"> 1 . reduce red tape by removing the 5 voyage minimum to apply for a temporary licence and introducing an open temporary licence for a 12 month period with unlimited voyages 2. streamline administration through express temporary licence/express variations and automatic licenses in uncontested trades 3. make general licences available to non-Australian flagged ships if Australian crewed 4. remove all licensing requirements on foreign-flagged vessels that maintain a consistent intrastate service, for example, Townsville — Brisbane in Queensland 	<p>Noted</p> <p>The Commonwealth Government, has made a recent announcement outlining proposed amendments to the laws and regulations surrounding the coastal shipping industry.</p> <p>The Queensland Government will consider any implications arising from the Commonwealth Government's proposed amendments.</p>	<p>The Department of Transport and Main Roads has not progressed further work in this area as the amendments by the commonwealth remain proposed at this stage and the implications and impacts of the amendments that may result from the proposal are uncertain.</p>

Recommendations	Government Response of 2015	Further update
<p>5. provide exemptions to licensing requirements for foreign flagged ships stopping at coastal ports on the international route</p> <p>6. amend section 112 of the Act to include vessels which are exempted from the Act as well as Australian International Shipping Register vessels operating under a temporary licence</p> <p>7. provide for an automatic approval to 'opt in' for intrastate ships</p> <p>8. where licensing is required, simplify the system by eliminating the complex and impractical reporting requirements</p> <p>amend section 10 so that the Act does not apply to cruise ships and smaller expedition (tourism) style vessels less than 5,000 GRT.</p>		
<p>Recommendation 11</p> <p>The Committee recommends that the Queensland Government approach the Australian Government to request that the following amendments be considered in relation to the application of the <i>Customs Act 1901</i> in order to facilitate the development of a robust coastal shipping service along the Australian coastline, including:</p> <ol style="list-style-type: none"> 1, introducing a new Customs regulation to provide for circumstances whereby importation is not in the 'national interest' 2. amending section 112 of the <i>Coastal Trading (Revitalising Australian Shipping) Act 2012</i> (CTA) to include vessels exempted from the Act as well as Australian International 	<p>Noted</p> <p>The Commonwealth Government, has made a recent announcement outlining proposed amendments to the laws and regulations surrounding the coastal shipping industry.</p> <p>The Queensland Government will consider any implications arising from the Commonwealth Government's proposed amendments.</p>	<p>The Department of Transport and Main Roads has not progressed further work in this area as the amendments by the commonwealth remain proposed at this stage and the implications and impacts of the amendments that may result from the proposal are uncertain.</p>

Recommendations	Government Response of 2015	Further update
<p>Shipping Register vessels operating under a Temporary Licence</p> <p>3. introducing a timeframe during which vessels in Australia will not be imported (for example, 90 days)</p> <p>removing some key flow on effects from importation (such as immigration requirements) in some circumstances, such as dry docking.</p>		
<p>Recommendation 12</p> <p>The Committee recommends that the Minister for Transport and Main Roads investigate whether there are likely to be benefits to the Queensland economy if genuine coastal trading vessels, which are less than 500 gross tonnage, have access to Commonwealth shipping tax incentives and, if so approach the Federal Government to discuss the possibility of an amendment to the relevant Income Tax Assessment Acts.</p>	<p>Noted</p> <p>The Commonwealth Government, has made a recent announcement outlining proposed amendments to the laws and regulations surrounding the coastal shipping industry.</p> <p>The Queensland Government will consider any implications arising from the Commonwealth Government's proposed amendments.</p>	<p>The Department of Transport and Main Roads has not further progressed work in this area as the amendments by the commonwealth remain proposed at this stage and the implications and impacts of the amendments that may result from the proposal are uncertain.</p> <p>Assessment of tax implications can be made when the impacts of the amendments are clarified.</p>
<p>Recommendation 13</p> <p>The Committee recommends that the Minister for Transport and Main Roads review any current inconsistencies in the treatment of coastal trading vessels between arrangements in Queensland and those that operate under Commonwealth legislation and any inconsistencies in the application of safety/environment/training standards of vessels under the Navigation Act and the Marine Safety National Law with a view to ensuring a consistent approach is applied.</p>	<p>Supported</p> <p>Upon review it has been confirmed that there is no inconsistency between safety and training issues, given that the Commonwealth is the sole safety regulator of these vessels and works cooperatively with the states on implementation.</p>	<p>Review of commonwealth and state arrangements was completed as part of government's response in 2015. No action was required as the approaches to safety and training are not inconsistent.</p>

Appendix E – Wage rates for senior officers on board a vessel – provided by Rio Tinto Aluminium Limited⁵⁷¹

Note: Rio Tinto has stated that:

In undertaking the calculations for this table, Rio Tinto Aluminium have utilised a number of assumptions including the exchange rate and an estimated 10 month working year for international senior officers.⁵⁷²

⁵⁷¹ Rio Tinto Aluminium Limited, correspondence dated 19 February 2019, pp 3-4.

⁵⁷² Rio Tinto Aluminium Limited, correspondence dated 19 February 2019, p 2.

ITF ILO Minimum Wage Scale (Rates Applicable 1st January 2016)									ITF Minimum Wage Scale (AUD\$)				International Actual Wage Rates (AUD\$)					Australian Actual Wage Rates (AUD\$)					
Rank	Basic pay	Daily wage	Leave pay**	Leave pay for public hols***	Total	Hourly O/T Rate	hrs OT 104*	Total US\$ inc.	Mthly	Annual (10 months per year)	Weekly (full year)	Daily	Mthly	Annual (10 months per year pre-tax)	Annual (10 months per year post tax)	Weekly (full year)	Daily	Mthly	Annual (pre-tax)	Annual (post tax)	Weekly	Daily	
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	AUD\$	AUD\$	AUD\$	AUD\$	AUD\$	AUD\$	AUD\$	AUD\$	AUD\$	AUD\$	AUD\$ gross	AUD\$ gross	AUD\$ nett	AUD\$ nett	AUD\$ nett
Master	2,069	69	172	99	2,340	12	1,293	3,633	4,844	48,443	932	133	13,400	134,000	134,000	2,577	368	17,400	208,800	137,567	2,646	378	
Chief Eng.	1,880	63	157	90	2,127	11	1,175	3,302	4,403	44,029	847	121	13,267	132,670	132,670	2,551	364	17,053	204,636	135,360	2,603	372	
Chief Off.	1,335	45	111	64	1,511	8	835	2,346	3,127	31,275	601	86	11,640	116,400	116,400	2,238	320	14,022	168,264	115,144	2,214	316	
1st Eng.	1,335	45	111	64	1,511	8	835	2,346	3,127	31,275	601	86	9,000	90,000	90,000	1,731	247	14,022	168,264	115,144	2,214	316	
2nd Eng.	1,070	36	89	51	1,210	6	668	1,879	2,505	25,048	482	69	4,400	44,000	44,000	846	121	12,853	154,236	106,587	2,050	293	
2nd Off.	1,070	36	89	51	1,210	6	668	1,879	2,505	25,048	482	69	4,450	44,500	44,500	856	122	12,853	154,236	106,587	2,050	293	
3rd Eng.	1,031	34	86	50	1,166	6	644	1,811	2,414	24,143	464	66	3,769	37,690	37,690	725	104	11,602	139,224	97,430	1,874	268	
3rd Off.	1,031	34	86	50	1,166	6	644	1,811	2,414	24,143	464	66	3,869	38,690	38,690	744	106	11,602	139,224	97,430	1,874	268	
RO	1,070	36	89	51	1,210	6	668	1,879	2,505	25,048	482	69											
Elec Eng.	1,070	36	89	51	1,210	6	668	1,879	2,505	25,048	482	69											
Ch. St/Cook	1,070	36	89	51	1,210	6	668	1,879	2,505	25,048	482	69	3,118	31,180	31,180	600	86	9,856	118,272	84,754	1,630	233	
Bosun	686	23	57	33	776	4	429	1,205	1,606	16,062	309	44	2,500	25,000	25,000	481	69	9,856	118,272	84,754	1,630	233	
Pumpman#	686	23	57	33	776	4	429	1,205	1,606	16,062	309	44											
AB	614	20	51	30	695	4	384	1,078	1,438	14,379	277	40	2,062	20,620	20,620	397	57	8,788	105,456	77,129	1,483	212	
AB	614	20	51	30	695	4	384	1,078	1,438	14,379	277	40											
AB	614	20	51	30	695	4	384	1,078	1,438	14,379	277	40											
ERR	614	20	51	30	695	4	384	1,078	1,438	14,379	277	40											
ERR	614	20	51	30	695	4	384	1,078	1,438	14,379	277	40											
ERR	614	20	51	30	695	4	384	1,078	1,438	14,379	277	40											
ERR(Inr)	457	15	38	22	517	3	286	802	1,070	10,698	206	29											
OS	457	15	38	22	517	3	286	802	1,070	10,698	206	29											
Stew	523	17	44	25	592	3	327	919	1,225	12,251	236	34											
Stew	523	17	44	25	592	3	327	919	1,225	12,251	236	34											

Notes

* Overtime is calculated at 1.25 the normal hourly rate based on a 48 hour working week and a maximum working week of 72 hours (ref: MLC A2.3.5(a) and B2.2.2) hence 104 hrs OT.

** Leave is 2.5 days per month at a rate of 1/30 the monthly basic wage (MLC A2.4)

*** Work performed on public holidays should be compensated at the overtime rate, although it should generally not be counted within the maximum hours of overtime which can be performed under MLC B2.2.2

Manning is for illustrative purposes only i.e. 23 (12 ratings) i.e. ITF Manning Scale No. 5 for vessels over 20,000 GT. The pumpman only applies to tankers.

Exchange rate: 1 AUD / 0.75 USD

ITF ILO Minimum Wage Scale (Rates Applicable 1st January 2016)									ITF Minimum Wage Scale (AUD\$)			International Actual Wage Rates (AUD\$)				Australian Actual Wage Rates (AUD\$)			
Rank	Basic pay	Daily wage	Leave pay**	Leave pay for public hols***	Total	Hourly O/T Rate	hrs OT 104*	Total US\$ inc.	Mthly	Annual (10 months per year)	Daily (full year)	Mthly	Annual (10 months per year pre-tax)	Annual (10 months per year post tax)	Daily	Mthly	Annual (pre-tax)	Annual (post tax)	Daily
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	AUD\$	AUD\$	AUD\$	AUD\$	AUD\$	AUD\$	AUD\$	AUD\$ gross	AUD\$ gross	AUD\$ nett	AUD\$ nett
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1st Eng.	1,335	45	111	64	1,511	8	835	2,346	3,127	31,275	86	9,000	90,000	90,000	247	14,022	168,264	115,144	316

Notes

* Overtime is calculated at 1.25 the normal hourly rate based on a 48 hour working week and a maximum working week of 72 hours (ref: MLC A2.3.5(a) and B2.2.2) hence 104 hrs OT.

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Exchange rates: 1 AUD / 0.75 USD

Inquiry into a Sustainable Intrastate Shipping Industry

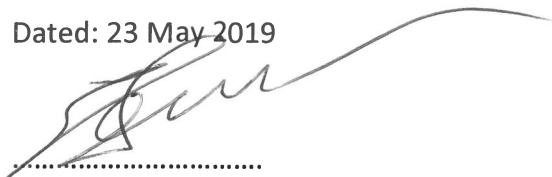
Statement of Reservations by LNP Members of the Transport and Public Works Committee

Due to budget limitations, the Committee members' travel arrangements to far northern locations such as Weipa and Thursday Island were unfortunately curtailed. This prevented first hand inspection of port facilities as well as limited the engagement opportunities with key stakeholders.

It is recognised that a competitive coastal shipping industry is fundamental to regional economic development. Accordingly, any move to restrict competition would inevitably lead to increased freight costs - which would adversely impact local communities. It should be stressed that advocacy by the Trade Union movement for the introduction of additional protection measures has the potential to impede productivity and therefore, it should be avoided.

It is noted that the Committee's recommendations to the Minister for Transport and Main Roads are quite broad, leaving considerable scope for the Labor Government to cater to Union requests for greater restrictions on international workers. It is submitted that Queensland needs an efficient, effective and sustainable intrastate shipping industry and being internationally competitive is key to this objective.

Dated: 23 May 2019

A handwritten signature in black ink, appearing to read 'Ted Sorenson', written over a dotted line. The signature is fluid and cursive, extending to the right.

Ted Sorenson

Member for Hervey Bay