



20 August 2015

Committee Secretary
Senate Standing Committees on
Rural and Regional Affairs and Transport
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Dear Sir/Madam

PROPOSED SHIPPING LEGISLATION AMENDMENT BILL 2015

SeaRoad is a major Tasmanian employer and is one of three Australian owned Bass Strait shipping operators who provide an essential service in connecting Tasmania with mainland Australia. As such the future of our industry environment is critical to the continued provision of Bass Strait domestic shipping services.

The Federal Government is proposing a major restructure of existing coastal trading regulations. Some of the changes are positive however the controversial parts of the proposal concern Bass Strait. In our view these specific changes will have a detrimental effect on the serviceability of the daily domestic Bass Strait shipping services.

Bass Strait

The proposed *Shipping Legislation Amendment Bill 2015* does not view Bass Strait domestic shipping as sufficiently different from the general Australian coastal shipping environment to warrant separate consideration.

There is a lack of acknowledgement that Bass Strait is in effect a state border between Tasmania and the rest of Australia. To treat Bass Strait as no different from mainland Australia ignores the dedicated daily service provided by SeaRoad and the other two existing domestic Bass Strait operators, Toll Shipping and TT-Line.

We argue that there is no justification for the removal of cabotage on Bass Strait because international operators already provide direct services to and from Tasmania.

Our concern is that the proposal jeopardises the continued viability of the existing domestic operators and their service offering. Bass Strait deserves the preservation of the current regime to ensure the continuation of dedicated daily services.

The removal of cabotage on Bass Strait is unlikely to provide any improvement in the reliability and frequency of Tasmanian domestic shipping services. Whether it has an impact on Tasmanian shipping rates will be determined by the cost impact on the existing market. If there is a reduction in daily services to Tasmania, pricing may have to increase to cover the fixed cost of infrastructure.

Shipping Investment

A major positive from the coastal shipping legislation introduced in 2012 was the recognition of the need to encourage investment by Australian businesses in Australian shipping.

SeaRoad has availed itself of this initiative to secure our long-term commitment to Tasmania by entering into a contract to build the first of two purpose-built new vessels to service Bass Strait. SeaRoad's investment is in excess of \$100 million for the first vessel, which is expected to commence operations in Australian waters from late 2016. The vessel will be Australia's, and the world's, first 'green' general cargo ship powered by LNG. For the Committee's information, please refer to the attached article that provides more information about our investment in Australian shipping.

Financing has been secured with the ANZ Banking Group partnering with a German government owned development bank and an Export Credit Agency.

Central to these negotiations was the positive understanding that the Australian Government was actively promoting a reinvigoration of Australia's maritime industry by encouraging direct investment.

The proposed legislation will jeopardise this position and is likely to severely impact our current ship replacement plans. It is crucial to our funding arrangements, Tasmania's future and Australia's credibility on the world stage that the legislation acknowledges that the current regime be preserved on Bass Strait.

Cabotage in the case of Bass Strait has been instrumental in allowing for dedicated and regular shipping services between Tasmania and mainland Australia. The removal of cabotage will:

- Only benefit foreign shipping interests;
- Diminish or worse, remove, dedicated domestic operations;
- Will hinder rather than foster future investment/reinvestment strategies;
- Reduce certainty and consistency of the existing domestic services; and
- Is likely to force upward pressure on pricing

It is worth noting that the 2012 Shipping Reform legislation did not increase the cost of providing coastal RORO shipping in Bass Strait.

We have provided commercial-in-confidence information in previous submissions to Government on this topic. We are prepared to meet and discuss with the Senate Committee on any specific aspect of our coastal shipping operation and to provide the Committee with a fuller insight to the critical part that cabotage plays in preserving essential daily services across Bass Strait.

Yours sincerely

SeaRoad Holdings Pty Ltd

Michael Easy
Managing Director/CEO

Att.



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ANCHOR

SEAROAD'S NEW 'GREEN SHIP'
COLLISION COURSE: WHALE STRIKES
POLAR CODE SAFETY CONCERNS
NEW NATIONAL PLAN

MEMBER NEWS

SEAROAD INVESTS
IN AUSTRALIA'S
FIRST 'GREEN SHIP'

SeaRoad has demonstrated its commitment to Australian shipping by securing an agreement with German shipyard Flensburger Schiffbau-Gesellschaft to construct the first of two new vessels to augment its Bass Strait fleet. Delivery of the innovative LNG-powered 180 metre long vessel is planned for late 2016/early 2017.

BACKGROUND

SeaRoad was established in 2007 by a consortium of business owners with strong links to Tasmania. The opportunity to acquire the business arose when the Australian Competition and Consumer Commission (ACCC) mandated the previous owners Toll Holdings Limited to divest the Bass Strait operations that were acquired as part of its 2006 takeover of Patrick Corporation Limited.

SEAROAD'S FLEET EXPANSION

SeaRoad's objective is to become Bass Strait's freight supplier of choice. SeaRoad's Managing Director, Michael Easy says that "post 2007 SeaRoad has grown the business to a level that demands it replace and upgrade its fleet". This will be done through the acquisition of two specialist Roll On-Roll Off (RoRo) vessels in a progressive replacement and upgrade of its existing fleet.

The new vessel will be able to carry in excess of 400 TEU, which is significantly larger than either of the two existing vessels, *Searoad Mersey* and *Searoad Tamar*. The intention is for the new vessel, which is yet to be named, to replace *Searoad Mersey*, which has been the workhorse on Bass Strait since it was commissioned in 1991. This will increase the TEU capacity of the combined fleet by more than 50%; SeaRoad's capacity for cars will increase by more than 80%.

The new vessel will continue in service with *Searoad Tamar* pending the arrival of a second new ship at a later date.

DESIGN PROCESS

Designing a ship is not an overnight task, particularly when looking at a purpose built vessel to operate on Bass Strait. SeaRoad began working on the ship design in 2009 with the ship project team embarking on an extensive process to determine the appropriate requirements for replacement RoRo vessels.

The team assessed design criteria in the following areas:

- Navigation
- Hull
- Engine
- Accommodation
- Fuel
- Cargo Handling and
- Stevedoring



The following requirements were also considered:

Design requirements

Length	Length of approximately 180m to fit within SeaRoad's dedicated berth at Webb Dock
Depth/Draft	Maximum draft of 6.35m to operate in Webb Dock
Deck Heights	Capacity to double stack 3.19m (10' 6") containers on a cassette
Deck Strengths	Ability to carry up to 100 tonnes per cassette
Twin Screws	Allow manoeuvrability in port
Ship Ramps	Ability to meet SeaRoad requirements at both Webb Dock and Devonport
Dual Fuel Engines	Ability to operate across Bass Strait using LNG

The combined input was used to develop a Baseline Specification that formed the basis of a request for expressions of interest from a large number of internationally recognised shipbuilders. A UK broker and a Danish-based broker were also engaged.

SeaRoad identified three preferred shipbuilders from the responses, two from Western Europe and the third in Asia. Each was asked to provide detailed designs based on the Baseline Specification.

Two of the resulting designs satisfied all relevant domestic and international regulations and requirements applicable to this type of vessel operating in Australian and International waters.

SUCCESSFUL SHIPBUILDER

Pre-eminent German shipyard Flensburger Schiffbau-Gesellschaft (FSG) has been chosen to construct the LNG fuelled RoRo vessel. FSG is the world leader in RoRo design and construction.

"This liner shipping service will be of vital importance in supplying Tasmania with its basic essentials. We are very proud that SeaRoad has chosen us and that our ideas have prevailed over those of international competitors" said FSG Managing Director, Peter Sierk.

SeaRoad's decision to develop a brief with mandatory parameters rather than a finished design enabled FSG to provide innovative solutions showcasing some of the latest maritime technologies in a vessel that will be purpose built for the rigours of Bass Strait. Other factors in the choice included a superior hull form and competitive commercial arrangements.

Construction is scheduled to start at FSG's shipyard in Flensburg in September 2015.

Ship specifications

Vessel type	Pure RoRo Cargo
Flag	Australian
Builder	Flensburger Schiffbau-Gesellschaft
Hull No	768
Length	181.52 metres
Beam	26.6 metres
Draft	6.3 metres
Deadweight	7,980 tonnes
Gross Tonnage	25,500 GT
Speed	20.5 knots
Main Engines	2 x Dual Fuel MAK 8 M 46 DF engines
Auxiliary Engines	2 x Dual Fuel MAK 6 M 34 DF gensets
Bow Thruster	2 x 1,000 kW
Primary Fuel	Liquefied Natural Gas LNG
Secondary Fuel	Marine Diesel Oil
Cargo	450 TEU carried as Containers on Cassettes, Skeletal Trailers and Semi-Trailers in enclosed decks, Mobiles, Cars and other Wheeled Cargo.

BENEFITS FROM UPGRADING FLEET

Increasing vessel capacity by more than 50% will allow SeaRoad to meet growing customer demands. The particularly flexible cargo carrying capability will enable the new vessel to transport containers, trailers and cars as well as hazardous goods and live animals.



Additional benefits include:

- Ability to accommodate higher and heavier loads
- Faster loading and unloading
- Improved scheduling to benefit time-sensitive cargo
- Faster voyage time allowing for longer duration in port
- More efficient hull design
- Fuel efficiencies from LNG

LNG FUEL SYSTEM

The new ship will be powered by environmentally-friendly LNG – liquefied natural gas – rather than by marine diesel or heavy fuel oil. SeaRoad's decision to opt for LNG reflects an acknowledgement of its environmental responsibility and the ecological sensitivities of the region, despite the significantly higher capital cost of machinery, fuel tanks and fuel management systems.

"Liquefied natural gas propulsion makes the new ship a 'green ship'. LNG operations are currently the cleanest fuel combustion process in existence" said Michael Easy, SeaRoad's Managing Director.

The new fuel systems will provide lower emissions than conventional fuel engines. By using LNG, exhaust emissions will contain 30% less carbon dioxide, 95% less particulate matter, 95% less nitrous oxide and 100% less sulphur compared with engines of the same size burning fuel oil.

The ship project team spent considerable time researching alternative fuels to deliver energy and emission efficiency gains in the new vessel designs. The design specifications provided to shipbuilders incorporated the capability to be powered by

dual fuel engines. It was a requirement that heavy fuel was not to be used; the primary fuel to be LNG with diesel being the secondary fuel.

Australia has significant reserves of natural gas and the need to re-tonnage presented the ideal opportunity to invest in the most advanced, environmentally responsible technologies suitable for this type of vessel.

A key design feature of the new vessel is the inclusion of a portable LNG fuel tank system, which has been approved by SeaRoad's appointed classification society, Det Norske Veritas.

Benefits of the new fuel system include:

- Lower annual fuel costs with corresponding reduction in fuel surcharges for customers
- Cargo space maximised
- Greater certainty of fuel supply longevity
- Flexibility to burn either LNG or diesel
- Reduced exposure to international oil prices and FX rates since LNG will be sourced locally in \$A.

South-eastern Australia has a significant supply of readily available LNG with facilities located in Dandenong, Melbourne and Westbury, northern Tasmania. Both locations are situated near SeaRoad's shipping terminals.

SeaRoad is of the view that, over the medium term, Australia may follow areas of Europe to ban the use of heavy fuel in coastal areas. This would mean that ships would need to use significantly more expensive low sulphur fuel within a set distance from the coast. Neither SeaRoad Mersey nor SeaRoad Tamar allow for a shift from one type of fuel to another mid-passage.

DIRECT WATERFRONT ACCESS

Located within the AMC in Henderson WA, directly adjacent to the CUE, and at Williamstown within the Port of Melbourne, we offer docking services as well as fabrication facilities and unobstructed waterfront load-out.

Contact au.resourcesinfo@baesystems.com to discuss your requirements.

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DEFENDING THE WORLD

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