Coalition Senators' Dissenting Report

1.1 The Coalition strongly supports Australia's shipping industry and recognises that coastal shipping is integral to Australia's freight network.

1.2 Coalition Senators support constructive measures to revitalise the shipping industry and increase the number of Australian flagged vessels, with dwindling numbers currently standing at only 22 ships. However, after consideration of the government's five shipping reform bills, we are concerned that these bills will fail to meet their proposed objective of revitalising the Australian coastal shipping industry.

1.3 The recommendations made by the Committee do not adequately address additional issues raised by stakeholders at the hearing. Further flaws are highlighted below that have not been addressed in the Committee's recommendations.

Significant increase in costs and regulatory burden for users of coastal shipping

1.4 A number of submitters to the inquiry expressed concern over the level of additional expense and red tape that will be imposed on the coastal shipping industry as a result of these bills, with a particular focus on the proposed three tier licensing regime. Many labelled the proposal as inflexible and impractical.

1.5 As the current system stands, non-Australian flagged vessels can be granted permits to operate single and continuous voyages in Australian coastal waters. Under the proposed regime, Australian flagged vessels will have unrestricted access to coastal trade; and foreign vessels can be granted a year-long temporary licence to operate.

1.6 According to a report prepared by Deloitte Access Economics, which was commissioned by the Cement Industry Federation, foreign vessels operating on single and continuous voyage permits make up about thirty per cent of coastal shipping.[1] This report also found that the new scheme will increase shipping costs and freight rates by up to 16 per cent.[2]

1.7 In its submission, Sucrogen Australia Pty Ltd stated that an increase in the cost of coastal shipping would force offshore trading within the molasses market.[3] Other submitters gave similar evidence that this suite of bills would impose significant downstream economic impacts on industries reliant on coastal shipping trade, which will have a detrimental impact at a time when the Australian manufacturing industry is

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1 Deloitte Access Economics, 'Economic Impacts of the proposed Shipping Reform Package,' February 2012, p. iv.

2 Deloitte Access Economics, 'Economic Impacts of the proposed Shipping Reform Package,' February 2012, p. iii.

3 Sucrogen Australia Pty Ltd, *Submission 14*, p. 1.

struggling with the high Australian dollar, weaker global demand and the imminent Carbon Tax.

1.8 The proposed scheme also requires parties seeking a Temporary Licence to carry out a minimum of five voyages per year.[4] Caltex argued that the minimum voyage requirement is not practical or reasonable and suggested that this could reduce transparency within the industry, by encouraging shippers to include bogus voyages in their applications to meet the licensing requirements.[5]

1.9 Representatives from seasonal industries such as the Fertiliser Industry Federation of Australia gave evidence to the Committee that the proposed three tier licensing regime would not provide the industry with the necessary flexibility required to transport seasonally demanded goods.

1.10 Submitters from the fuel industry also expressed concern over the inflexibility of the proposed licensing system, stating that it will impact the security of Australia's fuel supply:

> It is critical the hydrocarbon sector is able to quickly divert cargos to meet changing supply and demand levels to maintain Australia's energy security. These occurrences may take place within a 24 hour period after a vessel has departed and the Bill currently has no provision for meeting this need.[6]

1.11 Coalition Senators are concerned that the proposed licensing scheme will prove costly and burdensome for industry, with the consequence being higher costs and reduced competition and transparency for both the shipping industry and manufacturers and producers.

The Bills will fail to revitalise the Australian shipping industry

1.12 The Government has stated that the purpose of the new scheme is to revitalise the Australian shipping industry by stimulating growth in the number of Australian ships on our coast and maximise the use of Australian flagged vessels, however Labor has failed to demonstrate how the new scheme will achieve this.

1.13 It is of particular concern to Coalition Senators that officials in attendance at the hearing from the Department of Infrastructure and Transport avoided confirming that the bills will actually revitalise the Australian shipping industry and preferred to refer to the bills as "a good investment platform"[7] stating that they expected "some" pick up in the industry.

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4 Committee Report, paragraph 4.23.

5 Caltex Australia Limited, *Submission 16*, pp 7–8.

6 BP Australia Pty Ltd, *Submission 11*, p. 2.

7 Department of , *Committee Hansard*, 15 May 2012, p. 5.

1.14 Coalition Senators recognise the Committee's positive recommendations that an independent body be established to monitor the progress of the bills and that the compact between industry and unions is finalised before the suite of shipping reform bills are proclaimed. However, these recommendations do not address the higher costs and regulatory burden these bills are likely to impose on industry, nor do they go far enough to address the need for a root and branch review of coastal shipping practices in Australia, which we believe can only be effectively achieved through referral to the Productivity Commission.

1.15 Based on the reasons outlined above, Coalition Senators recommend that the Senate does not pass these bills.

Recommendation 1

1.16 That the Senate does not pass these bills.

Recommendation 2

1.17 That a Productivity Commission inquiry be undertaken in relation to coastal shipping in Australia.

Senator David Bushby
Deputy Chair