



---

## FREIGHT AND LOGISTICS COUNCIL OF WESTERN AUSTRALIA

---

Coastal Trading  
Department of Infrastructure and Regional Development  
GPO Box 594  
Canberra ACT 2601

Dear Sirs

### **Coastal Shipping Reforms**

#### *Overview*

The Freight and Logistics Council of Western Australia (the Council) would like to take the opportunity to respond to the Department's recent Discussion Paper on Coastal Shipping Reforms. In summary, the Council's position is one of support in principle for the proposed reforms and the associated seafarer training options.

#### *Background*

Its long coastline, together with its distance from eastern seaboard markets and suppliers, gives Western Australia a unique dependence on coastal shipping. For this reason, industry and Government in this State have always taken a strong interest in the Federal policy that sets the context for Australian coastal shipping.

The Council, which comprises senior decision-makers from industry and Government and is charged with providing the State Minister for Transport with independent advice on strategic policy issues, has made related commentary on national coastal shipping policy since its establishment in 2009.

#### *Proposed Reforms*

The proposed reforms do not impact the basic structure of the current regulatory regime, but rather seek to make its application more effective. The reforms look to make associated regulations more flexible and less onerous for those who wish to use coastal shipping in this country. This objective should be met in large measure by the amendments proposed.

The Discussion Paper also canvasses a number of seafarer training options that could be progressed as part of the broader package of reform. The Council views these as critical. The high level of port activity along Western Australia's coast highlights the need for local maritime skills in key areas such as towage, pilotage and Harbour Masters. The steady and longstanding demise of the Australian shipping industry has put the local supply of these skills in jeopardy.

### *Commercial Considerations*

For international companies such as Alcoa, the movement of product on the coast is an essential component of the overall Australian operation. However, such companies have alternative overseas options for the provision and refining of their products and so the cost of production in this country is under constant review vis-à-vis overseas alternatives. Coastal shipping cost is a critical element in local production viability overall. Alcoa is bound under the present regulatory regime to use an Australian vessel to move its product if one is available, but the associated cost can be over twice that of a foreign vessel. The magnitude of such discrepancies could ultimately be the difference between the Company continuing to operate in this country and it going offshore, with all of the economic implications for the nation such a decision might bring. The situation suggests the value of not only considering the impact of higher coastal shipping costs on companies' overall operational viability, but also a means of confirming the basis of pricing by Australian shipping operators protected by the regulatory regime.

The proposed reforms are also relevant to the container and break-bulk trades from a Western Australian point of view. The inflexibilities and cost imposts associated with the present regulatory requirements preclude a number of interstate movements by sea, especially those going east. If coastal shipping was more accessible and cheaper, it would provide a useful and competitive alternative to land-based modes, with associated benefits flowing to this State's businesses and consumers. The present requirement to pay crews on foreign vessels carrying coastal cargo the equivalent of Australian crews irrespective of the quantity of the coastal cargo is a particular impost.

### *Future of Australian Shipping*

From the viewpoint of a number of critical considerations, strategic, economic, infrastructural and environmental foremost among them, it is in Australia's national interest to maintain a sustainable domestic shipping industry that at the least provides an acceptable coastal service when required. The proposed seafarer training initiatives, while of good intent, fall short of this objective. The reality is that the domestic shipping industry in this country is so small in current-day terms, that any initiatives reliant on its support are problematic. A broader and more strategic approach is required. During the longstanding national discussion on domestic shipping reform, various suggestions have been made as to how berths can be provided for local seafarers on an ongoing basis despite the general industry decline. Innovation is still required with basic manning, structural and administrative issues. Opportunities for mixed foreign/Australian crews on local vessels and tax breaks for Australian seafarers training on foreign vessels, for example, should each be examined.

### *Conclusion*

The proposed regulatory reforms and training initiatives are worthwhile and are supported by the Council. However, it is in the national interest to halt the long-term demise of the Australian maritime skill base and similar attention should be given by Federal policy makers to steps that will have this outcome.

The Council would be pleased to elaborate on any of the points made here.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Nicole Lockwood". The signature is fluid and cursive, with a long horizontal stroke at the bottom.

Nicole Lockwood  
Chair  
01 /05/2017