

**Submission to:**

# **Victorian Coastal Shipping Review**

**CENTRE FOR SUPPLY CHAIN  
AND LOGISTICS**

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PREPARED BY THE CENTRE FOR SUPPLY CHAIN AND LOGISTICS, DEAKIN UNIVERSITY  
FACULTY OF SCIENCE, ENGINEERING AND BUILT ENVIRONMENT



# Victorian Coastal Shipping Review

Submission to:

Victorian Ports Strategy – Coastal Shipping Review

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## Introduction

Despite the significant increase in the Victorian freight task in recent years, coastal shipping calls at Victorian ports are declining, consistent with national trends. The Government believes the decline in coastal shipping has resulted in a greater reliance on road and rail and a commensurate adverse impact on our land transport networks and the cost of goods. Coastal shipping needs to have the opportunity to compete with other modes and provide the opportunity for a vibrant maritime sector providing job opportunities for Victorian seafaring labour and other maritime related employment opportunities.

The review needs to consider:

- What the factors are that have led to a reduction in coastal shipping in Victoria
- Whether cross-jurisdictional differences are leading to a decline in the Victorian coastal shipping task
- What opportunities exist for coastal shipping to provide a greater contribution to the Victorian freight task by reducing road and rail congestion and managing future freight demand
- Whether changes are required to Victorian legislation to remove regulatory impediments or reduce costs for coastal shipping
- What other initiatives could be considered to support the expansion of the coastal shipping task
- How greater support can be provided to Victorian seafaring labour and other maritime related employment opportunities
- How the Victorian Government can work with the Commonwealth to improve the national coastal shipping framework

The Centre for Supply Chain and Logistics (CSCL) at Deakin University, whilst not a stakeholder with direct involvement in Australian shipping, believes it has the knowledge and expertise to offer valid inputs into the review

CSCL at Deakin University, is a specialist applied research, education, capability development and knowledge exchange Centre, with more than 10 years' experience, and our team includes senior executives from the shipping industry. CSCL prides itself on delivering practical customised solutions that help government, industry and community stakeholders think differently about supply chains and logistics to foster better decision making.

CSCL serves a wide range of private and public sector clients throughout Australia and the Asia Pacific region. It provides independent advice and objective tested research and all of the Centre's activities are underpinned by the diverse and extensive expertise of its people and partners, including senior academic, government and private sector managers.

# The role of shipping in the supply chain

CSCL believes that shipping is an integral, cost effective and sustainable part of the supply chain. Australia is an island nation with vast differences between population centres. More than 85% of the population lives within 50 kilometres from the coast. Ports are gateways to and from these population centres and should be utilised more to transport goods. Our main export commodities such as iron ore, coal and grain are transported in bulk ships. The vast majority of the Australian freight moves within a few hundred kilometres of the eastern seaboard coastline

Road-based transport has received a disproportionate amount of infrastructure funding which has provided it with advantages over rail and sea-based transport. Emphasis on solving the domestic transportation issues has often led to sub-optimal outcomes in the movement of freight in the supply chain. A holistic view of the supply chain should drive investment in infrastructure including ports and inland linkages to meet the needs of importers/exporters and domestic customers. The *Victorian Coastal Shipping Review* offers the opportunity to reform the current regime to ensure shipping services takes its rightful place in the movement of the, ever increasing, freight task around the country and undertake it in a cost effective and environmentally sustainable manner. Whilst a number of the comments below are related to Federal Government legislation, CSCL believes that State Governments are in a position to influence the Federal Government's thinking and more importantly have the ability to influence port owners within their jurisdictions. It should be noted that the Queensland Government recently completed an *Inquiry into a Sustainable Queensland Intra-state Shipping Industry* in order to establish whether there are opportunities for the Queensland Government to encourage the transportation of more freight by ship.

Whilst most major international Victorian ports are privatised, the Victorian Government still has the ability to influence their behaviour through having adequate oversight of these ports as well as enabling State owned entities such as the Victorian Ports Corporation (Melbourne) and the Victorian Regional Channels Authority to use their influence in facilitating coastal shipping. Tasmanian imports and exports flow almost entirely through the Port of Melbourne, consequently an efficient shipping link is vital for the Tasmanian economy.

## Responses to the Review

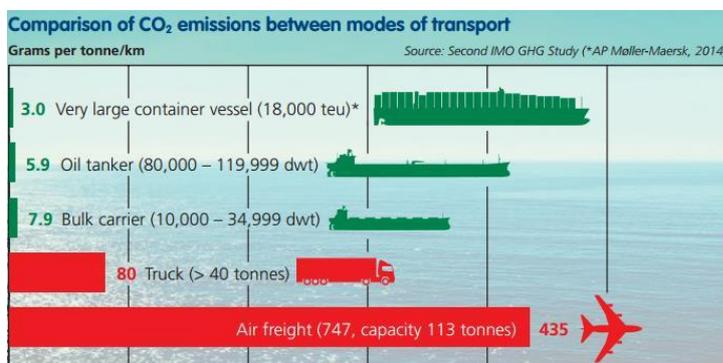
CSCL would like to offer the following comments, recognising that some of these are subject to Federal legislation and deal with the issue of increasing the use of Australian flagged vessel in coastal and international trade.

- **New investment in Australian ships and building a maritime cluster in Australia**  
New investment in Australian flagged vessels is essential and a favourable investment strategy (including appropriate tax breaks) should be developed by the Federal government. A review of seafarer's remuneration in line with a general review of the current fiscal regime for vessels will assist in this process. Currently there are only 14 Australian flagged vessels left and a small number a foreign flagged vessels with Australian crews. To maintain (of what little is left) and expand a maritime cluster of associated industries with shipping such as vessel charter, insurance, crewing, provisioning, legal services etc. there needs to be a larger fleet of Australian flagged vessels. These clusters could be established in cities such as Geelong and Melbourne which traditionally have a shipping background.
- **Interaction with other modes of freight transport, non-freight shipping and government shipping**

Shipping (coastal or ocean going) is an integral, cost effective and sustainable part of the supply chain and should be given the attention it deserves to flourish. The general public seems to suffer from 'sea blindness' not realising that 90% of the world trade is shipped around the globe and 'modern global supply chains' would not exist without shipping. Interaction with other modes of freight transport (such as road and rail) is vital to ensure good arrive at their destination in a timely and cost effective manner. The cruise industry in Australia is booming and whilst most of cruise vessels visiting Australia are foreign owned and flagged this trade is important for the industries associated with this activity and offers many employment opportunities and enhance the establishment of 'maritime clusters'. Naval and Border Force agencies are a vital part of shipping and should be given appropriate resources to maintain at a level of alertness required to protect our coastline. Ports play a vital role in facilitating vessels of all kinds to visit our shores to conduct trade or other activities and should act responsibly to ensure they do not stifle (by non-competitive pricing) these activities and offer encouragements (i.e. lower wharfage rates) to facilitate coastal shipping

- **Environmental sustainability**

Ships are very efficient for moving large amounts of freight over long distances (albeit slowly), both in cost and in the amount of greenhouse gases (GHG) they emit per tonne/km. Ocean freight is used extensively for the movement of bulk commodities, such as coal, iron ore (e.g., Port Hedland in the Pilbara, the world's largest iron ore export port exports nearly 500 million tonnes of iron per year), liquid bulk and agricultural product and containerised manufactured goods.



Ships currently use heavy fuel, which is at the bottom end of the refining process of crude oil, but this is no longer sustainable. To manage the ever-increasing volumes of goods being moved around the world (and associated increase of emissions) the International Maritime Organization (IMO) and its member states have agreed to reduce the sulphur content (presently at levels as high as 3.5% by mass in heavy fuel) to be capped at 0.5% by 2020. Furthermore they have agreed that a reduction of GHG of 50% by 2050 or earlier. This will ensure that shipping remains one of the most environmentally friendly movements of goods.

- **Port infrastructure, port services and port fees and charges**

Ports are a vital part of a trading nation, especially in Australia where 99% of trade takes place by sea. A port is where the mode change occurs, from one mode (land) to the other (sea). To ensure this mode change can occur efficiently and cost effectively ports need to act responsibly in their pricing and charging policies. A number of ports in Australia have recently been privatised and there seems to be little oversight on their pricing mechanisms since privatisation. This has resulted in recent steep increases in charges levied by port companies and other port users operating in this environment. Most ports operate in a monopoly and they should not be

able to abuse this position consequently oversight by the responsible governmental agency is required. It is noted that the Victorian Government has asked the Department of Transport to commence a review into infrastructure charges, pricing and access to and from the Port of Melbourne. CSCL commends the government on establishing this review and believes that it has the ability to influence the pricing and access to port infrastructure. A differential pricing system could be established for vessels carrying coastal cargo.

## Conclusion

Shipping is vital to the economy of Victoria and Australia in general and the right decisions have to be made by the Federal and Victorian Governments to ensure that shipping is a viable and cost effective alternative to road and rail based means of transportation. Our competitiveness in global markets relies on an effective shipping policy. It should be incorporated into the *Victorian Ports Strategy* and should form part of the *National Freight and Supply Chain Strategy* which is currently being developed by the Federal Government.

CSCL believes that a concerted effort is required to encourage Australian industries and service providers to see the value of and integrated sea-based operating supply chain. Currently there seems to be a general lack of buy-in by most stakeholders.

CSCL appreciates the opportunity to make further comments on the inquiry and would like to have the opportunity to discuss our submission with Garry Button, CEO Freight Victoria. CSCL is also available to provide research to Freight Victoria and the Department of Transport on these issues or other related topics if required.

Yours sincerely

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