Cement Industry Federation Submission:
Freight Victoria Coastal Shipping Review

July 2019
Thank you for the opportunity to provide a submission to the Victorian coastal shipping review being undertaken by Freight Victoria on behalf of the Victorian Minister for Ports and Freight.

1. Background

The Cement Industry Federation represents all Australian manufacturers of integrated cement and other cementitious products. Over 1,300 people are directly employed with thousands more involved in the downstream production and distribution of concrete. Australian sales of cement materials are around 10 million tonnes, with CIF member companies reporting an annual turnover in excess of $2.2 billion.

Australian cement manufacturers rely on coastal shipping to move their inputs and final products for further manufacturing and for sale. Other transport modes are usually not an option due to the regional locations of the cement plants and the relative cost of moving high volumes of product. In Victoria, cement manufacturers rely on coastal shipping into the Port of Melbourne and Geelong, to deliver key inputs for further manufacturing and final products that are required to support the state’s key infrastructure projects in terms of building and construction.

For future port planning requirements, coastal shipping with landside facilities should always be considered together due to their dual economic, logistical and environmental importance.

2. Review Scope

Freight Victoria has requested comment on the following questions as part of its review of coastal shipping:

❖ What are the factors 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?
❖ How the Victorian Government can work with the Commonwealth to improve the national coastal shipping framework?
3. Key Recommendations

❖ That Freight Victoria and the Victorian Government continue their strong support of the Port of Melbourne and Geelong Port coastal shipping and landside facilities that are currently used by the Australian cement industry. Without port and landside facilities, coastal shipping would not occur. Retaining a working port in Melbourne and Geelong that includes landside facilities for the inward movement of cementitious products enables domestic manufacturers to transport important inputs and products directly to market efficiently in terms of cost, reducing road congestion and having the least impact on the environment.

❖ Note that Australian manufacturers create the majority of the demand for coastal shipping in and out of Victoria, of which cement is a key contributor. Other transport modes are not usually an option for the cement industry due to the high volume of product transported in the first part of the supply chain. As a result, manufacturing plant closures in Victoria and other states have continued to impact on the size of the overall coastal shipping task in Australia, especially over the last decade.

❖ Based on cost and logistical efficiency grounds, it is requested that the Victorian Government support minor amendments to the Federal Coastal Trading Act 2012, as documented in this submission. Until some of these restrictive legislated requirements are made more flexible, the decline in Australia’s coastal shipping task is unlikely to be arrested. Any unnecessary intervention placed on coastal shipping creates a direct cost impost on Australian manufacturers.

4. Important coastal shipping facts

❖ Without domestic manufacturing there would be little demand for moving ‘bulk freight’ around Australia’s coastline by sea as depicted in Figure 1.

![Figure 1: Australia’s Coastal Shipping Freight Task](image)

❖ Goods directly exported from Australia or imported to Australia should not be confused with domestic coastal shipping. Coastal shipping covered under the Federal Coastal Trading Act 2012 is the movement of goods from one Australian state to another and consists of less than 5 per cent of Australia’s total shipping task. The Coastal Trading (Revitalising Australian Shipping) Act 2012 [Coastal Trading Act 2012] does not extend to intrastate trade.

❖ The Coastal Trading Act 2012 aims to ensure seafarers involved in coastal shipping are covered by the Seagoing Industry Award 2010 – either Part A or Part B of the award conditions.

❖ As it continues to cost more to move products from one Australian state to another than to transport bulk products directly from Asia, the CIF proposes some minor reforms to the Coastal Trading Act 2012, as discussed in this submission.

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1 BITRE (2018)
5. CIF Response to questions relating to the Freight Victoria Coastal Shipping Review

5.1 Impact of Australian manufacturing closures on the overall coastal shipping task

Australian manufacturers create the majority of the demand for coastal shipping into and out of Victoria and other Australia states, of which cement is a key contributor. Other manufacturing industries that contribute to the overall coastal shipping task in Australia include aluminium, steel, fertiliser, petroleum, sugar, plasterboard and other smaller manufacturing products:

❖ Iron ore for Australian iron and steel manufacturing;
❖ Bauxite for Australian alumina manufacturing;
❖ Australian manufactured alumina for Australian aluminium manufacturing;
❖ Crude oil (domestic and imported) for Australian petroleum refinement;
❖ Australian refined petroleum products;
❖ Coal for Australian manufacturing requirements;
❖ Cement clinker and gypsum for Australian cement manufacturing;
❖ Australian manufactured cement;
❖ Gypsum for Australian manufacturing, including plasterboard;
❖ Raw sugar for refined sugar manufacturing; and
❖ Australian manufactured fertiliser used by Australian farmers.

As a result, manufacturing plant closures in Victoria and other states have continued to impact on the size of the overall coastal shipping task in Australia, especially over the last decade.

5.2 Minor changes required to the Federal Coastal Trading Act 2012 to support the future competitiveness of Australian (including Victorian) manufacturing

The complexity and ‘red tape’ associated with the Coastal Trading Act 2012, creates a significant financial and administrative impost on the Australian shippers (manufacturers) and other key stakeholders involved in coastal shipping - see Figure 2.

This is a key area where the Victorian Government could work with the Commonwealth to make some ‘common sense’ changes to the Coastal Trading Act 2012. As seen in Figure 2, The Coastal Trading (Revitalising Australian Shipping) Act 2012 creates a tiered licencing system:

❖ Australian flagged vessels operate under a General Licence (GL) which gives them unrestricted access to the coast;
❖ International vessels must operate under a Temporary Licence (TL) which provides restricted access to engage in specific coastal trade voyages for up to one year; and
❖ An Emergency Licence (EL) can also be provided, however, the conditions are so stringent that no ELs have been issued.

GL vessel conditions under the Act are straight forward and are not onerous, whereas TL vessels must apply for a minimum of 5 voyages to be eligible for a TL. These voyages must specify:

❖ The number of passengers or volume to be carried (only 20 per cent tolerance variability allowed);
❖ The expected loading dates (tolerance window of only 5 days);
❖ The type and size of the vessel (if known);
❖ The name of the vessel (if known);
❖ The ports of embarkation and disembarkation (every port visited is a separate voyage); and
❖ whether the cargo contains any dangerous goods.
**Figure 2: The current temporary licensing process for eligible vessels to engage in coastal trading**

- **Temporary licence**
  - Owner, charterer, master or agent of a vessel or a shipper, may apply to the Minister for a temporary licence to enable a vessel to be used to engage in coastal trading over a 12-month period.

- **Application**
  - Must specify the following:
    - the number of voyages, which must be at least five or more, to be authorised by the licence
    - the expected loading dates
    - the kind and volume of cargo expected to be carried (if any)
    - the type and size, or type and capacity, of the vessel to be used to carry the passengers or cargo (if known)
    - the name of the vessel (if known)
    - the ports at which the passengers or cargo are expected to be taken on board
    - the ports at which the passengers are expected to disembark or the cargo is to be unloaded
    - such other information as prescribed in the regulations

- **Minister’s notice**
  - After receiving an application, the Minister must provide written notice to the following:
    - every general licence holder
    - a body or organisation that the Minister considers would be directly affected if the application were granted

- **Approval**
  - The Minister may give a show cause notice to a temporary licence holder if the Minister considers that, having regard to:
    - the number of voyages authorised by the temporary licence
    - the loading dates authorised by the temporary licence
    - the ports at which passengers or cargo are taken on board
    - the ports at which passengers disembark or cargo is unloaded
    - whether the licence has been varied and if so, how many times
    - the provisions relevant to the grant of a general licence

- **Reporting requirements**
  - Temporary licence holder must give to the Department a report of its activities for the year, with a penalty if they fail to comply

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2 Productivity Commission 2014, Tasmanian Shipping and Freight, Report No. 69, Inquiry Report, Appendix C, Canberra – this Appendix as it provides an excellent overview of the current cabotage arrangements in coastal shipping.
Before a TL is granted, the proposed voyages must be made available by the Federal Department of Transport to enable GL vessels first access as the freight provider under certain conditions. This creates an initial in-built delay of a further 48 hours or more and uncertainty around who the final shipping provider may be.

In addition, once granted a licence, notification of certain details about each individual voyage must be provided two business days before loading and a final report on each voyage submitted 10 business days after completion.

Requests to vary licence conditions are common for changes in cargo types or volumes carried, the loading and discharge ports, and/or dates voyages are to be taken. The TL holder is required to lodge an application for a variation before two business days of sailing at a cost of $200 to vary authorised voyages and $400 to vary TLs to include new matters. This can provide further freight movement delays.

The Cement Industry Federation therefore advocates that the Victorian Government, industry and other important state stakeholders would benefit from the following administrative changes to the Federal Government’s Coastal Trading Act 2012:

5.2.1 Remove the five-voyage requirement for a temporary licence (TL)

Currently, Australian manufacturers are required to apply for a temporary licence for a minimum of five voyages under the Coastal Trading Act 2012.

The CIF proposes that a simple change to the Coastal Trading Act 2012 should be supported by the Victorian Government to allow both single and multiple voyages to be included under a temporary licence.

As the current coastal shipping regulatory regime does not allow a temporary licence to be obtained for a single voyage, this policy has led to:

- An unnecessary and costly administrative burden associated with revising paperwork to vary voyages within the initial licence multiple times to manage the commercial reality of moving freight that is not always predictable;

- Ruling out the option to ‘spot hire’ at short notice – for example, one of our members had to apply for a five-voyage licence to move a single shipment of inputs which took weeks to be evaluated; and

- Ruling out the efficient use of international vessels for single voyages at the end of an international voyage or ‘one-off’ shipments.

Removal of the five-voyage requirement would ensure increased flexibility to allow for both single and multiple voyages on a single TL and increase the total coastal shipping task.

5.2.2 Streamline the licencing process where no General Licence (GL) vessels are available

It is currently compulsory to consult General Licence holders and other stakeholders even if it can be demonstrated there are no GL vessels capable of carrying the proposed product.

It is pointless to make it compulsory to consult GL holders and other stakeholders if it can be demonstrated that there are no GL vessels capable of carrying the proposed product.

Removing this requirement would eliminate an unnecessary administrative burden and allow manufacturing supply chains to operate more efficiently.
5.2.3 Streamline the TL variation process

The Coastal Trading Act 2012 currently refers to two types of allowable licence variations:

- ‘Authorised matters’ - a change to a loading date or volume on an existing planned voyage; and
- ‘New matters’ – authorising an entirely new voyage on an existing TL.

The Cement Industry Federation strongly supports replacing these two types of licence variations with a single TL variation provision - and allow only one day for consultations (currently up to two days). This proposed amendment would reduce any dispute that may arise as to whether a change to a voyage is an ‘authorised’ or ‘new’ matter. One of our member companies was recently required to move some freight from one Australian port to another and a vessel was identified having ‘three spare days’ that could be utilised for the voyage. The opportunity was lost as the administrative arrangements surrounding the licencing arrangements could not be processed in time due to Federal legislative requirements under the Coastal Trading Act 2012.

5.2.4 Amend the tolerance provisions

**Loading Dates** - amending the limits for loading dates from 5 to 30 days before or after the authorised loading date on a temporary licence is a critical amendment as the current legislative requirements of the Coastal Trading Act 2012 make it close to impossible to allow for late changes to be made. The current loading provision disregards the needs of Australian cement manufacturers to ensure their inputs and products can be available as required to operate a business efficiently and effectively in Australia.

**Volume tolerance limits** – allowing greater variability would allow our industry to make decisions based around best logistical and business arrangements. The current 20 per cent tolerance limits linked to the current licence process have led to significant breaches of the legislation as they do not reflect industry’s operating model. It is a ‘common sense’ amendment to change the restrictive volume tolerance limits currently linked to the temporary licence framework.

5.2.5 Two tier licence regime

There are currently three tiers of licences: General Licences (GL), Temporary Licences (TL) and Emergency Licences (ELs). Simplifying the coastal shipping framework to incorporate emergency provisions within the GL and TL tiers is a ‘common sense’ change when there have been no EL licences requests since the Coastal Trading Act 2012 came into effect. It makes sense to allow GLs and TLs to be granted in certain emergency situations.

5.2.6 Seafarer training

The CIF supports training initiatives in all industries is fully supportive of new measures to enhance training initiatives for all Australian seafarers. Any changes should be funded directly and be truly transparent. Using different wage structures to fund seafarer training should not be considered as an alternative funding option.

A census of all the maritime workforce in Australia (including Victoria) makes sense to ensure training can be appropriately targeted.

**Further contact**

Thank you for the opportunity to provide the above comments. Further details about the Cement Industry Federation can be found at [www.cement.org.au](http://www.cement.org.au)

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