



26 July 2019

## **Victorian Regional Channels Authority (VRCA)**

### **Submission to Victorian Coastal Shipping Review**

VRCA is pleased to provide a submission to the Victorian Coastal Shipping Review.

VRCA manages the shipping channels into the ports of Geelong and Hastings and provides navigation services into these ports. VRCA employs a number of maritime professionals. The port of Geelong is Victoria's largest dry and liquid bulk port serving both the import and export trade and the port of Hastings is an important gateway for energy and fuel products. VRCA notes that there is considerable latent shipping capacity (both from shipping and berth utilisation perspectives) that would allow greater volumes of coastal shipping to access these ports.

The term 'coastal shipping' is taken to be the shipping on water of cargo emanating from, or departing to, other Australian ports.

The scope of the review will consider 7 identified areas each of which are addressed below:-

#### **1. What the factors are that have led to a reduction in coastal shipping in Victoria**

VRCA considers that a number of factors have led to a reduction in coastal shipping.

Closure of manufacturing facilities - the Alcoa Refinery in Geelong closed in 2014 and previously sourced approximately 400,000 tonnes of alumina per year from the Kwinana (WA) refinery. Alumina was shipped from Kwinana to Geelong primarily aboard MV Lindsay Clark, an Australian flagged and crewed vessel.

Cost - up until 2012 Bluescope Steel in WesternPort shipped approximately 700,000 tonnes per year of steel from Port Kembla to port of Hastings using MV Iron Monarch, an Australian flagged and crewed vessel. The majority of steel from Port Kembla (now approximately 1 million tonnes per year) is currently transported by rail. VRCA understands that rail is cheaper than shipping by sea. Small quantities of steel are shipped due to rail availability and capacity. Bluescope exports steel products from port of Hastings to export markets predominantly in North America.

Other contributing factors include:-

- Lack of back-haul cargo e.g. vessels shipping goods from Geelong to Portland had no return cargo making sea freight comparatively expensive;
- Delay at ports/berths;
- Lack of a suitable tanker berth at port of Portland;

**2. Whether cross-jurisdictional differences are leading to a decline in the Victorian coastal shipping task?**

It is possible that the following broad issues may contribute to a declining coastal shipping task:-

- State specific biosecurity regulations;
- Differing port ownerships models which with private involvement are driving commercial returns rather than strategic outcomes;
- Victorian ports are 'legacy' ports rather than purpose built facilities;
- Differing views on what future type, capacity and location of port facilities are required;

**3. 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?**

VRCA considers that a contributing factor to road and rail congestion is the location of current port facilities relative to the markets that ports service and the fact that the existing commercial ports are all legacy ports. Congestion also results in increased costs for freight adding to the total logistics chain cost for trade utilising coastal shipping.

The port of Geelong predominantly services the Viva refinery and the agricultural sector. The port of Hastings services local industry including Bluescope, United and Esso. Each of these ports is located appropriate to the trades they service resulting in efficient logistics chains.

The port of Melbourne generates the bulk of rail and road congestion related to ports in Victoria as a result of the container and automotive trades. Reducing rail and road congestion will require these facilities to be relocated. Transport networks will need to be planned and built to ensure effective and efficient integration of land and coastal shipping for relocated trade.

**4. Whether changes are required to Victorian legislation to remove regulatory impediments or reduce costs of coastal shipping**

VRCA is not aware of any changes to Victorian legislation that would reduce coastal shipping costs.

Changes to federal legislation may assist in reducing coastal shipping costs:-

- Australia does not provide taxation incentives that encourage ship ownership;
- Australian does not provide income tax incentives for seafarers;
- Less restrictions on foreign seafarers working in the Australian coastal and international sectors;

**5. What other initiatives could be considered to support the expansion of the coastal shipping task?**

Cost is the major impediment to increasing coastal shipping and particularly the cost of labour and restrictive practices negotiated by maritime unions.

Other opportunities for cost reduction:-

- Regulation of privately managed port charges, port services (e.g. towage), channel fees;

- Ensuring that Victoria's ports and shipping channels are planned, developed and funded to handle future generations of ships;
- 6. How greater support can be provided to Victorian seafaring labour**

No comment.

- 7. How the Victorian Government can work with the Commonwealth to improve the national coastal shipping framework**

The Coastal Trading (Revitalising Australian Shipping) Act 2012 does not provide equal access to coastal shipping and seeks to protect Australian flagged and crewed vessels thereby increasing the cost of coastal shipping and in many cases making it uncompetitive. VRCA considers that this Act, it's intent and it's effectiveness needs to be reviewed. This is particularly important for Victoria to ensure the future competitiveness of coastal shipping between Tasmania and Victoria.