

Freight Victoria -  
Victorian Coastal Shipping Review

Submission by CSL Australia



July 2019

## Introduction

CSL Australia (CSLA) is the largest dry bulk shipowner/operator on the Australian coast. A subsidiary of Canadian owned Canada Steamship Lines (CSL), CSLA own and operate a fleet of up to twelve self-unloading bulk carriers, pneumatic cement carriers, standard bulk carriers and transshipment vessels in the Australian coastal region. Over 27 million tonnes of dry bulk cargoes, including cement, clinker, sugar, iron ore, gypsum, mineral sands, magnetite and coal are shipped and transhipped on CSLA vessels for major industry participants on an annual basis. The CSLA coastal and transshipment vessel footprint operates in the federal regulatory regime and consists of four General Licence (Australian flag and crew) vessels and a flexible number of vessels operating under a Temporary Licence.

CSLA are a significant player in the interstate coastal dry bulk shipping market. CSLA vessels transport up to 3 million tonnes of dry bulk cargo from other Australian ports into Melbourne and Geelong every year. This equates to up to 160 calls at Victorian ports per annum. With most port calls lasting on average 2-3 days, there is a CSL vessel discharging in a Victorian port almost every day of the year. The cargoes discharged include cement, fly ash, gypsum, calcite and sugar, and are loaded in Adelaide, Devonport, Gladstone, Thevenard and various Queensland sugar load ports (Mackay, Townsville, Brisbane, Mourilyan).

CSLA's core business is self-unloading bulk carrier vessels. In Australia, this also extends to fully enclosed pneumatic cement vessels. These are environmentally friendly vessels that eliminate airborne dust from cement that is discharged into shore side cement facilities. The multi-user cement facility at Port Melbourne is fed by five of CSLA's pneumatic cement carriers on a regular basis.

This brief submission provides perspective from an Australian ship owner and operator of both Australian and foreign vessels. CSLA can provide general comments relating to the terms of reference specified in the Victorian Coastal Shipping Review due to 20 years' experience undertaking Australian inter-state voyages.

The comments provided herein are general in nature as many aspects of the Victorian shipping industry are heavily impacted by the broader federal coastal trading regulatory regime. Until there is certainty and continuity in policy in the federal regulatory setting, we believe that state-based solutions may be restricted.

## Current coastal shipping regulation & cross jurisdictional differences

There is minimal scope for intra-state dry bulk cargo movements in Victoria, due to the naturally small Victorian coastline, current one-way trade flows into Victoria and limited port facilities other than Melbourne, Westernport, Geelong and Portland. There is therefore little requirement for state-based legislation. The proximity of Geelong, Melbourne and Westernport are not conducive to dry bulk shipping. Road and rail transport between these ports is the most efficient form of transport. The location of Portland in relation to the major hubs of Melbourne and Adelaide does not intrinsically promote intra-state shipping. State based legislation relating to coastal shipping would have little impact on the promotion of coastal shipping over other forms of transport from a dry bulk perspective.

Almost all dry bulk coastal vessels calling in Victorian ports operate under the federal coastal trading regime prescribed in the Coastal Trading (Revitalising Australian Shipping) Act 2012 [CT Act]. Foreign

flag vessels can opt into the CT Act and the associated Temporary Licence system by applying for a Section 12 declaration. This declaration exempts foreign vessels from the Customs Act and provides certainty in relation to customs import provisions if the vessel has foreign crew. In addition, this declaration reduces regulatory and contractual risk associated with utilising foreign vessels on the coast and ensures full compliance concerning payments to foreign crew made under the Fair Work Act in accordance with the Seagoing Industry Award Part B.

Regulation and promotion of dry bulk coastal shipping in Victoria must be aligned with the federal regime and any considered amendments to the CT Act. The Act promotes a competitive shipping industry but also aims to promote Australian shipping, two objectives that are currently at odds due to the operating cost differential between Australian and foreign vessels. Efficient and cost-effective coastal shipping would contribute to the Victorian economy through use of port facilities, port related labour and port-based services (pilotage, tugs, linesman etc). Increasing the number of port calls to Victorian ports by dry bulk vessels, regardless of Australian or foreign flag, would add value to the state economy, and any federal regulatory changes that promote coastal shipping in general will have a downstream positive impact on Victoria.

### Victoria Contribution to Interstate Australian Shipping

From a dry bulk perspective, Victoria is an 'import' state, with most cargoes discharged at Melbourne and Geelong from other Australian ports. Melbourne is a key example of an interstate import port, with up to 3 million mt of dry bulk cargo discharged by CSL operated vessels per annum. The efficient operation of Melbourne port is a key element in the supply chain of many major dry bulk cargo owners. Understanding stakeholder needs and balancing these from a safety, commercial and operational perspective is key. The recent privatisation of some ports in Australia has demonstrated that an increasing commercial focus may result in other key aspects of a port community being lost. This demonstrates the importance of a strong state government presence in the management of ports in Australia to ensure there is a balance between the public interest and shareholder interest while also supporting Australian shipping.

### The Australian Shipping Maritime Skillset

Support from both the state and federal governments is required to maintain an Australian shipping industry that reflects a high-quality skillset of seagoing and port-based personnel in an environment that focuses on safety and quality of shipping and associated support services. The near-coastal sector is one that state governments, can focus on to promote the lower level skillset of marine personnel. Small cargo vessels that operate on very short haul voyages, tugs, and ferries require a lower level of maritime skillset. Conversely, marine pilotage positions require a high level of navigation qualification and seagoing experience. A gap currently exists for marine personnel to move from the lower level, near-coastal skillset, to the highest marine qualification. This gap is widening due to the lack of opportunity and incentive for Australian seafarers to gain the additional experience and qualifications required to become a Master of an ocean-going vessel and a marine pilot. This experience can be gained on international voyages and international vessels, however Australian seafarers have little financial incentive to gain employment on these vessels due to Australian income tax legislation. Many international seafaring nations provide a zero-income tax incentive to their seafarers when working on international vessels. A seafarer tax offset regime would lead to wage levels that would incentivise Australians to gain employment and ongoing experience, together with a qualification in the global shipping industry.

A strong united platform from the Victorian government to encourage entry level seafarers on the Australian coast together with support for a financial incentive for international based Australian seafarers would maintain the current high level of skill and experience that exists within the marine pilotage and port base services sectors today.

### Stakeholder involvement in Australian Shipping policy

All stakeholders should be involved in any change to shipping policy at a state and federal level. The commercial driver of Australian shipping is the level of competitiveness surrounding the operating cost base of vessels and shore-based activities. The end user of shipping services, the cargo owner or receiver, will determine the market for shipping services and the level of tolerance for cost in their supply chain. These stakeholders are essential to shipping policy discussions, together with ship owners and operators, port service providers and maritime personnel.

++

Submission by:

CSL Australia Pty Ltd  
Level 7, 201 Miller St  
North Sydney, NSW 2100