



Cement Industry Federation

SUBMISSION TO THE PRODUCTIVITY COMMISSION: AUSTRALIA'S MARITIME LOGISTICS SYSTEM

February 2022









The Cement Industry Federation

The Cement Industry Federation (CIF) welcomes the opportunity to contribute to the Productivity Commission's review of Australia's maritime logistics system.

The CIF is the peak industry body representing all Australian integrated cement manufacturers.

There are five integrated cement manufacturing facilities in Australia that are owned and operated by Boral Australia Ltd, Adbri Ltd and Cement Australia Pty Ltd - supporting around 1,300 jobs directly and over 20,000 downstream employees and small businesses.

Our cement manufacturing facilities produce critical building materials that underpin Australia's key infrastructure needs.

Australian cement manufacturing is referred to as an 'import-competitive' sector, which means it must keep production costs lower than its international counterparts to remain competitive.

Approximately 60 per cent of total clinker used to produce cement is produced locally, with imports playing an increasing role to support the demand for cementitious products. A key current and future focus is decarbonising the sector whilst retaining its international competitiveness.

Cement demand is closely aligned with the need to create new and maintain existing buildings and infrastructure such as roads, bridges, buildings and housing. When the Australian population increases and there is strong domestic growth, the demand for cement increases.

Cement manufacturing and distribution provides thousands of jobs and critical investment in regional Australia as well as the suburban and industrial areas of our cities.



CIF response to the Productivity Commission Review questions

Australian cement manufacturers are highly reliant on Australia's maritime logistics system. Australian Maritime infrastructure and services are critical for the timely delivery of domestic manufactured cementitious materials and related bulk imports.

The CIF is concerned that the system is underperforming and requests this review investigates:

- Current port congestion issues resulting in unnecessary and expensive demurrage charges and
 other flow-on impacts that are seriously undermining the efficient and cost-effective delivery of goods
 and services. These delays are significant at a number of ports that the Australian cement industry is
 reliant upon and can inhibit our members' ability to meet contractual obligations to key infrastructure
 projects.
- The extensive regulatory burden and related costs being placed on Australian cement manufacturers
 due to the introduction of the Coastal Trading (Revitalising Australian Shipping) Act in July 2012.
 Australian manufacturers are highly reliant on coastal shipping to move their inputs and final products
 around Australia's coastline.
- Biosecurity inspection charges undertaken by Federal authorities should be based on sound cost
 recovery cost guidelines that include principles that ensure any proposed increase in Federal
 Government charges can be validated in terms of being both equitable and transparent. These
 principles are currently not explicitly included in the Federal Government's current cost recovery
 guidelines. Bulk shipping carriers are subject to a cost recovery charge to cover biosecurity inspections
 on arrival into Australian ports.
- There have been suggestions that the Federal Government consider providing financial support for a
 commercially operated 'strategic maritime fleet' to secure key international supply chains. It is
 important the Productivity Commission critically evaluates this proposal, as it is difficult to see how this
 could be a viable proposition based on previous failed attempts. It is certainly not a regulatory impost
 that should be placed on Australian manufacturers reliant on coastal shipping (either directly or
 indirectly).



1. Port congestion and future planning

The CIF is concerned with significant port congestion issues being experienced at many of the domestic ports that our members are reliant upon.

Congestion issues impede the performance of the cement industry to deliver cementitious materials in a timely manner to current and future domestic infrastructure projects.

Concrete (of which cement is a key ingredient) is often referred to as the 'lifeblood' of a construction site. If government and private infrastructure projects are being significantly delayed due to port congestion affecting the supply of building materials, especially concrete, the associated economic costs can be costly – both directly and indirectly.

It is therefore critical that urgent planning and development of Australia's port infrastructure takes place to ensure current and future users have appropriate access and can fulfill contract commitments in a timely and efficient manner.

Failure to reinvest in general bulk terminals is producing ongoing issues with long vessel delays and large demurrage bills for regular users at many ports (collectively millions of dollars annually). It is in the public interest that this critical issue is addressed.

2. Coastal Shipping

2.1 Demand for coastal shipping

The demand for coastal shipping is mainly underpinned by Australian manufacturers, who are required to move large quantities of low value materials to centralised locations for further processing and to market. Without manufacturing, there would be little need for bulk coastal shipping in Australia. Australian manufacturers are dependent on a small number of bulk carriers to transport their materials and final products domestically.

Sea freight is generally recognised as the only feasible means to move this type of cargo as alternative land transport modes are generally impractical due to the volumes involved.

Key manufacturing industries highly dependent of Australian coastal shipping include producers of iron and steel, alumina and aluminium, integrated clinker and cement, plasterboard, fertiliser, lime, sugar and refined petroleum products.

The demand for coastal shipping expands when there is growth in the Australian manufacturing sector.

Over the last 10 years the quantity of bulk coastal shipping freight has remained relatively constant at around 50 million tonnes.ⁱ

2.2 Coastal (Revitalising Australian Shipping) Act 2012

The key objective of the Coastal Trading Act, legislated nearly ten years ago, has been to provide regulatory support to create a coastal trading fleet with Australian seafarers, with the related regulatory impost being passed directly onto Australian manufacturers.

The Federal Government's supporting Regulation Impact Statement (RIS)ⁱⁱ to the legislation identified there would be a significant impact on **coastal shipping user costs** as Australian coastal freight costs represent a significant proportion of their total costs.

In response to the consultation process around this legislation, Australian dry bulk coastal shipping sought to examine the impacts of Australia's coastal trading arrangements on Australia's cement industry. The



CIF found that the Government's own regulatory impact statementⁱⁱⁱ, and a Deloitte Access Economics report^{iv} commissioned by Australian dry bulk shipping users identified significant costs will be faced by Australia's manufacturing and agricultural industries who make up the dry bulk coastal trade.

The CIF opposed the Coastal Trading Act 2012 on the basis that it was not an economic and productivity reform and that the Act:

- Promotes protectionism of Australian shipping without concern for the impact it will have on Australian manufacturing and industry;
- Will significantly impact on Australian manufacturing and industry costs;
- Will encourage foreign product imports over Australian manufactured products;
- Is being incorrectly promoted as an environment and security reform; and
- Provides too much discretion to the Minister which can lead to further instability and uncertainty than the previous arrangements of single voyage and continuing voyage permits.

A diagram of the complex regulatory burden being placed on domestic coastal shipping users can be found in **Attachment 1**.

2.3 Australian cabotage arrangements

Australian coastal shipping is regulated via the Coastal Trading Act using 'cabotage' arrangements that allows the Australian Government the right to give nationally flagged coastal shipping vessels preference over more competitively priced foreign flagged vessels to move Australian products between ports located in Australia. The cost impact of this regulation is borne by Australian users of coastal shipping, namely Australian manufacturers and their customers – see **Figure 1**^v.

Figure 1: Impact of coastal shipping regulation on Australian manufacturing industries



The removal of cabotage has previously been recommended by the Competition Policy Review, the Productivity Commission and the National Commission of Audit.

2.4 Coastal Trading Act is overly complex and not commensurate to the size of the market

Australian coastal shipping is critically important to Australian cement and other manufacturers. However, the administrative cost burden associating with complying with the Coastal Trading Act alone is difficult to justify based on the size of the overall coastal shipping market.

The latest data on size of the major Australian Coastal Trading Fleet can be found in **Attachment 2**^{vi}. It should be noted that the Coastal Trading Act 2012 only applies to vessels that trade interstate, so the



actual number of vessels required to comply to the Act is even smaller than that depicted in **Attachment 2**.

The Federal Department of Infrastructure and Transport has undertaken numerous reviews that identifies the unnecessary complexity and regulatory burden associated with of the Coastal Trading Act 2012. In the 2019 review, submissions on proposed 'pragmatic reforms' were requested.

CIF proposals included:

- Removal of the five-voyage minimum requirement to apply for a temporary licence;
- Streamlining the processes for making changes to temporary licences by creating a single variation process;
- Amending voyage notification requirements so notifications are only required when voyage details have changed from those approved on the licence;
- Amending the tolerance provisions for temporary licence voyages to better reflect industry practice;
- Allowing for temporary licences to be issued in emergency situations;
- Amending the definition of coastal trading to include voyages commencing and concluding at the same port;
- Allowing the coastal trading regime to include ships engaged in dry-docking;
- Amending the definition of coastal trading to include voyages between ports and other defined places in Australian waters such as offshore facilities; and
- Making minor technical amendments to several definitions in the Coastal Trading Act that require clarification to assist with administration.

3. Cost Recovery Guidelines Review

Vessels entering Australian ports with imported goods are subject to biosecurity vessel and other inspection charges. Federal Government authorities are responsible for the application of the <u>Australian Government Cost Recovery Guidelines</u> (the CRGs) to any review of regulatory charging activities.

The CIF proposes that an external review of the CRGs urgently takes place and suggests the principles underpinning the CGGs be expanded to ensure any proposed increase in Federal Government charges are equitable and transparent.

Contact Details

For further information on any of the above comments please contact the Cement Industry Federation:



Attachment 1

Table 5.12 Ships in the major coastal trading fleet, 2018–19

Ship name *	Flag b	('000 tonnes)	Goods carried d	Known Australian ports visited *	Known foreign countries visited by
Bulk carriers					
RTM Gladstone	SGP	90.3	Bauxite	Brisbane, Darwin, Gladstone, Gove, Weipa	CHN
RTM Weipa	SGP	90.3	Bauxite	Brisbane, Gladstone, Gove, Weipa	CHN
RTM Wakmatha	SGP	90.3	Bauxite	Brisbane, Gladstone, Gove, Weipa	77.7
RTM Twarra	SGP	89.9	Bauxite	Brisbane, Gladstone, Gove, Weipa	CHN
RTM Piiramu	SGP	89.9			Cni
			Bauxite	Brisbane, Gladstone, Gove, Weipa	
CSL Reliance	BHS	49.5	Mineral sands, gypsum, sugar	Ardrossan, Bunbury, Fremantle, Geraldton, Gladstone, Melbourne, Sydney, Thevenard, Townsville	
Adelie	BHS	45.6	Gypsum, mineral sands, calcite, coal	Adelaide, Brisbane, Fremantle, Geelong, Geraldton, Gladstone, Hobart, Mackay, Melbourne, Port Kembla, Sydney, Thevenard, Whyalla	CHI
Acacia	BHS	40.7	Gypsum, fly ash, clinker	Adelaide, Brisbane, Devonport, Geelong, Gladstone, Melbourne, Port Kembla, Sydney, Thevenard	KO
Stadacona	BHS	32.5	Gypsum, cement, clinker	Adelaide, Brisbane, Geelong, Gladstone, Melbourne, Port Kembla, Thevenard	MYS, TWI
Luga	BHS	29.0	Cement, fly ash	Adelaide, Brisbane, Devonport, Gladstone, Melbourne, Newcastle, Sydney, Townsville	IDI
Kondili	BHS	28.4	Cement	Adelaide, Brisbane, Devonport, Gladstone, Melbourne, Townsville	NZL, TW
Wyuna	BHS	28.4	Cement, fly ash	Brisbane, Gladstone, Melbourne, Newcastle, Sydney, Townsville	INI
Donnacona#	AUS	28.1	Iron ore	Dampier, Other Ports WA	
Akuna	BHS	26.5	Cement, fly ash	Brisbane, Esperance, Gladstone, Melbourne, Newcastle, Sydney, Townsville	CHN, IDN, SG
Goliath#	AUS	15.5	Cement	Adelaide, Devonport, Gladstone, Melbourne, Sydney	TWI
Wunma	AUS	5.1	Zinc and lead concentrate	Bing Bong, Karumba, Thursday Island	PN
Aburri	AUS	3.3	Zinc and lead concentrate	Bing Bong	SG
General cargo ships					
Pioneer	HKG	22.1	General cargo	Hay Point, Mackay, Sydney	SG
ICS Silver Lining	ATG	12.7	Lead, zinc concentrate, coal, coke, general	Bell Bay, Burnie, Hobart, Melbourne, Newcastle, Port Kembla, Port Pirie, Sydney, Whyalla	
Victorian Reliance II#	AUS	11.5	cargo Ro-Ro, containers,	Burnie, Melbourne	SG
Tasmanian Achiever II#	AUS	11.5	general cargo Ro-Ro, containers, general cargo	Burnie, Hobart, Melbourne	SG
Searoad Tamar#	AUS	10.0	Ro-Ro, containers, general cargo	Devonport, Melbourne	
Accolade II#	AUS	8.1	Limestone	Adelaide, Klein Point	
Searoad Mersey II#	AUS	8.0	Ro-Ro, containers, general cargo	Devonport, Melbourne	
Spirit of Tasmania II#	AUS	5.1	Ro-Ro, containers, general cargo	Devonport, Melbourne, Sydney	
Spirit of Tasmania I#	AUS	5.1	Ro-Ro, containers, general cargo	Devonport, Melbourne, Sydney	
Aurora Australis#	AUS	3.9	General cargo	Hobart	
Trinity Bay#	AUS	3.2	General cargo, containers	Cairns, Cape Flattery, Other Ports Qld, Thursday Island, Weipa	
Newcastle Bay#	AUS	2.8	General cargo, containers	Cairns, Hay Point, Other Ports Qld, Thursday Island, Weipa	
John Duigan#	AUS	2.4	General cargo	Bell Bay, Devonport, Geelong, King Island	



Attachment 1 (cont)

Table 5.12 Ships in the major coastal trading fleet, 2018–19 (continued)

Ship name *	Flag b	DWT c ('000 tonnes)	Goods carried d	Known Australian ports visited •	Known foreign countries visited by
LPG Tankers					
Gas Shuriken	MHL	5.0	LPG	Brisbane, Cairns, Devonport, Gladstone, Hastings, Hobart, Sydney	PNG
Gas Defiance	MHL	5.0	LPG	Brisbane, Cairns, Darwin, Devonport, Gladstone, Hobart, Port Kembla, Sydney	
Tankers					
Alexander Spirit	BHS	40.1	Petroleum products	Adelaide, Albany, Brisbane, Cairns, Gladstone, Port Hedland, Sydney	CHN, IDN, JPN, SGP
ICS Integrity	BHS	7.5	Petroleum products	Geelong, Melbourne, Port Kembla, Sydney	
ICS Allegiance	BHS	6.1	Petroleum products	Geelong, Sydney	
ICS Reliance	BHS	6.1	Petroleum products	Geelong, Melbourne	
Larcom	AUS	4.0	Bunker fuel	Gladstone	PNG
Seger	AUS	3.6	Petroleum products	Brisbane, Cairns, Port Kembla, Sydney	SGP

- a Multiple names are listed for some ships because these ships changed their name during the financial year.
- Country codes are used in tables for ship flags and known countries visited by ships. Full name of countries are in "Appendix B: Trading regions and country codes".
- Ships of the same type are sorted by their size (DWT, '000 tonnes) in descending order.
- d The goods carried by ships in the trading fleet are derived based on industry knowledge.
- The "Known Australian ports visited" by ships may include other associated ports, terminals or facilities. Full list of ports is in "Appendix A: Australian ports".
- f Only includes foreign countries where there was at least one ship visit or departure directly from or to an Australian port.
- # Denotes major Australian registered vessels with a general trading licence.

Sources: DITRDC (2020), Lloyd's List Intelligence (2021), Shipping companies (various) – personal communications.



Attachment 2: Current temporary licensing process for eligible vessels to engage in coastal trading ¹ - Under the *Coastal Trading (Revitalising Australian Shipping) Act 2012*

Application must specify the following: Temporary licence - the number of voyages, which must be at least five or more, to be authorised Owner, charterer, master or agent of a vessel or a shipper, may by the licence apply to the Minister for a temporary licence to enable a vessel - the expected loading dates to be used to engage in coastal trading over a 12-month period the number of passengers expected to be carried (if any) - the kinds and volume of cargo expected to be carried (if any) Within two business days after the day the Minister - the type and size, or type and capacity, of the vessel to be used to carry the receives an application, the Minister must passengers or cargo (if known) - publish the application on the Department's website the name of the vessel (if known) - notify the following of the application: - the ports at which the passengers or cargo are expected to be taken on board - every general licence holder - the ports at which the passengers are expected to disembark or the cargo is to - a body or organisation that the Minister considers would be directly affected, or whose members would be directly - such other information as prescribed in the regulations affected, if the application were granted Within two business days after the day Within two business days after The Minister must give A general licence holder, may within the applicant receives notice, the the day an application is the temporary licence two days after the day an application published, written comments applicant must: is published, give the Minister a applicant any notice - undertake negotiations whether, and to on the application may be from a general licence notice in response, stating that: given to the Minister by: what extent, the general licence holder's holder - all of the passengers specified in the application could be carried; or a person (other than general vessel is equipped to carry the passengers or cargo specified in the licence holders) who would be all of a particular kind of cargo directly affected if the application, and whether they can be specified in the application could be application were, or were not, carried in a timely manner and the carried; or requirements of the shipper of the cargo granted; or all of the passengers and all of a - a body or organisation that - notify the Minister of the outcome of the kind of cargo specified in the application could be carried; or would be directly affected, or negotiations whose members would be all of the passengers and all of the directly affected, if the * cargo specified in the application application were, or were not, could be carried; or If the Minister receives one or more granted one or more voyages specified in notices in response in relation to the application, the Minister must have regard to the following in deciding the application: the application could be undertaken - the outcome of negotiations In deciding an application, the Minister may have regard to the following - whether, and to what extent, the general licence holder's vessel is equipped to (whether or not the Minister receives a notice): whether the applicant has previously held, or applied for, a temporary licence carry the passengers or cargo - whether the applicant has previously held a licence that was cancelled - whether those passengers or cargo can be carried on the expected loading dates - if the application relates to cargo and a vessel registered in the AISR, both whether the applicant owns the cargo and the vessel and whether the cargo is or within five days before or after the to be carried on the vessel relevant date - whether the applicant has been issued with an infringement notice under the - if the application relates to the carriage of cargo, the reasonable requirements of - any written comments received a shipper of the kind of cargo specified in - the object of the Act - any other matters that Minister thinks relevant the application Minister grants the application: Minister refuses application, must notify applicant and provide - the licence is valid for 12 months reasons and publish decision on Department website - the Minister must determine the number of voyages authorised by the licence If the Minister believes on reasonable grounds that a condition of a temporary licence has been Conditions imposed on all temporary licences: contravened, the Minister may give - any vessel used to undertake a voyage authorised by the licence The Minister may give a show cause must be registered in the AISR or under a law of a foreign country the licence holder a show cause notice to a temporary licence holder if notice to show why their licence - any other conditions prescribed by the regulations the Minister considers that, having should not be cancelled - Minister may impose additional conditions regard to: - the number of voyages authorised by Reporting requirements If the Minister has given a show the temporary licence cause notice and after - the loading dates authorised by the Temporary licence holder must, at least two days before the actual considering any statement from temporary licence loading date for a voyage authorised by the licence, notify the Minister: - the ports at which passengers or the licence holder is satisfied - the vessel to be used to undertake the voyage - evidence that the vessel to be used is registered in the AISR or under that a condition of the licence cargo are taken on board has been contravened, the - the ports at which passengers a law of a foreign country Minister may cancel the licence disembark or cargo is unloaded the date of the voyage whether the licence has been varied - the number of passengers to be carried during the voyage (if any) Minister must provide written notice to the licence holder that sets out: and if so, how many times - the kinds and volume of cargo to be carried during the voyage (if any) - the provisions relevant to the grant of - the ports at which the passengers or cargo will be taken on board - the day the cancellation takes a general licence - the ports at which the passengers will disembark or the cargo will be That the temporary licence is being effect used in a way that circumvents the - the reasons for the cancellation - the applicable penalty for failing to purpose of the general licence Temporary licence holder must give to the Department a report return the licence after the provisions or the object of the Act of its activities for the year, with a penalty if they fail to comply cancellation takes effect

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¹ Productivity Commission 2014, Tasmanian Shipping and Freight, Report No. 69, Inquiry Report, Appendix C, Canberra



ENDNOTES

ⁱ BITRE (2021). Australian Sea Freight 2018-19, July.

ⁱⁱ Department of Infrastructure and Transport (2011), Regulation Impact Statement: Reforming Australia's Shipping, Commonwealth Government, Canberra, August. Please note page vii of the RIS where it demonstrates that the more successful the policy is in increasing the size of the Australian coastal fleet the greater the cost to the Australian economy, especially small to medium sized businesses involved in the movement of dry bulk goods.

iii Ibid

iv Deloitte Access Economics (2012). Economic Impacts of the Proposed Shipping Reform Package, February.

[∨] Ibid

vi BITRE (2021). Australian Sea Freight 2018-19, July.