



July 2014

AgForce Submission
Coastal sea freight submission



Introduction

AgForce Queensland (AgForce) is the peak industry group representing the majority of beef, sheep and wool, and grain producers in Queensland. AgForce represents around 5,000 members and exists to ensure the long term growth, viability, competitiveness and profitability of these industries. Our members provide high quality food and fibre products to Australian and overseas consumers, manage a significant proportion of Queensland's natural resources and contribute to the social fabric of rural and remote communities.

AgForce welcomes the Queensland Parliament Transport, Housing and Local Government Committee's (the committee) inquiry into Coastal Sea Freight (the inquiry) and thanks the committee for the opportunity to contribute.

AgForce has previously welcomed the Queensland Governments' commitment to agriculture as a pillar of the economy, and looks forward to the continued work by this Government in reaching its election commitment of doubling the value of agriculture by 2040.

Terms of Reference for the Inquiry

AgForce understands the Terms of Reference provided to the Committee were as follows:

1. Consider what benefits arise from a scheduled 'weekly' coastal shipping service, in terms of reducing road and rail congestion and managing future freight demand;
2. Consider what impact a coastal shipping service would have on competition in the Queensland freight transport sector;
3. Consider the implications of coastal shipping policy for defence support, disaster management, maritime safety, community amenity, environmental sustainability and tourism;
4. Investigate cross-jurisdictional differences that exist between the states in regulating trading vessels on intrastate voyages that might impact on competition and increase costs within the coastal shipping industry.
5. Review the policy and regulatory arrangements of the Coastal Trading (Revitalising Australian Shipping) Act 2012 including the impacts of the 3 tier Licensing system on establishing an intra-state coastal shipping trade in Queensland waters; and
6. Investigate whether Queensland benefits from the uniform regulation of these vessels under existing Commonwealth legislation, and make recommendations where necessary for proposed amendments.

There have been numerous inquiries and independently commissioned reports relating to coastal shipping, along with freight transport at both a Federal and State level. AgForce has made a submission in relation to the transport industry and network in Queensland¹, and has been party to

¹ Available: https://www.parliament.qld.gov.au/documents/committees/THLGC/2013/INQ-RAIL/submissions/021_AgForce1.pdf

a recent joint submission regarding the Draft Port Access Code². AgForce is also supportive of a recent submission made by our national representative body the National Farmers' Federation on the Options Paper: Approaches to regulating coastal shipping in Australia inquiry³.

It is vital that the ongoing inquiries dovetail into each other, ensuring the State and Federal freight network is integrated and cost competitive. Any development of a coastal shipping policy should draw on the recommendations made within previous inquiries to feed into the TORs provided to the Committee for this inquiry.

In line with previous submissions and regarding the Committee's inquiry into an efficient and productive coastal shipping policy, AgForce supports and recommends:

- The development of a sustainable integrated, multi-modal freight strategy and network;
- A regulatory environment that encourages an efficient, cost effective shipping environment for all freight;
- Fair and reasonable terms of access, with cost savings reflected in the supply chain through to the primary producer;
- Retention of regulations that protect Queensland's biosecurity status.

Regulatory environment

The current barriers to an effective coastal sea freight network in Queensland appear to be regulatory. AgForce understands that the current regulatory framework is prohibitive to an efficient, cost effective shipping environment for all freight and is supportive of the Productivity Commission Inquiry into coastal shipping policy and regulations which examined approaches to regulating coastal shipping in Australia.

As a member organisation of the National Farmers Federation, we support the four recommendations developed in their comprehensive Submission to the Options Paper: Approaches to regulating coastal shipping in Australia and we are pleased to endorse their findings to improving the status quo for agricultural freight. These recommendations were as follows⁴:

1. Repeal of the *Coastal Trading (Revitalising Australian Shipping) Act 2012* (Cth) and legislation to preserve importation rules as necessary to avoid unintended harsh outcomes or further restricted access to coastal trade;
2. Repeal collective bargaining provisions in the *Shipping Registration Amendment (Australian International Shipping Register) Act 2012* (Cth) (AISR Act);
3. Repeal regulations in the *Fair Work Regulations 2009* (Cth) that extend the *Fair Work Act 2009* (Cth) to ships engaged in the Australian coastal trade and to majority Australian-crewed ships; and

² Available:

<http://www.grainproducerssa.com.au/media/Documents/Submissions/Combined%20Farmer%20Organisation%20Submission%20in%20response%20to%20the%20Port%20Access%20Code%20%28final%29.pdf>

³ Source: National Farmers Federation, 2014. Available at: <http://www.nff.org.au/submissions-search.html?subcategoryid=3420>

⁴ Source: National Farmers Federation, 2014. Available at: <http://www.nff.org.au/submissions-search.html?subcategoryid=3420>

4. Make new regulations to expressly exclude ships engaged in the coasting trade from coverage of the *Fair Work Act 2009* (Cth).

A cost competitive, effective freight network that includes a coastal shipping policy could become vital to broad acre agriculture. In Queensland transport represents one of the biggest post farm gate costs for primary producers; the cost of freight can be up to 48 pc of farm operational costs in delivering products to point of sale.⁵ For example, transport of a 550 kilogram steer from Surat, Southern Inland Queensland to Yokohama, Japan represents 13.1 pc of the total farm gate value. Similarly, to deliver a live beast from Queensland to Indonesia represents around 30 pc of total farm gate price. Equally, transporting grain to port in Queensland is the most expensive in Australia at \$73 per tonne⁶ and port costs are estimated to be roughly 30per cent of the total supply chain costs, growing at a rate faster than other supply chain costs⁷.

It is worth noting that producers generally do not engage with the ports directly, as this is handled by other parts of the supply chain. Yet, the costs are usually passed back down the supply chain directly to the producer. Therefore it is imperative that a coastal shipping policy is developed with the primary producer in mind. A well-developed coast shipping policy could potentially allow for more efficient and effective movement of agricultural products within Queensland and Australia-wide increasing our competitive advantage.

Under the current circumstances within the coastal shipping environment, studies have shown that coastal shipping cannot compete with other forms of freight transport. A 2010 report by Bendall and Books stated⁸:

“coastal shipping of containers will never be competitive against road alternatives in corridors where the road distance is less than can be accommodated by one day of driving (for next day delivery guarantees).”

The report goes on to say in its conclusion that there are few corridors on which coastal shipping might compete effectively against rail or road operations. AgForce has received feedback that the cost of shipping empty containers around the coast is approximately double what it could be under the current industrial relations regulations. Further, due to the compliance costs associated with current coastal shipping arrangements, including but not limited to the cost of licence requirements, and wage costs for foreign vessels operating in the Australian coastal trade, there has been a distinct

⁵ Source: Australian Farm Institute, 2011. Available at:

<http://www.farminstitute.org.au/CatalogueRetrieve.aspx?ProductID=1412361&A=SearchResult&SearchID=5958859&ObjectID=1412361&ObjectType=27>

⁶ Source: Australian Export Grains Innovation Centre, 2014. *The Cost of Australia's bulk grain export supply chains – An Information paper.*

⁷ Source: Joint Submission in response to the draft Port Access Code, 2014. Available at:

<http://www.grainproducerssa.com.au/media/Documents/Submissions/Combined%20Farmer%20Organisations%20Submission%20in%20response%20to%20the%20Port%20Access%20Code%20%28final%29.pdf>

⁸ Source: Institute of Transport and Logistics Studies Working Paper ITLS-WP-10-12, “Short sea shipping: Lessons for or from Australia? Available at:

http://sydney.edu.au/business/_data/assets/pdf_file/0014/70502/itls-wp-10-12.pdf

decline in companies servicing coastal shipping in Australia, including an absence of foreign flagged vessels and a complete lack of competition in the industry.

Any alternative, such as a coastal sea freight network, aiming to remove pressures from the road and rail network, must be commercially viable and deliver real cost savings to primary producers within the supply chain.

Historically, a coastal shipping policy has been ineffective and there has not been the infrastructure in place to support a coastal shipping policy. AgForce notes the Port of Brisbane submission to this inquiry indicates that relatively minor investment would be needed to deliver the “entire length of sea lane infrastructure used by coastal shipping”. Should this be the case it warrants further investigation and potentially a cost benefit analysis to determine the best way to integrate a coastal shipping policy into the transport and freight network to maximise the returns for government dollars spent. Additionally, any public investment in infrastructure must ensure an even distribution of funds within the differing cargo types, for example across the live cattle, bulk cargo and boxed beef areas at the various applicable ports. There must also be a willingness of post-farm gate participants to embrace these coastal services to ensure investment is maximised.

AgForce is of the view there are various commercial opportunities that require further investigation. These include:

- A feeder shipping service from northern abattoirs to the Port of Brisbane for meat commodities.
- Interstate shipping of livestock.
- Interstate shipping of grain where there is a supply/demand imbalance.
- Interstate shipping of agricultural goods for example fodder or fertiliser.

These commercial opportunities however would be dependant (at a minimum) on the following:

- An appropriate regulatory environment.
- An appropriate road and rail infrastructure network to support the port network.
- Competitive cost as opposed to other forms of road transport, and
- Volume of supply.

AgForce once again thanks the committee for the opportunity to make comment on the inquiry into a coastal sea freight shipping policy. Should the committee have further questions in relation to any information included in this submission please contact AgForce Grains Policy Director Tamara Badenoch, on [REDACTED] or via email [REDACTED]