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### **Coastal Trading Reform – Where to from here?**

The Australian Aluminium Council welcomes the opportunity to provide input into developing solutions for a better coastal trading system. In considering its response the Council acknowledges that opening the coast, a strategic fleet and high cost subsidies are not on the table.

The Australian bauxite, alumina and aluminium industry relies on shipping as an essential mode of transport in the production supply chain, providing a maritime conveyor for vertically integrated facilities. Vessels are used to transport both bauxite and alumina to refineries and smelters respectively, as well as to carry other inputs that are essential to the operation of the facilities. Interstate shipping may also be the mode of transport used to move the finished product from aluminium smelters. Timeliness of delivery is of great importance to operations and costs of freight are substantial for the companies involved. The industry has annual interstate coastal shipping requirements of approximately 3.5 million tonnes.

The key issues for the industry under the Coastal Trading Act 2012 can be summarised as:

- Currently, no General Licence holder able to service the alumina dry bulk market;
- Previously, only a single General Licence holder was able to service the alumina dry bulk market, leading to a monopoly situation at substantially higher costs than existed previously in the market;
- Applications by General Licence holders for voyages with vessels which were unsafe or unsuitable for the route; and
- Even if there were competitive, safe and suitable vessels, the requirement to apply for a minimum of five voyages under a Temporary Licence and to lock-in loading dates and ports, does not allow for sufficient operational flexibility.

Therefore, potential solutions to the issues currently faced would include, in order of hierarchy:

- 1) Publication of a schedule of specific routes / trades where there are currently no General Licence (GL) vessels and voyages undertaken on these routes / trades would be exempt from the current process.
  - a) Publication of these routes / trades would indicate to potential GL holders where there was an opportunity to commercially enter the market, providing an incentive for new operators to enter the market; and
  - b) A process would then be required to define how GL holders could re-enter this market. For example, if a GL holder re-enters the market after it has been determined that there are no GL vessels, then requiring a tolerance/grace period of 2 weeks for a GL holder to re-enter the market.
  
- 2) For routes / trades, still subject to the current process:
  - a) Remove the five voyage minimum requirement for a temporary licence (TL), allowing for applications for a single voyage;
  - b) Amend the tolerance provisions and voyage notification requirements, to allow loading and discharge ports and dates to be varied in order to allow adequate operational flexibility;
  - c) Broaden the definition of an 'emergency' to encompass any circumstance that risks the ongoing operation or viability of a facility dependent on inputs being delivered via coastal shipping; and
  - d) Where the Minister or the Department is required to make a decision or judgement – including issuing or adjusting Temporary Licences (TL) - there should be a requirement to consider commercial factors (including value for money to the party contracting the shipping); safety and vessel suitability.

The Council welcomes the opportunity to be involved further in the development of a better coastal trading system,



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