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Dear Andrew

***Re: Coastal Trading Reform for Cargo Vessels – Discussion Paper***

The Australian Aluminium Council (the Council) welcomes the opportunity to respond to Coastal Trading Reform for Cargo Vessels – Discussion Paper (the Paper) which is seeking to develop 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 Council provides the following perspective on the eight key changes proposed in the Paper:

1. The Council acknowledges the separation of licencing for cargo and passenger vessels, recognising these operations are very different.
2. The requirement for general licence holders to nominate the cargo, routes and volumes for which the challenge temporary licences is an improvement. Currently, no General Licence holder is able to service the alumina dry bulk market, providing an unnecessary administrative burden to both general licence holders and Australian industry.

The Council believes that 30 business days an appropriate amount of time to notify companies of a new General Licence nomination. This allows a reasonable period for industry to adjust their operating schedules.

However, the Council believes the ‘reasonableness test’ should be extended to consider commercial factors (including value for money to the party contracting the shipping); safety and vessel suitability. This view is based upon previous industry experience where 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; and applications by General Licence holders for voyages with vessels which were unsafe or unsuitable for the route.

The Council therefore considers that there should be a requirement for the Department to consult with existing users of the route regarding the GL application, to ensure that the GL applicant is

practically able to service the route/cargo. This is a modification to the process outlined as part of Step 5 on P8 of the Paper.

3. The removal of the five-voyage minimum improves the operational flexibility, allowing companies to make one of voyages or use spot hire at short notice.
4. The Paper currently proposes automatic approval of temporary licences, where there is no approved general licence holder. While this is an improvement on the current process, it still places an administrative burden on Australian industry who must still apply for a temporary licence, even where there is no approved general licence holder for that route / cargo. The Council believes this administrative burden is unnecessary.
5. The Council does not have any express views on the timeframes for new matters and authorised matters.
6. The ability to modify most voyage details, with the exception of the vessel name, provides the additional operational flexibility Companies require, including the need to vary loading dates and ports.
7. The Council believes that the tolerance limits for voyages which overlap with a nominated route / cargo need to be amended to allow loading and discharge ports and dates to be varied in order to allow adequate operational flexibility.
8. The Council supports the broadening of the definition of emergency licences, noting that the lack of issuing of an Emergency Licence in the past eight years under the current framework is an indication that the current definition is too narrow. The Council believes that the definition should be broadened to encompass any circumstance that risks the ongoing operation or viability of a facility dependent on inputs being delivered via coastal shipping. This should be covered by the inclusion of an unavoidable, industrial or business process breakdown that would have clear and substantial impacts on the supply chain.

The Council acknowledges the improvements put forward in this Paper and welcomes the opportunity to be involved further in the development of a better coastal trading system. Please do not hesitate to contact me if you wish to discuss this response further.



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